Use these links to rapidly review the document
TABLE OF CONTENTS
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF ELDORADO RESORTS, INC.

Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

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

**For the fiscal year ended December 31, 2014**

**OR**

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

**For the transition period to**

**Commission File No. 001-36629**

# ELDORADO RESORTS, INC.
(Exact name of registrant as specified in its charter)

| **Nevada** | **46-3657681** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**100 West Liberty Street, Suite 1150**
**Reno, Nevada 89501**
(Address of principal executive offices)

**Telephone: (775) 328-0100**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $.00001, par value | NASDAQ Stock Market |

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§299.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

The aggregate market value of the common stock held by non-affiliates of the Registrant's predecessor, MTR Gaming Group, Inc., was approximately $119,746,017 at June 30, 2014 based upon the closing price for the shares of MTR's common stock as reported by The Nasdaq.

As of March 6, 2015, there were 46,426,714 outstanding shares of our Common Stock.

**Documents Incorporated by Reference**

Portions of the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A in connection with the Registrant's 2015 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this report. Such Proxy Statement will be filed with the Commission not later than 120 days after the conclusion of the Registrant's fiscal year ended December 31, 2014.

**ELDORADO RESORTS, INC.**

**ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2014**

**TABLE OF CONTENTS**

# PART I

## Item 1. Business.

### Overview

We are a gaming and hospitality company established in 1973 that owns and operates gaming facilities located in Louisiana, Nevada, Ohio, Pennsylvania and West Virginia. Our primary source of revenue is gaming, but we use our hotels, restaurants, bars, shops and other services to attract customers to our properties. We were founded as a family business by the Carano family and continue to maintain our commitment to customer service, high-quality food and beverage and outstanding amenities. We believe that our extraordinary level of personal service and the variety, quality and attractive pricing of our food and beverage outlets are important factors in attracting customers to our properties and building customer loyalty. We own and operate the following properties:

- Eldorado Resort Casino, Shreveport ("Eldorado Shreveport")—A 403-room, all suite art deco-style hotel and tri-level riverboat dockside casino situated on the Red River in Shreveport, Louisiana;
- Eldorado Hotel and Casino, Reno ("Eldorado Reno")—A 814-room hotel, casino and entertainment facility located in downtown Reno, Nevada;
- Silver Legacy Resort Casino ("Silver Legacy")—A 1,711-room themed hotel and casino in which we own a 48.1% interest and is located adjacent to Eldorado Reno;
- Mountaineer Casino, Racetrack and Resort ("Mountaineer")—A 354-room resort with a casino and live thoroughbred horse racing located on the Ohio River at the northern tip of West Virginia's northwestern panhandle;
- Presque Isle Downs and Casino ("Presque Isle Downs")—A casino and live thoroughbred horse racing facility with slot machines, table games and poker located in Erie, Pennsylvania; and
- Scioto Downs—A live thoroughbred horse racing facility with video lottery terminals located in Columbus, Ohio.

In addition, Scioto Downs, through its subsidiary RacelineBet, Inc., also operates Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

Eldorado Resorts, Inc. ("ERI" or the "Company"), a Nevada corporation, was formed in September 2014 to be the parent company following the merger of wholly owned subsidiaries of the Company into Eldorado HoldCo LLC ("HoldCo"), a Nevada limited liability company formed in 2009 that is the parent company of Eldorado Resorts LLC ("Resorts"), which owns Eldorado Shreveport, Eldorado Reno and the interest in the Silver Legacy, and MTR Gaming Group, Inc. ("MTR Gaming"), a Delaware corporation incorporated in 1988 that owns Mountaineer, Presque Isle Downs and Scioto Downs (the "Merger"). Effective upon the consummation of the Merger on September 19, 2014 (the "Merger Date"), MTR Gaming and HoldCo each became a wholly owned subsidiary of ERI and, as a result of such transactions, Resorts became an indirect wholly owned subsidiary of ERI.

### Properties

As of December 31, 2014, we own or operate 431,609 square feet of casino space, containing 7,829 slot machines, 240 table games, 2,150 VLTs and 3,282 hotel rooms.

For financial reporting purposes, we aggregate our properties into three reportable business segments: (i) Eldorado Shreveport; (ii) Eldorado Reno; and (iii) MTR Gaming. For further financial information related to our segments as of and for the three years ended December 31, 2014, see

Note 17, *Segment Information*, to our consolidated financial statements presented in Part IV, Item 15. Financial Statement Schedules.

The following table sets forth certain information regarding our properties (listed by the segment in which each such property is reported), as of and for the year ended December 31, 2014:

| | Year Opened or Acquired | Casino Space (Sq. ft.) | Slot Machines | VLTs | Table Games | Hotel Rooms | Hotel Occupancy | Average Daily Rate |
|---|---|---|---|---|---|---|---|---|
| **Eldorado Shreveport** | | | | | | | | |
| Eldorado Shreveport | 2005 | 28,209 | 1,474 | N/A | 53 | 403 | 89.6% | $ 64.50 |
| **Eldorado Reno** | | | | | | | | |
| Eldorado Reno | 1973 | 76,500 | 1,223 | N/A | 48 | 814 | 82.0% | $ 72.57 |
| Silver Legacy(1) | 1995 | 89,200 | 1,314 | N/A | 63 | 1,711 | 63.4% | $ 79.72 |
| **MTR Gaming** | | | | | | | | |
| The Mountaineer Casino, Racetrack & Resort | 1992 | 93,300 | 2,098 | N/A | 39 | 354 | 82.8% | $ 44.93 |
| Presque Isle Downs & Casino | 2007 | 61,400 | 1,720 | N/A | 37 | N/A | N/A | N/A |
| Scioto Downs | 2012 | 83,000 | N/A | 2,150 | N/A | N/A | N/A | N/A |

(1) We own a 48.1% interest in the Silver Legacy and have the right to acquire an additional 1.9% interest.

*Eldorado Shreveport*

Eldorado Shreveport is a premier resort casino located in Shreveport, Louisiana, the largest gaming market in Louisiana, adjacent to Interstate 20, a major highway that connects the Shreveport market with the attractive feeder markets of East Texas and Dallas/Fort Worth, Texas. Eldorado Shreveport was built next to an existing riverboat gaming and hotel facility formerly operated by Harrah's Entertainment and now operated by Boyd Gaming Corporation. The two casinos form the first and only "cluster" in the Shreveport/Bossier City market, allowing patrons to park once and easily walk between the two facilities. There are currently six casinos and a racino operating in the Shreveport/Bossier City market, which is the largest gaming market in Louisiana. The Shreveport/Bossier City gaming market permits continuous dockside gaming without cruising requirements or simulated cruising schedules, allowing casinos to operate 24 hours a day with uninterrupted access. Based on information published by the state of Louisiana, the six casino operators and racino in the Shreveport/Bossier City market generated approximately $736.1 million, $727.3 million, and $713.3 million in gaming revenues in 2014, 2013 and 2012, respectively.

The principal target markets for Eldorado Shreveport are patrons from the Dallas/Fort Worth Metroplex and East Texas. There are approximately 7.2 million adults who reside within approximately 200 miles of Shreveport/Bossier City. Eldorado Shreveport is located approximately 180 miles east of Dallas and can be reached by car in approximately three hours. Flight times are less than one hour from both Dallas and Houston to the Shreveport Regional Airport.

Eldorado Shreveport is a modern, Las Vegas-style resort with a gaming experience that appeals to both local gamers and out-of-town visitors. Our integrated casino and entertainment resort benefits from the following features:

- A location that positions us as the first casino that customers reach when driving to Shreveport from our primary feeder markets and the Shreveport Regional Airport;

- A purpose-built 80,634-square foot barge that houses approximately 28,200 square feet of gaming space, as measured by the actual footprint of the gaming equipment, offering 1,474 slots, 53 table games and a poker room with nine tables;
- An approximately 185,000 square foot land-based pavilion featuring a 60-foot high atrium that enables patrons to see the casino floor;
- An 85-foot wide seamless entrance that connects the casino to the land-based pavilion on all three levels resulting in the feel of a land-based casino;
- Numerous restaurants and entertainment amenities, including a deli and ice cream shop, VIP check-in, a premium quality bar and a retail store;
- A luxurious 403-room, all-suite, hotel, with updated rooms featuring modern décor and flat screen TVs;
- Part of the only "cluster" in our market that allows for walkable visits between two gaming facilities with over 900 hotel rooms;
- A 380-seat ballroom with four breakout rooms, a 5,940-square foot spa, a fitness center and salon, a premium players' club and an entertainment show room; and
- Two parking lots and an eight story parking garage providing approximately 1,800 parking spaces that connects directly to the pavilion by an enclosed walkway, including valet parking for approximately 300 vehicles.

Eldorado Shreveport offers award winning cuisine ranging from fine dining to a sports themed casual diner. Eldorado Shreveport's four dining venues include the following:

- ***The Vintage***, with a seating capacity of approximately 175, is a gourmet steakhouse offering 100% USDA prime beef and fresh seafood along with an extensive wine list;
- ***The Cinema Cafe***, with a seating capacity of approximately 24, is a self-service deli featuring pre-made sandwiches, fresh pastries, gourmet coffees, salads, desserts and ice cream;
- ***The Buffet***, with a seating capacity of approximately 328, serves a variety of regional to ethnic dishes, including Mexican, steak and seafood buffet, fresh salads and desserts; and
- ***Sportsmans' Paradise Café***, with a seating capacity of approximately 197, and which is located in the pavilion, offers 24-hours-a-day service with a menu featuring omelets and buttermilk pancakes to thick steaks and gourmet burgers as well as a wide variety of southern favorites and the Noodle Bar, an authentic Asian noodle kitchen.

The riverboat casino floats in a concrete and steel basin that raises the riverboat nearly 20 feet above the river. The basin virtually eliminates variation in the water height and allows the boat to be permanently moored to the land-based pavilion. Eldorado Shreveport's computerized pumping system is designed to regulate the water level of the basin to a variance of no more than three inches.

*Eldorado Reno*

We also own and operate Eldorado Reno, an 814-room premier hotel, casino and entertainment facility centrally located in downtown Reno, Nevada. Reno is the second largest metropolitan area in Nevada, with a population of approximately 433,700 according to the most recently available census data, and is located at the base of the Sierra Nevada Mountains along Interstate 80, approximately 135 miles east of Sacramento, California and 225 miles east of San Francisco, California. Reno is a destination market that attracts year-round visitation by offering gaming, numerous summer and winter recreational activities and popular special events such as national bowling tournaments. Management believes that approximately two-thirds of visitors to the Reno market arrive by some form of ground

transportation. Popular special events include the National Championship Air Races, the Reno-Tahoe Open PGA tour event, Street Vibrations, a motorcycle event, and Hot August Nights, a vintage car event.

According to the Reno-Sparks Convention & Visitors Authority (the "Visitors Authority"), the greater Reno area attracted approximately 4.6 million and 4.7 million visitors during the years 2014 and 2013, respectively. Based on information reported by the Visitors Authority and the Nevada State Gaming Control Board, gaming revenues for the Reno/Sparks gaming markets were $671.6 million, $670.1 million and $644.8 million in 2014, 2013 and 2012, respectively.

The National Bowling Stadium, located one block from Eldorado Reno, is one of the largest bowling complexes in North America and has been selected to host multi-month tournaments in Reno every year through 2018 except for 2017. It has also been selected to host ten United States Bowling Congress ("USBC") tournaments from 2019 through 2026. During this period, two of the ten USBC Tournaments may be held in the same year. Through a one-time agreement, the National Bowling Stadium hosted the USBC Open Tournament in Reno in 2014; usually an off-year for Reno. Historically, these multi-month bowling tournaments have attracted a significant number of visitors to the Reno market and have benefited business in the downtown area, including Eldorado Reno. The USBC Women's Tournament took place in Reno beginning in mid-April through early July 2012 and attracted approximately 29,700 women bowlers. The USBC Tournaments brought approximately 73,000 bowlers to the Reno area during the 2013 tournament period which began on March 1st and continued through July 7th. Both tournaments returned to Reno in 2014 and brought approximately 61,700 bowlers to the Reno area during the 2014 tournament period which began on February 28th and continued through July 12th. According to the Visitors Authority, bowling tournaments held at the National Bowling Stadium attract visitors from markets that do not normally contribute substantially to Reno's visitor profile. The National Bowling Stadium also features a large-screen movie theater, retail space and can be configured to host special events and conventions.

Eldorado Reno currently offers:

- Approximately 76,500 square feet of gaming space, with 1,223 slot machines and 48 table games;
- 814 finely-appointed guest rooms, including 134 suites, which include "Eldorado Player's Spa Suites" with bedside spas and one or two bedroom suites;
- Nationally-recognized cuisine which ranges from buffet to gourmet;
- A 566-seat showroom, a VIP lounge, three retail shops, a versatile 12,010 square foot convention center and an outdoor plaza located diagonal to Eldorado Reno which hosts a variety of special events; and
- Parking facilities for over 1,100 vehicles, including a 643-space self-park garage, a 123-space surface parking lot and a 352-space valet parking facility.

Eldorado Reno is centrally positioned in the heart of Reno's prime gaming area and room base and is easily accessible to both foot and vehicular traffic. With three towers, including a 26-story tower that lights up with over 2,000 feet of neon at night, Eldorado Reno is visible from Interstate 80, attracting visitors to the downtown area and generating interest in the property. Management believes Eldorado Reno serves as a downtown landmark, situated to attract foot traffic from other casinos as well as from the local populace. In addition, Eldorado Reno is easily accessible to visitors competing in and attending the various bowling tournaments that are held in the National Bowling Stadium and to visitors attending events in the Reno Event Center and a city-owned downtown ballroom facility, all of which are located just one block away.

Management believes that Eldorado Reno's casino's mix of slot machines and table games, including blackjack, craps, roulette, Pai Gow Poker, Let It Ride®, mini-baccarat, a keno lounge, a race

and sports book and a poker room, makes it attractive to both middle-income and premium-play customers. A diverse selection of table games and a variety of table limits encourage play from a wide range of gaming customers, which management believes makes Eldorado Reno one of the premier table games casinos in the Reno market.

The interior of the hotel is designed to create a European ambiance where hotel guests enjoy panoramic views of Reno's skyline and the majestic Sierra Nevada mountain range. Management believes that attention to detail, decor and architecture have created an identifiable and innovative presence in the Reno market for Eldorado Reno.

Eldorado Reno is nationally recognized for its cuisine. Its nine dining venues, which have an aggregate seating capacity of more than 1,400, range from buffet to gourmet and offer high quality food at reasonable prices.

Eldorado Reno's dining venues include the following:

- ***Roxy's***, with a seating capacity of approximately 160, is a Parisian-style bistro, restaurant and bar with contemporary American influences offering French country fare, steaks and seafood along with an extensive wine list;
- ***Sushi Sake***, with a seating capacity of approximately 46, is located on the patio of Roxy's, provides sushi and libations in a contemporary Euro-Asian setting;
- ***La Strada***, with a seating capacity of approximately 164, features northern Italian cuisine in an Italian countryside villa setting;
- ***The Brew Brothers***, with a seating capacity of approximately 190, is located on the mezzanine level and offers an expansive menu, full-scale microbrewery and nightly entertainment;
- ***The Prime Rib Grill***, with a seating capacity of approximately 186, is a spirited, lively steak and seafood house specializing in prime rib and grilled entrees;
- ***The Buffet***, with a seating capacity of approximately 340, offers a 200-foot long buffet with a variety of cuisines, including American, Italian, Chinese, Mexican, Hop Wok grill, a pizza station and salad, fruit and ice cream bars;
- ***Millies24***, with a seating capacity of approximately 227, offers a 24-hour-a-day "coffee shop" restaurant and bakery featuring breakfast, lunch and dinner along with gourmet coffees and specialty cocktails;
- ***Pho Mein***, with a seating capacity of approximately 122, is an authentic Asian noodle kitchen featuring an array of Chinese and Vietnamese favorites available for dine-in or take-out; and
- ***Eldorado Coffee Company*** features Eldorado Reno's freshly roasted on-site blends, offering gourmet coffee and teas along with cakes, pies, and gelato.

Eldorado Reno's selection of high-quality food and beverages reflects our emphasis on the dining experience. Eldorado Reno chefs utilize homemade pasta, carefully chosen imported ingredients, fresh seafood and top quality USDA choice cuts of beef. Throughout the property, beverage offerings include *The Brew Brothers* micro brewed beers and wines from the Ferrari Carano Winery.

*Silver Legacy Resort Casino*

Silver Legacy, a joint venture between Resorts and MGM Resorts International (the "Silver Legacy Joint Venture"), opened in July 1995. Silver Legacy's design is inspired by Nevada's rich mining heritage and the legend of Sam Fairchild, a fictitious silver baron who "struck it rich" on the site of the casino. Silver Legacy's hotel, the tallest building in northern Nevada, is a "Y"-shaped structure with three wings, consisting of 37-, 34- and 31-floor tiers. Silver Legacy's opulent interior showcases a casino

built around Sam Fairchild's 120-foot tall mining rig, which appears to mine for silver. The rig is situated beneath a 180-foot diameter dome, which is a distinctive landmark on the Reno skyline. The interior surface of the dome features dynamic sound and laser light shows, providing visitors with a unique experience when they are in the casino.

Silver Legacy is situated on two city blocks, encompassing 240,000 square feet in downtown Reno. The hotel currently offers 1,711 guest rooms, including 141 player spa suites, eight penthouse suites and seven hospitality suites. Many of the Silver Legacy's guest rooms feature views of Reno's skyline and the Sierra Nevada mountain range. The Silver Legacy's 10-story parking facility can accommodate approximately 1,800 vehicles. As of December 31, 2014, the Silver Legacy's casino featured approximately 89,200 square feet of gaming space with approximately 1,314 slot machines and 63 table games, including blackjack, craps, roulette, Pai Gow Poker, Let It Ride®, Baccarat and Pai Gow, a keno lounge and a race and sports book. "Club Legacy," the Silver Legacy's slot club, offers customers exciting special events and tournaments and convenient ways of earning complimentaries and slot free play.

Silver Legacy's dining options are offered in eight venues, which have an aggregate seating capacity of more than 1,000 and include the following:

- ***Sterling's Seafood Steakhouse***, with a seating capacity of approximately 182, offers steaks and seafood along with an extensive wine list, tableside desserts and a Sunday brunch;
- ***Flavors! The Buffet***, with a seating capacity of approximately 412, offers seafood, American, Italian, Asian and Mexican cuisine;
- ***Pearl Oyster Bar and Grill***, with a seating capacity of approximately 95, offers specialized seafood dining, an expanded bar and innovative new grill options;
- ***Café Central***, with a seating capacity of approximately 191, offers a newly designed menu that includes American classics and Chinese cuisine 24-hours a day;
- ***Fresh Express Food Court***, with a seating capacity of approximately 102, offers a range of options including a deli and grill, authentic Asian cuisine and American classics;
- ***Hussong's Cantina Taqueria***, fabled to be the originator of the margarita, the landmark Hussong's Cantina of Ensenada, Mexico, features a large bar and seating capacity of approximately 80 and offers authentic Baja cuisine, sing-along rock n' roll Mariachi bands and universal appeal. This new leased venue opened in April of 2013.
- ***Sips Coffee & Tea***, situated in the hotel lobby, offers gourmet coffee and teas;
- ***Starbuck's Coffee Company***, a new licensed franchise opened in March of 2013 and is located on the casino floor providing a popular attraction for the downtown Reno corridor and Silver Legacy guests.

In addition, the hotel sponsors entertainment events which are held in the hotel's convention area. Silver Legacy's other amenities include retail shops, exercise and spa facilities, a beauty salon and an outdoor swimming pool and sundeck. A city-owned 50,000 square-foot ballroom containing approximately 35,000 square feet of convention space is operated and managed by Silver Legacy, together with Eldorado Reno and Circus Circus-Reno, and complements the existing Reno Events Center. It provides an elegant venue for large dinner functions and convention meeting space along with concert seating for approximately 3,000 attendees.

The Eldorado Reno, Silver Legacy and Circus Circus-Reno properties are connected in a "seamless" manner by enclosed, climate controlled corridors. These enclosed corridors serve as entertainment bridge ways between the three properties and house several restaurants and retail shops. Eldorado Reno, Silver Legacy and Circus Circus-Reno comprise the heart of the Reno market's prime

gaming area and room base, providing the most extensive and the broadest variety of gaming, entertainment, lodging and dining amenities in the Reno area, with an aggregate of 4,096 rooms, 24 restaurants and enough parking to accommodate approximately 6,100 vehicles, and as of December 31, 2014, approximately 3,443 slot machines and 146 table games. We believe that the centralized location and critical mass of these three properties, together with the ease of access between the facilities, provide Eldorado Reno with significant advantages over other freestanding hotel/casinos in the Reno market.

*Mountaineer Casino, Racetrack & Resort*

Mountaineer is one of only four racetracks in West Virginia currently permitted to operate slot machines and traditional casino table gaming. Mountaineer is located on the Ohio River at the northern tip of West Virginia's northwestern panhandle, approximately thirty miles from the Pittsburgh International Airport and a one-hour drive from downtown Pittsburgh. Mountaineer is a diverse gaming, entertainment and convention complex with:

- 93,300 square feet of gaming space housing approximately 2,098 slot machines, 39 casino table games (including blackjack, craps, roulette and other games), and 12 poker tables;
- 354 hotel rooms, including the 256-room, 219,000 square foot Grande Hotel at Mountaineer, 27 suites, a full-service spa and salon, a retail plaza and indoor and outdoor swimming pools;
- 12,090 square feet of convention space, which can accommodate seated meals for groups of up to 575, as well as smaller meetings in more intimate break-out rooms that can accommodate 75 people and entertainment events for approximately 1,500 guests;
- Live thoroughbred horse racing conducted from March through December on a one-mile dirt surface or a $^{7}/_{8}$ mile grass surface with expansive clubhouse, restaurant, bars and concessions, as well as grandstand viewing areas with enclosed seating for 3,570 patrons;
- On-site pari-mutuel wagering and thoroughbred, harness and greyhound racing simulcast from other prominent tracks, as well as wagering on Mountaineer's races at over 1,400 sites to which the races are simulcast;
- Woodview, an eighteen-hole par 71 golf course measuring approximately 6,200 yards located approximately seven miles from Mountaineer;
- A 69,000 square foot theater and events center that seats approximately 5,000 patrons for concerts and other entertainment offerings;
- A 13,650 square foot fitness center which has a full complement of weight training and cardiovascular equipment, as well as a health bar, locker rooms with steam and sauna facilities, and outdoor tennis courts; and
- Surface parking for approximately 5,300 vehicles.

Mountaineer's dining venues include the following:

- ***Big Al's,*** a 24-hour-a-day operation that offers Starbucks coffee products, pastries, sandwiches, pizza and ice cream;
- ***The Riverfront Buffet,*** with a seating capacity of approximately 250, offers a variety of cuisines, including American, Italian, comfort and seafood, along with a pizza station, carving station, salad and dessert bar;
- ***The Gatsby,*** with a seating capacity of approximately 144, featuring breakfast, lunch, and dinner, offers casual dining, a variety of comfort and Italian foods and daily specials;

- ***Mahogany Sports Bar,*** a sports bar that offers a variety of seasonal beverages for any time of the year;

- ***La Bonne Vie,*** "The Good Life," is a fine dining experience with a seating capacity of approximately 68, offering in house cut CAB steaks and seafood with an extensive wine list and weekly specials;

- ***Vickar's,*** located trackside and offering a variety of concession items;

- ***Mountaineer Club,*** located trackside is a tiered dining room overlooking the racetrack offering a buffet with most dining tables having a closed-circuit television monitor.

*Presque Isle Downs & Casino*

Presque Isle Downs & Casino ("Presque Isle Downs"), located in Erie, Pennsylvania, opened for business in 2007 and commenced table gaming operations in 2010. The 153,400 square foot facility consists of:

- 61,400 square feet of gaming space housing approximately 1,720 slot machines, 37 casino table games and a nine table poker room, which we began operating on October 3, 2011;

- Live thoroughbred horse racing conducted from May through September on a one-mile track with a state-of-the-art one-mile mile synthetic racing surface with grandstand, barns, paddock and related facilities, and indoor and outdoor seating for approximately 750 patrons;

- On-site pari-mutuel wagering and thoroughbred and harness racing simulcast from other prominent tracks, as well as wagering on Presque Isle Downs' races at over 1,200 sites to which the races are simulcast; and

- Surface parking for approximately 3,200 vehicles.

Presque Isle Downs' dining venues include the following:

- ***Backstretch Buffet***, with a seating capacity of approximately 250, offers a variety of cuisines, including Chinese, Mexican, American (or comfort food selections), Italian, a pizza station along with salad, fruit and ice cream bars;

- ***The Downs Clubhouse & Lounge***, with a seating capacity of approximately 300, is located on the second floor of the casino overlooking our state of the art thoroughbred race track, offering a casual dining experience with menu options that include casual American cuisine;

- ***La Bonne Vie***, with a seating capacity of approximately 75, is a French inspired traditional steakhouse with an intimate setting, offering a fresh selection of steak and seafood;

- ***The INCafé***, is a 24-hour-a-day "snack shop" restaurant featuring breakfast, lunch and dinner;

- ***Scoopin'***, offers a variety of locally sourced ice cream;

- ***Concessions,*** an outdoor venue open during live racing season that is also used to service outdoor concerts on the property.

*Scioto Downs*

Scioto Downs is located in the heart of Central Ohio, off Highway 23/South High Street, approximately eight miles from downtown Columbus. Columbus is the largest metropolitan area within the state of Ohio with a population of approximately 787,000 and a greater metropolitan area of approximately 1.8 million within 60 miles of downtown.

Scioto Downs ran its first Standardbred horse race in 1959 and has since established a rich and deep connection within the regional racing community. Opening VLT operations with a new 132,000 square foot gaming facility on June 1, 2012, Scioto Downs became the first "Racino" operation in the State of Ohio. The new gaming facility was designed to integrate as much as possible with the iconic and instantly recognizable racing structures; blending architectural features and aspects as much as possible to ensure a fluid seamless and marketable look.

Scioto Downs currently offers:

- 83,000 square feet of gaming space housing approximately 2,150 VLTs, including a 3,200 square foot outdoor gaming patio;
- Six full service bars which include the 120 seat lounge atmosphere of the Veil Bar which offers live entertainment three nights a week, the High Limit Bar, a sports bar with eight big screen TVs and state of the art audio, as well as supporting bars within our racing operations facilities;
- Live standard bred harness horse racing conducted from May through mid-September with barns, paddock and related facilities for the horses, drivers and trainers, that can accommodate over 2,600 patrons for live racing as well as a Summer Concert Series, featuring national acts;
- On-site pari-mutuel wagering and thoroughbred, harness and greyhound racing simulcast from other prominent tracks, as well as wagering on Scioto Downs' races at over 800 sites to which the races are simulcast; and
- Surface parking for approximately 3,500 vehicles.

Scioto Downs dining venues include the following:

- ***The Grove Buffet***, with a seating capacity of 273, features a variety of cuisines including American, Italian, Chinese, Mexican, a pizza station, salad and dessert bar;
- ***The DASH Café***, with a seating capacity of approximately 120, is a 24-hour-a-day café style restaurant featuring standard fare and grilled foods;
- ***The Clubhouse***, with a seating capacity of approximately 500, is our main racing dining venue featuring steaks, local favorite dishes, salads and desserts;
- ***Scioto Scoops***, offers a variety of ice cream and milkshakes available throughout the year;
- ***The Penthouse***, sandwich and snack bar catering to Simulcasting enthusiasts

**Competition**

The gaming industry includes land-based casinos, dockside casinos, riverboat casinos, casinos located on Native American reservations and other forms of legalized gaming. There is intense competition among companies in the gaming industry, many of which have significantly greater resources than we do. Certain states have legalized casino gaming and other states may legalize gaming in the future. Legalized casino gaming in these states and on Native American reservations near our markets or changes to gaming laws in states surrounding Nevada, Louisiana, West Virginia, Pennsylvania, or Ohio could increase competition and could adversely affect our operations. We also compete, to a lesser extent, with gaming facilities in other jurisdictions with dockside gaming facilities, state sponsored lotteries, on-and-off track pari-mutuel wagering, card clubs, riverboat casinos and other forms of legalized gambling. In addition, various forms of internet gaming have been approved in Nevada and New Jersey and legislation permitting internet gaming has been proposed by the federal government and other states. The expansion of internet gaming in Nevada and other jurisdictions could result in significant additional competition.

*Eldorado Shreveport.* The Shreveport/Bossier City, Louisiana gaming market is characterized by intense competition and the market has not grown appreciably since Eldorado Shreveport opened in December 2000. We compete directly with five casinos, all but one of which have operated in the Shreveport/Bossier City market for several years and have established customer bases. In addition, we also compete with the slot machine facility at Harrah's Louisiana Casino and Racetrack located in Bossier City and WinStar Casino and casino facilities owned by the Choctaw Nation located in Oklahoma. Casino gaming is currently prohibited in several jurisdictions from which the Shreveport/Bossier City market draws customers, primarily Texas. The Texas legislature has from time to time considered proposals to legalize gaming. Any such proposal would require an amendment to the Texas State constitution, which requires approval by two-thirds of the Texas State Legislature and approval by a majority of votes cast in a statewide voter referendum. Such approvals would legalize gaming in Texas notwithstanding vetoes by the Governor of casino gambling bills. There can be no assurance that casino gaming will not be approved in Texas in the future, which would have a material adverse effect on our business. Eldorado Shreveport competes with several Native American casinos located in Oklahoma, certain of which are located near our core Texas markets. WinStar Casinos, a Las Vegas-style gaming facility owned by the Chickasaw Nation, is located in Oklahoma approximately 60 miles north of the Dallas/Fort Worth area and has 500,000 square feet of gaming space, more than 7,400 electronic gaming devices, 88 table games, 46 poker tables, a 937-seat bingo hall, an event center, two hotel towers with over 1,500 rooms, a spa and a 27-hole golf course. Eldorado Shreveport also competes with Choctaw Casino Resort, a casino and hotel facility owned by the Choctaw Nation and located in Durant, Oklahoma, approximately 75 miles north of the Dallas/Fort Worth area, with approximately 3,500 electronic gaming devices, table games, 30 poker tables, a bingo hall, hotel, 5,500-seat capacity event center, an 1,000-seat concert hall, several restaurants, a buffet, amphitheater, dance hall, spa and RV park. Both the Chickasaw Nation and the Choctaw Nation are permitted to operate Class-III (as set forth in the Indian Gaming Regulatory Act) gaming devices in the state of Oklahoma, which permits them to offer Las Vegas-style gaming. Because Eldorado Shreveport draws a significant amount of customers from the Dallas/Fort Worth, Texas area, but is located approximately 190 miles from that area, we believe we will continue to face increased competition from gaming operations in Oklahoma, including the WinStar and Choctaw casinos, and would face significant competition that may have a material adverse effect on our business and results of operations if casino gaming were to be approved in Texas.

In June 2013, construction was completed on a new 30,000 square foot casino and 400-room hotel in Bossier City across the Red River from Eldorado Shreveport. The facility, which also includes several restaurants and a 1,000-seat entertainment arena, received final approval from the Louisiana Gaming Control Board and opened on June 15, 2013. The owner acquired the license for an existing casino site in Lake Charles, Louisiana and received the required regulatory approvals to move the location to Bossier City. In December 2014, a new luxury, land-based casino with 1,600 slot machines, 72 gaming tables, a poker room, and a 740-room hotel with a ballroom, spa and 18-hole golf course, opened in Lake Charles, Louisiana approximately 200 miles south of Eldorado Shreveport, but closer to the Houston, Texas market.

*Eldorado Reno.* Of the 31 casinos currently operating in the Reno market, we believe we compete principally with the six other hotel-casinos that, like Eldorado Reno and Silver Legacy, each generate at least $36 million in annual gaming revenues. At this time, we cannot predict the extent to which new and proposed projects will be undertaken or the extent to which current hotel and/or casino space may be expanded. We expect that any additional rooms added in the Reno market will increase competition for visitor revenue. There can be no assurance that any growth in Reno's current room base or gaming capacity will not adversely affect our financial condition or results of operations.

We also compete with hotel-casinos located in the nearby Lake Tahoe region as well as those in other areas of Nevada, including Las Vegas. A substantial number of customers travel to both Reno and the Lake Tahoe area during their visits. Consequently, we believe that our success is influenced to some degree by the success of the Lake Tahoe market. The number of visitors increased during the year ended December 31, 2014 compared with the prior year, and while we do not anticipate a significant change in the popularity of either Reno or Lake Tahoe as tourist destination areas in the foreseeable future, any decline could adversely affect our operations.

Since visitors from California comprise a significant portion of our customer base, we also compete with Native American gaming operations in California. In total, the State of California has signed and ratified compacts with 72 Native American tribes, and there are currently 60 Native American casinos operating in California, including casinos located in northern California, which we consider to be a significant target market. These Native American tribes are allowed to operate slot machines, lottery games and banking and percentage games on Native American lands. Although many existing Native American gaming facilities in northern California are modest compared to Eldorado Reno and Silver Legacy, a number of Native American tribes have established large-scale gaming facilities in California and some Native American tribes have announced that they are in the process of expanding, developing, or are considering establishing, large-scale hotel and gaming facilities in northern California. Off-reservation proposals for tribal gaming in northern California continue to face resistance at the federal and local levels.

Under their current compacts, most Native American tribes in California may operate up to 2,000 slot machines, and up to two gaming facilities may be operated on any one reservation. However, under action taken by the National Indian Gaming Commission, gaming devices similar in appearance to slot machines, but which are deemed to be technological enhancements to bingo style gaming, are not subject to such limits and may be used by tribes without state permission. The number of slot machines the tribes are allowed to operate may increase as a result of any new or amended compacts the tribes may enter into with the State of California that receive the requisite approvals, such as has been the case with respect to a number of new or amended compacts which have been executed and approved.

Management believes the Reno market draws over 50% of its visitors from California. As northern California Native American gaming operations have expanded, we believe the increasing competition generated by these gaming operations has negatively impacted, and may continue to negatively impact, principally drive-in, day-trip visitor traffic from our main feeder markets in northern California. A new gaming facility located in Sonoma County, California opened on November 5, 2013 with 3,000 slot machines, 144 table games, multiple dining options and a 10,000 square foot events center. In addition to gaming on Native American-owned land, California allows other non-casino style gaming, including pari-mutuel wagering, a state sponsored lottery, card clubs, bingo and off-track betting.

*MTR Gaming Properties.* Mountaineer, Presque Isle Downs and Scioto Downs primarily compete with gaming facilities located in West Virginia, Ohio and Pennsylvania, including, to a certain extent, each other, and gaming locations located in neighboring states including New York, Indiana and Michigan. In particular, Mountaineer (and to a lesser extent Presque Isle Downs) competes with other gaming facilities located in Pennsylvania, including The Rivers Casino located in downtown Pittsburgh, Pennsylvania and The Meadows Racetrack and Casino located in Washington, Pennsylvania, approximately 50 miles southeast of Mountaineer. An additional license has been granted for a casino to be located in Lawrence County Pennsylvania, approximately 45 miles from Mountaineer and 90 miles from Presque Isle Downs, which would result in further competition for both of those properties. Further, gaming facilities in Ohio that have recently commenced operations, including the Horseshoe Casino Cleveland, Hollywood Casino Columbus, ThistleDown Racino, Northfield Park and Beulah Park, present significant competition for Mountaineer, Presque Isle Downs and Scioto Downs.

Mountaineer competes with smaller gaming operations conducted in local bars and fraternal organizations. West Virginia law permits limited video lottery machines ("LVLs") in local bars and fraternal organizations. The West Virginia Lottery Commission authorizes up to 7,500 slot machines in these facilities throughout West Virginia. No more than five slot machines are allowed in each establishment licensed to sell alcoholic beverages, and no more than ten slot machines are allowed in each licensed fraternal organization. As of December 31, 2014, there were a total of approximately 700 LVL's in bars and fraternal organizations in Hancock county, West Virginia (where Mountaineer is located) and the two neighboring counties (Brooke and Ohio counties). Although the bars and fraternal organizations housing these machines lack poker and table gaming, as well as the amenities and ambiance of our Mountaineer facility, they do compete with Mountaineer, particularly for the local patronage.

While there are three other tracks and one resort in West Virginia that offer slot machine and table gaming, only one, Wheeling Island Casino, lies within Mountaineer's primary market in Wheeling, West Virginia. Wheeling Island Casino currently operates approximately 1,400 slot machines, nine poker tables, and 24 casino table games.

Scioto Downs has also competed with smaller gaming operations in Ohio commonly referred to as Internet/sweepstakes cafes. These establishments offer services including internet time and computer access, in addition to offering games such as poker and games that operate like slot machines. In March 2013, the Ohio General Assembly passed legislation which effectively bans the Internet cafes by defining use of the computers in these facilities as illegal gambling. Efforts have been underway to enforce the closure of the internet cafes.

Mountaineer's, and to a lesser extent Presque Isle Downs', racing and pari-mutuel operations compete directly for wagering dollars with racing and pari-mutuel operations at a variety of other horse and greyhound racetracks that conduct pari-mutuel gaming, including Wheeling Island Casino, in Wheeling, West Virginia; ThistleDown and Northfield Park, in Cleveland, Ohio; Beulah Park, in Austintown Ohio, and The Meadows Racetrack & Casino, in Washington, Pennsylvania. Wheeling Island Casino conducts pari-mutuel greyhound racing, simulcasting and casino gaming. Both ThistleDown and Northfield Park conduct pari-mutuel horse racing, with video lottery gaming which commenced in 2013. Beulah Park was relocated from Columbus, Ohio to Austintown, Ohio in 2014 and conducts pari-mutuel wagering, simulcasting and video lottery gaming. The Meadows Racetrack & Casino conducts live harness racing, simulcasting and casino gaming. Mountaineer (and to a lesser extent, Presque Isle Downs) also will compete with Valley View Downs in Lawrence County, Pennsylvania, if it is constructed and opened. Since commencing export simulcasting in August 2000, Mountaineer competes with racetracks across the country to have its signal carried by off-track wagering parlors. Mountaineer, Presque Isle Downs and Scioto Downs also competes for wagering dollars with off-track wagering facilities in Ohio and Pennsylvania, and competes with other racetracks for participation by quality racehorses.

All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off-track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming, including proposals at the state and federal levels that would legalize various forms of internet gaming. In addition, casinos in Canada have likewise recently begun advertising and increasing promotional activities in our target markets.

*General.* All of our gaming operations also compete to a lesser extent with operations in other locations, including Native American lands, and with other forms of legalized gaming in the United States, including state-sponsored lotteries, on- and off-track wagering, high-stakes bingo, card parlors, and the emergence of Internet gaming, including proposals at the state and federal levels that would legalize various forms of internet gaming. In addition, casinos in Canada have likewise recently begun

advertising and increasing promotional activities in our target markets. See "Item 1A. Risk Factors—Risks Related to Our Business—*We face substantial competition in the hotel and casino industry and expect that such competition will continue*" which is included elsewhere in this report.

**Governmental Gaming Regulations**

The gaming and racing industries are highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. These laws, rules and regulations generally concern the responsibility, financial stability and characters of the owners, managers, and persons with financial interests in the gaming operations. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals have been introduced in legislatures of jurisdictions in which we have operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and us. We do not know whether or when such legislation will be enacted. Gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. Any material increase in these taxes or fees could adversely affect us.

Some jurisdictions, including those in which we are licensed, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions.

Under provisions of gaming laws in jurisdictions in which we have operations, and under our organizational documents, certain of our securities are subject to restriction on ownership which may be imposed by specified governmental authorities. The restrictions may require a holder of our securities to dispose of the securities or, if the holder refuses, or is unable, to dispose of the securities, we may be required to repurchase the securities.

A more detailed description of the regulations to which we are subject is contained in Exhibit 99.1 to this Annual Report on Form 10-K, which is incorporated herein by reference.

**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. 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, and in certain jurisdictions do, require certificates for our securities to bear a legend indicating that the securities are subject to specified gaming laws.

**Taxation**

Gaming companies are typically subject to significant taxes and fees in addition to normal federal, state and local income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws.

**Internal Revenue Service Regulations**

The Internal Revenue Service requires operators of casinos located in the United States to file information returns for U.S. citizens, including names and addresses of winners, for keno, bingo and slot machine winnings in excess of stipulated amounts. The Internal Revenue Service also requires operators to withhold taxes on some keno, bingo and slot machine winnings of nonresident aliens. We are unable to predict the extent to which these requirements, if extended, might impede or otherwise adversely affect operations of, and/or income from, the other games.

Regulations adopted by the Financial Crimes Enforcement Network of the Treasury Department ("FINCEN") and the Nevada Gaming Authorities require the reporting of currency transactions in excess of $10,000 occurring within a gaming day, including identification of the patron by name and social security number. This reporting obligation began in May 1985 and may have resulted in the loss of gaming revenues to jurisdictions outside the United States which are exempt from the ambit of these regulations. In addition to currency transaction reporting requirements, suspicious financial activity is also required to be reported to FINCEN.

**Other Laws and Regulations**

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, food service, smoking, environmental matters, employees and employment practices, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

The sale of alcoholic beverages is subject to licensing, control and regulation by applicable local regulatory agencies. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any license, and any disciplinary action could, and revocation would, have a material adverse effect upon our operations.

**Intellectual Property**

We use a variety of trade names, service marks, trademarks, patents and copyrights in our operations and believe that we have all the licenses necessary to conduct our continuing operations. We have registered several service marks, trademarks, patents and copyrights with the United States Patent and Trademark Office or otherwise acquired the licenses to use those which are material to conduct our business. We also own patents relating to unique casino games. We file copyright applications to protect our creative artworks, which are often featured in property branding, as well as our distinctive website content.

**Seasonality**

Casino, hotel and racing operations in our markets are subject to seasonal variation. Winter conditions can frequently adversely affect transportation routes to each of our properties and also may cause cancellations of live horse racing at Mountaineer, Scioto Downs and Presque Isle Downs. As a result, unfavorable seasonal conditions could have a material adverse effect on our operations.

**Environmental Matters**

We are subject to various federal, state and local environmental, health and safety laws and regulations, including those relating to the use, storage, discharge, emission and disposal of hazardous

materials and solid, animal and hazardous wastes and exposure to hazardous materials. Such laws and regulations can impose liability on potentially responsible parties, including the owners or operators of real property, to clean up, or contribute to the cost of cleaning up, sites at which hazardous wastes or materials were disposed of or released. In addition to investigation and remediation liabilities that could arise under such laws and regulations, we could also face personal injury, property damage, fines or other claims by third parties concerning environmental compliance or contamination or exposure to hazardous materials, and could be subject to significant fines or penalties for any violations. We have from time to time been responsible for investigating and remediating, or contributing to remediation costs related to, contamination located at or near certain of our facilities, including contamination related to underground storage tanks and groundwater contamination arising from prior uses of land on which certain of our facilities are located. In addition, we have been, and may in the future be, required to manage, abate, remove or contain manure and wastewater generated by concentrated animal feeding operations due to our racetrack operations, mold, lead, asbestos-containing materials or other hazardous conditions found in or on our properties. Although we have incurred, and expect that we will continue to incur, costs related to the investigation, identification and remediation of hazardous materials or conditions known or discovered to exist at our properties, those costs have not had, and are not expected to have, a material adverse effect on our financial condition, results of operations or cash flow.

**Employees**

As of December 31, 2014, we had approximately 7,100 employees, including Silver Legacy. As of such date, we have four collective bargaining agreements covering approximately 500 employees.

**Cautionary Statement Regarding Forward-Looking Information**

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding our strategies, objectives and plans for future development or acquisitions of properties or operations, as well as expectations, future operating results and other information that is not historical information. When used in this report, the terms or phrases such as "anticipates," "believes," "projects," "plans," "intends," "expects," "might," "may," "estimates," "could," "should," "would," "will likely continue," and variations of such words or similar expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they are made, and we assume no duty to update forward-looking statements. Although our expectations, beliefs and projections are expressed in good faith and with what we believe is a reasonable basis, there can be no assurance that these expectations, beliefs and projections will be realized. There are a number of risks and uncertainties that could cause our actual results to differ materially from those expressed in the forward-looking statements which are included elsewhere in this report. Other factors beyond those listed below could also adversely affect us. Such risks, uncertainties and other important factors include, but are not limited to:

- Our substantial indebtedness and significant financial commitments could adversely affect our results of operations and our ability to service such obligations;
- We may not be able to refinance our substantial outstanding indebtedness on terms that are satisfactory to us, or at all;
- Restrictions and limitations in agreements governing our debt could significantly affect our ability to operate our business and our liquidity;
- Our facilities operate in very competitive environments and we face increasing competition;

- Our dependence on our Nevada, Louisiana, West Virginia, Pennsylvania and Ohio casinos for substantially all of our revenues and cash flows;
- Our operations are particularly sensitive to reductions in discretionary consumer spending and are affected by changes in general economic and market conditions;
- Our gaming operations are highly regulated by governmental authorities and the cost of complying or the impact of failing to comply with such regulations;
- The inability to realize cost savings or revenues or to implement integration plans and other consequences associated with mergers and acquisitions, including the recent merger with MTR Gaming;
- Increases in gaming taxes and fees in jurisdictions in which we operate;
- Risks relating to pending claims or future claims that may be brought against us;
- Changes in interest rates and capital and credit markets;
- Our ability to comply with certain covenants in our debt documents;
- The effect of disruptions to our information technology and other systems and infrastructure;
- Construction factors relating to maintenance and expansion of operations;
- Our ability to attract and retain customers;
- Weather or road conditions limiting access to our properties;
- The effect of war, terrorist activity, natural disasters and other catastrophic events;
- The intense competition to attract and retain management and key employees in the gaming industry; and
- Other factors set forth under "Item 1A. Risk Factors."

In light of these and other risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K, even if subsequently made available on our website or otherwise, and we do not intend to update publicly any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made, except as may be required by law.

You should also be aware that while we from time to time communicate with securities analysts, we do not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, you should not assume that we agree with any statement or report issued by any analyst, irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not our responsibility and are not endorsed by us.

**Available Information**

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy, at prescribed rates, any document we have filed at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 (1-800-732-0330) for further information on the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (*http://www.sec.gov*). You also may read and

copy reports and other information filed by us at the office of The NASDAQ Stock Market, One Liberty Plaza, 165 Broadway, New York, NY 10006.

We make our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and all amendments to these reports, available free of charge on our corporate website (*www.eldoradoresorts.com*) as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. In addition, our Code of Ethics and Business Conduct and charters of the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee are available on our website. We will provide reasonable quantities of electronic or paper copies of filings free of charge upon request. In addition, we will provide a copy of the above referenced charters to stockholders upon request.

References in this document to our website address do not incorporate by reference the information contained on the website into this Annual Report on Form 10-K.

**Item 1A. Risk Factors.**

**Risks Related to ERI's Capital Structure and Equity Ownership**

***We have significant indebtedness***

As a result of our existing credit facilities and outstanding secured notes, we have a significant amount of indebtedness. The Company's consolidated outstanding aggregate principal amount of notes as of December 31, 2014 was $728.7 million. MTR Gaming's $560.7 million outstanding aggregate principal amount of second lien notes is secured by substantially all assets of MTR Gaming. Resorts' $168.0 million outstanding aggregate principal amount of senior notes are secured by substantially all assets of Resorts. This indebtedness may have important negative consequences for us, including:

- limiting our ability to satisfy our obligations;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in its businesses and the markets in which we operates;
- placing us at a competitive disadvantage compared to competitors that have less debt;
- increasing our vulnerability to, and limiting our ability to react to, changing market conditions, changes in our industry and economic downturns;
- limiting our ability to obtain additional financing to fund working capital requirements, capital expenditures, debt service, general corporate or other obligations;
- subjecting us to a number of restrictive covenants that, among other things, limit our ability to pay dividends and distributions, make acquisitions and dispositions, borrow additional funds, and make capital expenditures and other investments;
- restrictions on making dividend payments and other payments by wholly-owned subsidiaries;
- limiting our ability to use operating cash flow in other areas of its business because we must dedicate a significant portion of these funds to make principal and/or interest payments on its outstanding debt;
- exposing us to interest rate risk due to the variable interest rate on borrowings under our credit facility;
- causing our failure to comply with the financial and restrictive covenants contained in our current or future indebtedness, which could cause a default under such indebtedness and which, if not cured or waived, could have a material adverse effect on us; and
- affecting our ability to renew gaming and other licenses necessary to conduct our business.

Our ability to make payments of the principal and interest on and refinance our indebtedness will depend on our future performance, our ability to generate cash flow and market conditions, each of which is subject to economic, financial, competitive and other factors beyond our control. Our business may be unable to continue to generate cash flow from operations sufficient to service our debt and make necessary capital expenditures. In addition, because MTR and Resorts have separate debt facilities that limit their ability to distribute cash, we will be limited in our ability to move funds from one entity to another to finance debt obligations, capital expenditures or other liquidity needs. If MTR or Resorts is unable to generate such cash flow or contribute or distribute cash to finance the liquidity needs of ERI or each other, ERI, MTR or Resorts, as applicable, may be required to adopt one or more alternatives, such as selling assets, restructuring debt, undertaking additional borrowings or issuing additional debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The failure to comply with the terms of our indebtedness could result in an event of default

which, if not cured or waived, could have a material negative effect on us. Our ability to refinance all or a portion of our indebtedness will depend on the capital markets, the credit markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in increased financing costs or a default on our debt obligations.

***Our indentures contain, and future debt agreements may contain, covenants that could significantly restrict our operations***

The agreements governing our indebtedness contain, and any of our future debt agreements might contain, numerous covenants imposing financial and operating restrictions on our business. These restrictions might affect our ability to operate our business, might limit our ability to take advantage of potential business opportunities as they arise and might adversely affect the conduct of our current business, including by restricting our ability to finance future operations and capital needs and limiting our ability to engage in other business activities. These covenants will place restrictions on our ability and the ability of our operating subsidiaries to, among other things:

- incur additional debt;
- create liens or other encumbrances;
- pay dividends or make other restricted payments, including payments by Resorts and MTR to ERI and to each other;
- agree to payment restrictions affecting our restricted subsidiaries;
- prepay subordinated indebtedness;
- make investments, loans or other guarantees;
- sell or otherwise dispose of a portion of our assets; or
- make acquisitions or merge or consolidate with another entity.

Our credit facilities also include certain financial and other covenants, including maintaining certain total leverage and earnings to fixed charge ratios as well as restrictions on capital expenditures. Our ability to comply with these provisions may be affected by general economic conditions, industry conditions and other events beyond our control. We cannot assure you that we will be able to comply with these covenants. If we fail to comply with a financial covenant or other restriction contained in the agreements governing our indebtedness, an event of default could occur. An event of default could result in acceleration of some or all of the applicable indebtedness and the inability to borrow additional funds. We do not have, and are not certain we would be able to obtain, sufficient funds to repay any such indebtedness if it is accelerated.

***ERI is a holding company and will depend on its subsidiaries for dividends, distributions and other payments***

ERI is structured as a holding company, a legal entity separate and distinct from its subsidiaries. ERI's only significant asset is the capital stock or other equity interests of its operating subsidiaries. As a holding company, ERI conducts all of its business through its subsidiaries. Consequently, ERI's principal source of cash flow, including cash flow to pay dividends, will be dividends and distributions from its subsidiaries. If ERI's subsidiaries are unable to make dividend payments or distributions to it and sufficient cash or liquidity is not otherwise available, ERI may not be able to pay dividends. The current indebtedness of Resorts and MTR Gaming restricts, and any future indebtedness of theirs will likely restrict, the ability of Resorts and MTR Gaming to make dividends or distributions to ERI. In addition, ERI's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors.

***Servicing debt and funding other obligations requires a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control***

Our ability to make payments on and refinance our indebtedness and to fund our operations and capital expenditures depends upon our ability to generate cash flow and secure financing in the future. Our ability to generate future cash flow depends, among other things, upon:

- our future operating performance;
- the demand for services Resorts, MTR and Silver Legacy provide;
- general economic conditions;
- competition; and
- legislative and regulatory factors affecting our operations and business.

Some of these factors are beyond our control. We cannot assure you that our businesses will generate cash flow from operations or that future debt or equity financings will be available to us to enable us to pay our indebtedness or to fund our needs. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure that we will be able to refinance any indebtedness on favorable terms, or at all. Any inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could have a material adverse effect on our financial condition.

***If we are unable to finance our expansion, development, investment and renovation projects, as well as other capital expenditures, through cash flow, borrowings under our existing credit facilities and additional financings, our expansion, development, investment and renovation efforts will be jeopardized***

We intend to finance our current and future development, investment, renovation and expansion projects, as well as our other capital expenditures, primarily with cash flow from operations, and equity or debt financings. If we are unable to finance our current or future expansion, development, investment and renovation projects, or our other capital expenditures, we will have to adopt one or more alternatives, such as reducing, delaying or abandoning planned development, investment, renovation and expansion projects as well as other capital expenditures, selling assets, restructuring debt, obtaining additional equity financing or joint venture partners. These sources of funds may not be sufficient to finance our development, investment, renovation and expansion projects, and other financing may not be available on acceptable terms, in a timely manner, or at all. In addition, the agreements governing our existing indebtedness contains certain restrictions on our ability to incur additional indebtedness.

Recently, there were significant disruptions in the global capital markets that adversely impacted the ability of borrowers to access capital. Although the financial markets have seen recent signs of recovery and increased availability of capital, the financial markets remain volatile.

To the extent that cash flow from operations are not sufficient to fund our development, investment, renovation and expansion projects, we would be required to seek additional financing, which may not be available to us or, if available, may not be on terms favorable to us.

***The operating agreement of Silver Legacy Joint Venture contains a buy-sell provision which, if exercised by either partner, could adversely affect us***

The operating agreement for the entity that owns the Silver Legacy contains a buy-sell provision pursuant to which either Resorts or the wholly owned subsidiary of MGM Resorts International that owns its 50% interest in the Silver Legacy Joint Venture may sell its membership interest or purchase the interest of the other member, in either case, at the price proposed by the offering member. If

either member should make such an offer, the operating agreement requires the other member to either sell its membership interest or purchase the membership interest of the offering member, in either case, at the price proposed by the offering member. An election by either member to exercise its buy-sell right, which would result in the buyout of one of the members, could adversely impact its operations, depending, among other things, on its ability to respond to an offer from the other member and the price at which any offer is made. MGM Resorts International has significantly greater resources than we have. If an offer by either member results in the purchase of its interest in the Silver Legacy Joint Venture, the sale of the interest could adversely affect, or result in the termination of, any existing arrangements or agreements Resorts may have with Silver Legacy or the other member, or otherwise adversely impact us.

***The market price of ERI's common stock could fluctuate significantly***

The U.S. securities markets in general have experienced significant price fluctuations in recent years. The market price of ERI's common stock may be volatile and subject to wide fluctuations. In addition, the trading volume of ERI's common stock may fluctuate and cause significant price variations to occur. Some of the factors that could cause fluctuations in, or have a material adverse effect on, the stock price or trading volume of ERI's common stock include:

- general market and economic conditions, including market conditions in the hotel and casino industries;
- actual or expected variations in operating results;
- differences between actual operating results and those expected by investors and analysts;
- changes in recommendations by securities analysts;
- operations and stock performance of competitors;
- accounting charges, including charges relating to the impairment of goodwill;
- significant acquisitions or strategic alliances by ERI or by competitors;
- sales of ERI's common stock or other securities in the future, including sales by our directors and officers or significant investors;
- recruitment or departure of key personnel;
- conditions and trends in the gaming and entertainment industries;
- changes in the estimate of the future size and growth of our markets; and
- changes in reserves for professional liability claims.

We cannot assure you that the stock price of ERI common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to ERI's performance. If the market price of ERI common stock fluctuates significantly, ERI may become the subject of securities class action litigation which may result in substantial costs and a diversion of management's attention and resources.

***ERI has not yet determined its dividend policy and may not pay dividends***

ERI has not yet determined its dividend policy, but it does not currently expect to pay dividends on its common stock. Any determination to pay dividends in the future will be at the discretion of the ERI board of directors and will depend upon among other factors, ERI's earnings, cash requirements, financial condition, requirements to comply with the covenants under its debt instruments, including limitations on the ability of MTR and Eldorado to make distributions to ERI, legal considerations, and

other factors that the ERI board of directors deems relevant. If ERI does not pay dividends, then the return on an investment in its common stock will depend entirely upon any future appreciation in its stock price. There is no guarantee that ERI's common stock will appreciate in value or maintain its value.

***The volatility and disruption of the capital and credit markets and adverse changes in the U.S. and global economies may negatively impact our access to financing***

During recent years, a confluence of many factors has contributed to diminished expectations for the U.S. economy and increased market volatility for publicly traded securities, including the common shares and notes issued by publicly owned companies. These factors include the availability and cost of credit, declining business and consumer confidence and increased unemployment. These conditions have combined to create an unprecedented level of market volatility, which could negatively impact our ability to access capital and financing (including financing necessary to refinance our existing indebtedness), on terms and at prices acceptable to us, that we would otherwise need in connection with the operation of our businesses.

**Risk Factors Relating to our Operations**

***Our business is sensitive to reductions in discretionary consumer spending as a result of downturns in the economy***

Consumer demand for casino hotel and racetrack properties such as ours is particularly sensitive to downturns in the economy and the associated impact on discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, effects of declines in consumer confidence in the economy, including the recent housing, employment and credit crisis, the impact of high energy and food costs, the increased cost of travel, the potential for continued bank failures, decreased disposable consumer income and wealth, or fears of war and future acts of terrorism could further reduce customer demand for the amenities that we offer, which have had, and may continue to have, a negative impact on our results of operations. Increases in gasoline prices, including increases prompted by global political and economic instabilities, can adversely affect the operations of Resorts and MTR because most of their patrons travel to their properties by car or on airlines that may pass on increases in fuel costs to passengers in the form of higher ticket prices. The recent global, national and regional economic downturn, including the housing crisis, credit crisis, lower consumer confidence, and other related factors which impact discretionary consumer spending and other economic activities that have direct effects on Resorts' and MTR Gaming's business, have resulted in a decline in the tourism industry that has adversely impacted their operations. We cannot be sure how long these factors will continue to impact our operations in the future or the extent of the impact.

***We face substantial competition in the hotel and casino industry and expect that such competition will continue***

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including land-based casinos, dockside casinos, riverboat casinos, casinos located on Native American reservations and other forms of legalized gaming. There is intense competition among companies in the gaming industry, many of which have significantly greater resources than we do. Certain states have legalized casino gaming and other states may legalize gaming in the future. Legalized casino gaming in these states and on Native American reservations near our markets or changes to gaming laws in states surrounding Nevada, Louisiana, West Virginia, Pennsylvania, or Ohio could increase competition and could adversely affect our operations. We also compete, to a lesser extent, with gaming facilities in other jurisdictions with dockside gaming facilities, state sponsored lotteries, on-and-off track pari-mutuel wagering, card clubs, riverboat casinos and other

forms of legalized gambling. In addition, various forms of internet gaming have been approved in Nevada and New Jersey and legislation permitting internet gaming has been proposed by the federal government and other states. The expansion of internet gaming in Nevada and other jurisdictions could result in significant additional competition.

Gaming competition is intense in most of the markets where we operate. Recently, there has been additional significant competition in our markets as a result of the expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. For example, casino gaming is currently prohibited in several jurisdictions from which the Shreveport/Bossier City market draws customers, primarily Texas. The Texas legislature has from time to time considered proposals to legalize gaming, and there can be no assurance that casino gaming will not be approved in Texas in the future, which would have a material adverse effect on our business. Additionally, since visitors from California comprise a significant portion of our customer base in Reno, we also compete with Native American gaming operations in California. Native American tribes are allowed to operate slot machines, lottery games and banking and percentage games on Native American lands. Although many existing Native American gaming facilities in northern California are modest compared to Eldorado Reno and Silver Legacy, a number of Native American tribes have established large-scale gaming facilities in California and some Native American tribes have announced that they are in the process of expanding, developing, or are considering establishing, large-scale hotel and gaming facilities in northern California. A new 320,000 square foot gaming facility located in Sonoma County, California opened on November 5, 2013. Additionally, a new 30,000 square foot casino and 400-room hotel in Bossier City across the Red River from Eldorado Shreveport opened in June 2013, which includes several restaurants and a 1,000-seat entertainment arena. In December 2014, a new luxury, land-based casino with 1,600 slot machines, 72 gaming tables, a poker room, and a 740-room hotel with a ballroom and spa, opened in Lake Charles, Louisiana approximately 200 miles south of Eldorado Shreveport, but closer to the Houston, Texas market. With respect to our MTR Gaming facilities, an additional license has been granted for a casino to be located in Lawrence County, Pennsylvania, approximately 45 miles from Mountaineer and 90 miles from Presque Isle Downs, which would result in further competition for both of those properties. Further, gaming facilities in Ohio that have recently commenced operations, including the Horseshoe Casino Cleveland, Hollywood Casino Columbus, ThistleDown Racino, Northfield Park and Beulah Park, present significant competition for Mountaineer, Presque Isle Downs and Scioto Downs.

Increased competition may require us to make substantial capital expenditures to maintain and enhance the competitive positions of our properties to increase the attractiveness and add to the appeal of our facilities. Because we are highly leveraged, after satisfying our obligations under our outstanding indebtedness, there can be no assurance that we will have sufficient funds to undertake these expenditures or that we will be able to obtain sufficient financing to fund such expenditures. If we are unable to make such expenditures, our competitive position could be materially adversely affected.

***We may face integration difficulties and may be unable to integrate MTR Gaming's business into ERI's business successfully or realize the anticipated benefits of the Merger***

The Merger involved the combination of two companies that previously operated as independent companies. MTR Gaming is now a wholly-owned subsidiary of ERI. We have devoted, and will continue to devote, significant management attention and resources to integrating the companies' business practices and operations. Potential difficulties we may encounter as part of the integration process include the following:

- the inability to successfully combine our two businesses in a manner that permits us to achieve the full revenue and other benefits anticipated to result from the Merger;

- complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies; and

- potential unknown liabilities and unforeseen increased expenses associated with the Merger.

In addition, it is possible that the integration process could result in:

- the diversion of the attention of management; and

- the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies,

any of which could adversely affect our ability to maintain relationships with customers, suppliers, employees and other constituencies or our ability to achieve the anticipated benefits of the Merger, or could reduce our earnings or otherwise adversely affect our business and financial results.

***Our future results could suffer if we cannot effectively manage our expanded operations following the Merger***

Following the Merger, the size of the combined businesses is significantly larger than the previous size of either Resorts' or MTR Gaming's business. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that we will be successful or that we will realize any operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the Merger.

***We may incur additional expenses related to the Merger and the integration of our businesses***

We have already incurred, and may in the future incur, expenses in connection with the Merger and the integration of our businesses. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, marketing and benefits. While we have made significant progress in integrating Resorts and MTR, we may identify additional steps that should be taken to fully integrate the operation of our businesses. Any additional steps we take could affect the total amount or the timing of the integration expenses and any such expenses are difficult to estimate accurately.

***We will be subject to extensive state and local regulation and licensing, and gaming authorities have significant control over our operations, which could have an adverse effect on our business***

The ownership and operation of casino gaming, riverboat and horseracing facilities are subject to extensive federal, state, and local regulation, and regulatory authorities at the federal, state, and local levels have broad powers with respect to the licensing of gaming businesses and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines, and take other actions, each of which poses a significant risk to our business, financial condition, and results of operations. We currently hold all state and local licenses and related approvals necessary to conduct our present gaming operations, but we must periodically apply to renew many of our licenses and registrations. We cannot assure you that we will be able to obtain such renewals. Any failure to maintain or renew our existing licenses, registrations, permits or approvals would have a material adverse effect on us. Furthermore, if additional laws or regulations are adopted or existing laws or regulations are amended, these regulations could impose additional restrictions or costs that could have a significant adverse effect on us. As an example, on August 26, 2014, the Board of Health of Hancock County, West Virginia adopted and approved the Clean Air Regulation Act of 2014 ("Regulation"), which will be

effective July 1, 2015. The Regulation, as currently adopted, will ban smoking in public places in Hancock County including at Mountaineer. We are continuing to evaluate the Regulation, its impact on our Mountaineer facility, and steps to become compliant with the Regulation upon its effective date. We expect that the Regulation will have a negative impact on our business and results of operations at Mountaineer, and such impact may be material.

Any of the Nevada Gaming Commission, the Louisiana Gaming Control Board, the West Virginia Alcohol Beverage Control Administration, the West Virginia Lottery Commission, the West Virginia Racing Commission, the Pennsylvania Gaming Control Board, the Pennsylvania Racing Commission, the Pennsylvania Liquor Control Board, the Ohio Lottery Commission, and the Ohio State Racing Commission (which we refer to collectively as the Gaming Authorities) may, in their discretion, require the holder of any securities issued by us to file applications, be investigated, and be found suitable to own our securities if it has reason to believe that the security ownership would be inconsistent with the declared policies of their respective jurisdictions. Further, the costs of any investigation conducted by any of the Gaming Authorities under these circumstances must be paid by the applicant, and refusal or failure to pay these charges may constitute grounds for a finding that the applicant is unsuitable to own the securities. If any of the Gaming Authorities determines that a person is unsuitable to own our securities, then, under the applicable gaming or horse racing laws and regulations, we can be sanctioned, including the loss of their approvals, if, without the prior approval of the applicable Gaming Authority, we conduct certain business with the unsuitable person.

Our officers, directors, and key employees will also be subject to a variety of regulatory requirements and various licensing and related approval procedures in the various jurisdictions in which we operate gaming facilities. If any of the applicable Gaming Authorities were to find an officer, director or key employee of ours unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with that person. Furthermore, the Gaming Authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could materially adversely affect our gaming operations.

Applicable gaming laws and regulations restrict our ability to issue securities, incur debt and undertake other financing activities. Such transactions would generally require approval of applicable Gaming Authorities, and our financing counterparties, including lenders, might be subject to various licensing and related approval procedures in the various jurisdictions in which we operate gaming facilities. If state regulatory authorities were to find any person unsuitable with regard to his, her or its relationship to us or any of our subsidiaries, we would be required to sever our relationships with that person, which could materially adversely affect our business.

In addition, gaming companies are generally subject to significant revenue based taxes and fees in addition to normal federal, state, and local income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Such changes, if adopted, could have a material adverse effect on our business, financial condition and results of operations. The large number of state and local governments with significant current or projected budget deficits makes it more likely that those governments that currently permit gaming will seek to fund such deficits with new or increased gaming taxes and/or property taxes, and worsening economic conditions could intensify those efforts. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

For more information, see "Governmental Gaming Regulations" in Item 1.

***We rely on our key personnel***

Our future success will depend upon, among other things, our ability to keep our senior executives and highly qualified employees. We compete with other potential employers for employees, and we may not succeed in hiring or retaining the executives and other employees that we need. We might not enter into employment contracts with all of our senior executives, and we might not obtain key man insurance policies for any or all of our executives. A sudden loss of or inability to replace key employees could have a material adverse effect on our business, financial condition and results of operation.

***We may face difficulties in attracting and retaining qualified employees for our casinos and race tracks***

The operation of our business requires qualified executives, managers and skilled employees with gaming and horse racing industry experience and qualifications who are able to obtain the requisite licenses and approval from the applicable Gaming Authorities. While not currently the case, there has from time to time been a shortage of skilled labor in the regions of Resorts' and MTR Gaming's casinos and race tracks. In addition to limitations that may otherwise exist in the supply of skilled labor, the continued expansion of gaming near Resorts' and MTR Gaming's casinos and race tracks, including the expansion of Native American gaming, may make it more difficult for us to attract qualified individuals. While we believe that we will continue to be able to attract and retain qualified employees, shortages of skilled labor will make it increasingly difficult and expensive to attract and retain the services of a satisfactory number of qualified employees, and we may incur higher costs than expected as a result.

***We depend on agreements with our horsemen and pari-mutuel clerks to operate our business***

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.

If we fail to maintain operative agreements with the horsemen at any of our racetracks, we will not be permitted to conduct live racing and export and import simulcasting at the applicable racetrack. In addition, if we fail to maintain operative agreements with the horsemen at Mountaineer, Presque Isle Downs and Scioto Downs (including if we do not have in place the legally required proceeds agreement with the Mountaineer pari-mutuel clerks union), we will not be permitted to continue our gaming operations at those facilities. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

***Work stoppages, organizing drives and other labor problems could negatively impact our future profits***

Some of our employees are currently represented by labor unions. A lengthy strike or other work stoppages at any of our casino properties could have an adverse effect on our business and results of operations. Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry. In addition, organized labor may benefit from new legislation or legal interpretations by the current presidential administration. Particularly, in light of current support for changes to federal and state labor laws, we cannot provide any assurance that we will not experience additional and more successful union organization activity in the future.

***Because portions of the land on which our facilities are situated are leased, the termination of such leases could adversely affect our business***

Resorts owns the parcel on which Eldorado Reno is located, except for approximately 30,000 square feet which is leased from C. S. & Y. Associates, a general partnership of which Donald Carano, father of Gary L. Carano, is a general partner (the "CSY Lease"). The CSY Lease expires on June 30, 2027. If Resorts defaults on a payment under the CSY Lease or if certain other specified events were to occur, C. S. & Y. Associates has the right to terminate the lease and take possession of the property located on the premises. If C. S. & Y. Associates were to exercise these rights, this could adversely affect our business.

A subsidiary of Resorts is party to a ground lease with the City of Shreveport for the land on which Eldorado Shreveport was built (the "Shreveport Lease"). The Shreveport Lease has a term ending December 20, 2015 with subsequent renewals for up to an additional 35 years. If Resorts defaults on a payment under the Shreveport Lease or if certain other specified events were to occur, the City of Shreveport could terminate the lease. If the City of Shreveport were to exercise this right, this could adversely affect our business.

***Because we own real property, we will be subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities***

We are subject to various federal, state and local environmental, health and safety laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as the use, storage, discharge, emission and disposal of solid, animal and hazardous wastes and exposure to hazardous materials. These laws and regulations are complex and frequently subject to change. In addition, our horseracing facilities are subject to laws and regulations that address the impacts of manure and wastewater generated by Concentrated Animal Feeding Operations ("CAFO") on water quality, including, but not limited to, storm water discharges. CAFO regulations include permit requirements and water quality discharge standards. Enforcement of CAFO regulations has been receiving increased governmental attention. Compliance with these and other environmental laws can, in some circumstances, require significant capital expenditures. We have from time to time been responsible for investigating and remediating, or contributing to remediation costs related to, contamination located at or near certain of our facilities, including contamination related to underground storage tanks and groundwater contamination arising from prior uses of land on which certain of our facilities are located. In addition, we have been, and may in the future be, required to manage, abate, remove or contain manure and wastewater generated by concentrated animal feeding operations due to our racetrack operations, mold, lead, asbestos-containing materials or other hazardous conditions found in or on our properties. Moreover, violations can result in significant fines or penalties and, in some instances, interruption or cessation of operations.

We are also subject to laws and regulations that create liability and cleanup responsibility for releases of regulated materials into the environment. Certain of these laws and regulations impose strict, and under certain circumstances joint and several, liability on a current or previous owner or operator of property for the costs of remediating regulated materials on or emanating from its property. The costs of investigation, remediation or removal of those substances may be substantial.

***An earthquake, flood, act of terrorism other natural disasters could adversely affect our business***

Although we maintain insurance that is customary and appropriate for our business, each of our insurance policies is subject to certain exclusions. In addition, in some cases our property insurance coverage is combined among certain of our properties and Silver Legacy or is otherwise in an amount that may be significantly less than the expected replacement cost of rebuilding our facilities in the event of a total loss. Such losses may occur as a result of any number of casualty events, including as a result

of earthquakes, floods, hurricanes or other severe weather conditions. In particular, the Reno area has been, and may in the future be, subject to earthquakes and other natural disasters and Eldorado Shreveport is located in a designated flood zone. Inadequate insurance or lack of available insurance for these and other certain types or levels of risk could expose us to significant losses in the event that a catastrophe occurred for which we are underinsured. In addition to the damage caused to our properties by a casualty loss, we may suffer business disruption as a result of the casualty event or be subject to claims by third parties that may be injured or harmed. While we carry general liability insurance and business interruption insurance, there can be no assurance that insurance will be available or adequate to cover all loss and damage to which our business or our assets might be subjected. In addition, certain casualty events, such as labor strikes, nuclear events, loss of income due to terrorism, deterioration or corrosion, insect or animal damage and pollution, may not be covered under our policies. Any losses we incur that are not adequately covered by insurance may decrease our future operating income, require us to fund replacements or repairs for destroyed property and reduce the funds available for payments of our obligations.

Eldorado Reno and the Silver Legacy currently have combined insurance coverage for earthquake and flood damage and for any resulting business interruption and Eldorado Reno, Silver Legacy and Eldorado Shreveport have combined insurance coverage for acts of terrorism. Under these policies, Eldorado Reno and the Silver Legacy have combined per occurrence earthquake coverage of $100 million and combined aggregate flood coverage of $250 million. Eldorado Reno, Silver Legacy and Eldorado Shreveport have combined terrorism coverage of $800 million. In the event that an earthquake, flood or terrorist act causes damage only to Eldorado Reno's property, Eldorado Reno is eligible to receive up to the full amount of insurance coverage for the applicable event of loss, depending on the replacement cost. However, in the event that Eldorado Reno and Silver Legacy are damaged in an earthquake, Eldorado Reno is only entitled to receive insurance proceeds only after Silver Legacy's claims have been satisfied. In addition, in the event that both Eldorado Reno and Silver Legacy are damaged in a flood or Eldorado Reno, Eldorado Shreveport and Silver Legacy are damaged as a result of a terrorist act, our properties are entitled to receive an allocated portion of the insurance proceeds and, to the extent that any insurance proceeds remain available after satisfaction of the insurance claims by the other properties, such remaining proceeds. As a result, there is no assurance that our insurance coverage will be sufficient if there is a major event of loss that impacts us and Silver Legacy, and, in particular, if there is an earthquake that causes significant damage. In addition, upon the expiration of our current policies which expire in August 2015 (subject to annual renewal), we cannot assure that adequate coverage will be available at economically justifiable rates, if at all.

Because Eldorado Shreveport is located in a designated flood zone, it is subject to risks in addition to those risks associated with land-based casinos, including loss of service due to flood, hurricane or other severe weather conditions. We currently maintain flood insurance for Eldorado Shreveport and for the potential resulting business interruption. However, there is no assurance that this coverage will be sufficient if there is a major flood. Reduced patronage, the loss of use of the casino, the inability to use a dockside facility or riverboat for any period of time due to flood, hurricane or other severe weather could adversely affect our business, financial condition and results of operations.

***We are subject to risks relating to mechanical failure***

All of our facilities will generally be subject to the risk that operations could be halted for a temporary or extended period of time, as the result of casualty, forces of nature, mechanical failure, or extended or extraordinary maintenance, among other causes. In addition, our gaming operations could be damaged or halted due to extreme weather conditions. These risks are particularly pronounced at Eldorado Shreveport's riverboat and dockside facilities because of their location on and adjacent to water.

***We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our business and financial condition***

From time to time, we are named in lawsuits or other legal proceedings relating to our respective businesses. In particular, the nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business. As with all legal proceedings, no assurances can be given as to the outcome of these matters. Moreover, legal proceedings can be expensive and time consuming, and we may not be successful in defending or prosecuting these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

***Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security***

Our operations require that we collect customer data, including credit card numbers and other personally identifiable information, for various business purposes, including marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) or a breach of security on systems storing our data, including due to cyber-attack, system failure, computer virus or unauthorized or fraudulent use by customers, employees or employees of third party vendors, may result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data.

***Operations of Resorts and MTR Gaming have historically been subject to seasonal variations and quarterly fluctuations in operating results, and we can expect to experience such variations and fluctuation in the future***

Historically, the operations of Resorts' and MTR Gaming's gaming facilities have typically been subject to seasonal variations.

Eldorado Reno's strongest operating results have generally occurred in the second and third quarters and the weakest results have generally occurred during the period from November through February when weather conditions adversely affected operating results. In the Reno market, excessive snowfall during the winter months can make travel to the Reno area more difficult. This often results in significant declines in traffic on major highways, particularly on routes to and from Northern California, and causes a decline in customer volume. Furthermore, management believes that approximately two-thirds of visitors to the Reno market arrive by some form of ground transportation.

In addition, winter conditions can frequently adversely affect transportation routes to Mountaineer, Presque Isle Downs and Scioto Downs and cause cancellations of live horse racing. As a result, unfavorable seasonal conditions could have a material adverse effect on our operations.

In general, it is unlikely that we will be able to obtain business interruption coverage for casualties resulting from severe weather, and there can be no assurance that we will be able to obtain casualty insurance coverage at affordable rates, if at all, for casualties resulting from severe weather.

***Because we will be heavily dependent upon hotel/casino and related operations that are conducted in certain limited regions, we will be subject to greater risks than a company that is geographically or otherwise more diversified***

Our business is heavily dependent upon hotel/casino and related operations that are conducted in three discrete markets. As a result, we are still subject to a greater degree of risk than a gaming company that has greater geographical diversity. The risks to which we have a greater degree of exposure include the following:

- local economic and competitive conditions;
- inaccessibility due to weather conditions, road construction or closure of primary access routes;
- changes in local and state governmental laws and regulations, including gaming laws and regulations;
- natural and other disasters, including earthquakes and flooding;
- a decline in the number of residents in or near, or visitors to, our operations; and
- a decrease in gaming activities at any of our facilities.

Any of the factors outlined above could adversely affect our ability to generate sufficient cash flow to make payments on our outstanding indebtedness.

***Significant negative industry or economic trends, reduced estimates of future cash flows, disruptions to our business, slower growth rates or lack of growth in our business may cause us to incur impairments to indefinite lived intangible assets or long-lived assets***

We test indefinite lived intangible assets for impairment annually or if a triggering event occurs. We will also be required to consider whether the fair values of any of our investments accounted for under the equity method 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 and market indicators of the terminal year capitalization rate. If any such declines are considered to be other than temporary, we will be required to record a write-down to estimated fair value. In 2011, Resorts' impairment test in the Silver Legacy Joint Venture resulted in the recognition of a non-cash impairment charge of $33.1 million resulting in the elimination of Resorts' remaining investment in the Silver Legacy Joint Venture at that time.

***Security concerns, terrorist attacks and other geopolitical events could have a material adverse effect on our future operations***

Security concerns, terrorist attacks and other geopolitical events can have a material adverse effect on leisure and business travel, discretionary spending and other areas of economic behavior that directly impact the gaming and entertainment industries in general and our business in particular. We cannot predict the extent to which any future security alerts, terrorist attacks or other geopolitical events might impact our business, results of operations or financial condition.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Information relating to the location and general characteristics of our properties is provided in Part I, Item I, *Business*, Properties.

As of December 31, 2014, our facilities are located on property that we own or lease, as follows:

- We lease approximately nine acres of land in Shreveport, Louisiana on which Eldorado Shreveport is located.
- We lease approximately 30,000 square feet on the approximately 159,000 square foot parcel on which Eldorado Reno is located, in Reno, Nevada.
- Silver Legacy occupies approximately five acres in Reno, Nevada, which is owned by the Silver Legacy Joint Venture.
- We also own a 31,000 square foot parcel of property across the street from Eldorado Reno and two other adjacent parcels totaling 18,687 square feet which could be used for expansion of Eldorado Reno.
- Mountaineer is located on approximately 1,730 acres of land that we own in Chester, Hancock County, West Virginia. Included in the 1,730 acres of land is approximately 1,350 acres of land that are considered non-operating real properties that we intend to sell.
- Presque Isle Downs & Casino is located on 272 acres of land that we own in Summit Township, Erie County, Pennsylvania.
- Scioto Downs is located on approximately 208 acres of land that we own in Columbus, Ohio.
- In addition, we own two other parcels of land: a 213-acre site in McKean Township, Pennsylvania and an 11-acre site in Summit Township that formerly housed an off-track wagering facility. These two properties are considered non-operating real properties that we intend to sell.

Substantially all of our assets are pledged to secure our outstanding indebtedness under various senior secured notes and credit obligations.

**Item 3. Legal Proceedings.**

We are a party to various lawsuits, which have arisen in the normal course of our business. Estimated losses are accrued for these lawsuits and claims when the loss is probable and can be estimated. The current liability for the estimated losses associated with those lawsuits is not material to our consolidated financial condition and those estimated losses are not expected to have a material impact on our results of operations.

*Presque Isle Downs, Inc. v Dwayne Cooper Enterprises, Inc. et al; Civil Action No. 10493-2009; Court of Common Pleas of Erie County, Pennsylvania.* On April 17, 2010, Presque Isle Downs, Inc. initiated legal action in the Court of Common Pleas of Erie County, Pennsylvania, against defendants Dwayne Cooper Enterprises, Inc. ("DCE"), Turner Construction Company ("Turner"), and Rectenwald Buehler Architects, Inc. f/k/a Weborg Rectenwald Buehler Architects, Inc. ("RB") to recover damages arising out of failures of the surveillance system installed during the original construction of the casino facilities at Presque Isle Downs. DCE supplied and installed the surveillance system, RB acted as the project architect, and Turner served as the construction manager on the project. Shortly after Presque Isle Downs opened on February 28, 2007, it discovered that certain components of the surveillance system were defective, malfunctioning or missing. After efforts to remediate the deficiencies in the system were unsuccessful, it became necessary to replace certain components of the surveillance system at a cost of $1.9 million, and to write-off approximately $1.5 million related to the net book value of the equipment that was replaced. On April 5, 2011, Presque Isle Downs obtained a default judgment against DCE in the amount of $2.7 million. Efforts to enforce the judgment against DCE are ongoing but the assets of DCE appear to be modest and materially insufficient to pay the judgment. Any proceeds that may be received will be recorded as the amounts are realized. Defendant RB joined five additional vendors/subcontractors as additional defendants in the case. Each of the defendants and all

but one of the additional defendants filed motions or objections requesting that the Court dismiss the claims against it. After these motions and objections were denied and the parties engaged in limited discovery, the parties agreed to submit the case to mediation. The mediation occurred on February 10, 2015, and resulted in an agreement under which the sum of $705,000.00 would be paid to Presque Isle Downs, Inc. in exchange for a general release of the defendants (except DCE) and the additional defendants. A draft settlement agreement has been prepared and is currently under review by all parties. It is anticipated that the settlement will be concluded and the case voluntarily dismissed by June 30, 2015.

*State ex rel. Walgate v. Kasich; Case No. 11 CV-10-13126; Court of Common Pleas Franklin County, Ohio.* On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As interveners, we, along with four of the other racinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the Court of Common Pleas dismissed the case; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013 in the 10$^{th}$ District Court of Appeals. In March 2013, the Court of Appeals upheld the ruling. The decision of the Appeals Court was appealed to the Ohio Supreme Court by the plaintiffs on April 30, 2013 and the Ohio Supreme Court has elected to accept the appeal. The Ohio Supreme Court temporarily stayed the appeal until it first ruled on a matter with similar procedural issues. A decision was issued on that case on June 10, 2014. Accordingly, along with the State Appellees, a *motion to dismiss as improvidently granted* was filed which was partially granted. The remaining propositions of law have been briefed by both parties and oral argument is scheduled for June 23, 2015.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.

On September 19, 2014, the Company issued an aggregate of 23,311,492 shares of common stock to former members of HoldCo upon consummation of the Merger. In December 2014, pursuant to the terms of the Merger Agreement, 25,290 shares were returned to the Company as a result of a post-closing adjustment, resulting in a total of 23,286,202 shares of common stock issued to former members of HoldCo as a result of the Merger.

Our Common Stock began trading on September 22, 2014 and is quoted on the NASDAQ Global Select Market under the symbol "ERI". On March 6, 2015, the NASDAQ Official Closing Price for our common stock was $4.99. As of March 6, 2015, there were 834 of record holders of our common stock.

We are prohibited from paying any dividends without our lenders' consent. We historically have not paid cash dividends and do not intend to pay such dividends in the foreseeable future. For further information relating to our and our subsidiaries' dividend policies, see Part II, Item 7, Liquidity and Capital Resources, included in this report.

The following table sets forth the range of high and low closing sale prices for our common stock since it began trading on September 22, 2014.

| | Stock Price | |
|---|---|---|
| | High | Low |
| Year Ended December 31, 2014: | | |
| Third quarter | $ 4.75 | $ 3.61 |
| Fourth quarter | 4.40 | 3.74 |

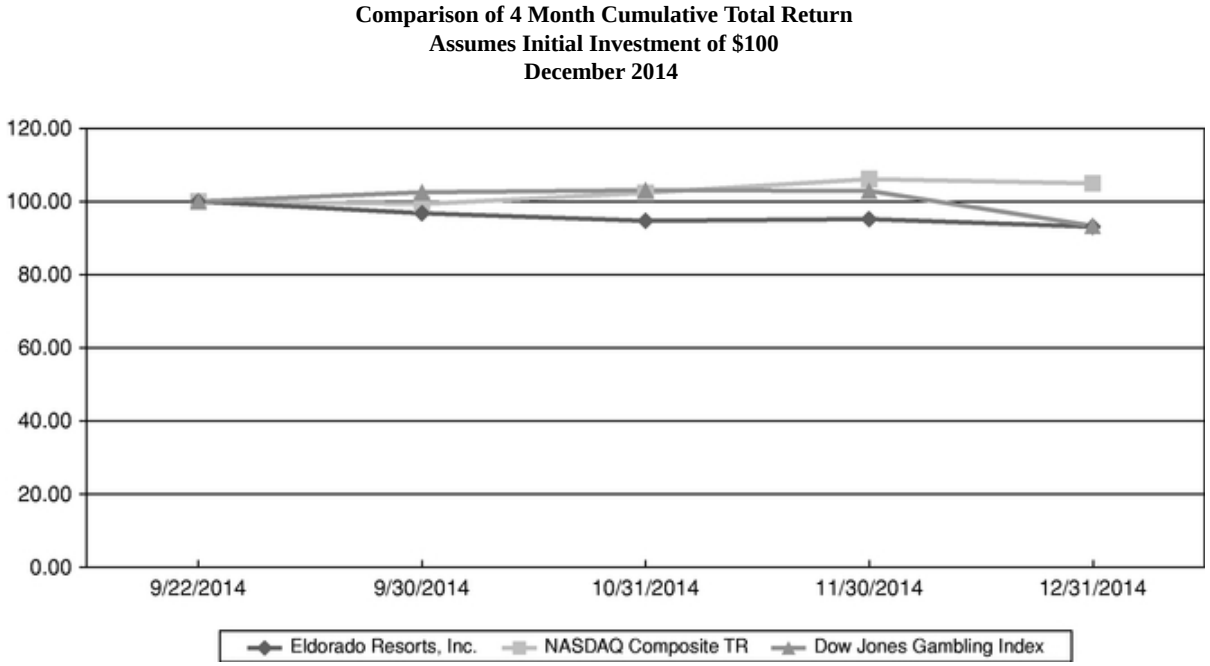
**Equity Compensation Plan Information**

The following table sets forth information as of December 31, 2014, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 398,200 | $ 7.88 | 1,747,759 |

**Stock Performance Graph**

The following graph demonstrates a comparison of cumulative total returns of the Company, the NASDAQ Market Index (which is considered to be a broad index) and the Dow Jones US Gambling Index for the period since the Company's common stock began trading on September 22, 2014. The following graph assumes $100 invested in each of the above groups and the reinvestment of dividends, if applicable.




**Item 6. Selected Financial Data.**

The following table sets forth selected consolidated financial data of the Company for each of the five years ended December 31, 2014. This information should be read in conjunction with the audited consolidated financial statements contained elsewhere in this report. Operating results for the periods presented below are not necessarily indicative of the results that may be expected for future years.

The Merger closed on the Merger Date and has been accounted for as a reverse acquisition of MTR Gaming by HoldCo under accounting principles generally accepted in the United States. As a result, HoldCo is considered the acquirer of MTR Gaming for accounting purposes. The financial information included in the following table for periods prior to the Merger Date are those of Resorts and its subsidiaries. The presentation of information herein for periods prior to the Merger Date and after the Merger Date are not fully comparable because the results of operations for MTR Gaming are not included for periods prior to the Merger Date. Summary financial results of MTR Gaming for the years ended December 31, 2013 and 2012 are included in MTR Gaming's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

## SELECTED CONSOLIDATED FINANCIAL DATA
**(dollars in thousands)**

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| **Consolidated Statement of Operations Data:** | | | | | |
| Operating revenues: | | | | | |
| Casino | $ 298,848 | $ 192,379 | $ 200,292 | $ 201,253 | $ 203,537 |
| Pari-mutuel commissions | 1,986 | — | — | — | — |
| Food and beverage | 68,233 | 60,556 | 59,317 | 58,915 | 57,649 |
| Hotel | 28,007 | 26,934 | 26,203 | 26,547 | 26,291 |
| Other | 13,198 | 10,384 | 10,458 | 10,754 | 9,549 |
| | 410,272 | 290,253 | 296,270 | 297,469 | 297,026 |
| Less promotional allowances | (48,449) | (43,067) | (41,530) | (41,397) | (42,168) |
| Net operating revenues | 361,823 | 247,186 | 254,740 | 256,072 | 254,858 |
| Operating expenses: | | | | | |
| Casino | 167,792 | 101,913 | 104,044 | 104,057 | 105,671 |
| Pari-mutuel commissions | 2,411 | — | — | — | — |
| Food and beverage | 37,411 | 28,982 | 29,095 | 29,238 | 27,653 |
| Hotel | 8,536 | 7,891 | 8,020 | 7,866 | 7,489 |
| Other | 9,348 | 7,290 | 7,279 | 7,764 | 7,219 |
| Marketing and promotions | 21,982 | 17,740 | 18,724 | 18,743 | 20,007 |
| General and administrative | 63,355 | 43,713 | 44,936 | 44,817 | 45,337 |
| Depreciation and amortization | 28,643 | 17,031 | 17,651 | 19,780 | 22,440 |
| Operating expenses | 339,478 | 224,560 | 229,749 | 232,265 | 235,816 |
| Loss on sale or disposition of property | (84) | (226) | (198) | (120) | (266) |
| Acquisition charges(1) | (7,411) | (3,173) | — | — | — |
| Equity in income (losses) of unconsolidated affiliates(2) | 2,705 | 3,355 | (8,952) | (3,695) | (3,899) |
| Impairment of investment in joint venture(3) | — | — | — | (33,066) | — |
| Operating income (loss) | 17,555 | 22,582 | 15,841 | (13,074) | 14,877 |
| Other income (expense): | | | | | |
| Interest income | 18 | 16 | 14 | 12 | 1 |
| Interest expense | (30,752) | (15,681) | (16,069) | (18,457) | (21,065) |
| Gain on extinguishment of debt of unconsolidated affiliate | — | 11,980 | — | — | — |
| Gain on termination of supplemental executive retirement plan | 715 | — | — | — | — |
| Loss on property donation | — | — | (755) | — | — |
| (Loss) gain on early retirement of debt, net | (90) | — | (22) | 2,499 | — |
| Total other expense | (30,109) | (3,685) | (16,832) | (15,946) | (21,064) |
| Net (loss) income before income taxes | (12,554) | 18,897 | (991) | (29,020) | (6,187) |
| Provision for income taxes(4) | (1,768) | — | — | — | — |
| Net (loss) income | (14,322) | 18,897 | (991) | (29,020) | (6,187) |
| Less net (income) loss attributable to non-controlling interest(5) | (103) | — | — | 4,807 | 183 |
| Net (loss) income attributable to the Company(5) | $ (14,425) | $ 18,897 | $ (991) | $ (24,213) | $ (6,004) |
| Basic net income per common share | $ (0.48) | $ 0.81 | $ (0.04) | $ (1.04) | $ (0.26) |
| Diluted net income per common share | $ (0.48) | $ 0.81 | $ (0.04) | $ (1.04) | $ (0.26) |
| **Other Data:** | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | $ 33,879 | $ 23,619 | $ 28,366 | $ 21,171 | $ 25,216 |
| Investing activities | 38,140 | (7,643) | (21,832) | (7,715) | (8,422) |
| Financing activities | (14,228) | (11,466) | (11,381) | (31,439) | 19 |
| Capital expenditures | 10,564 | 7,413 | 9,181 | 7,889 | 8,270 |
| **Operating Data(6):** | | | | | |
| Number of hotel rooms(7) | 1,571 | 1,217 | 1,217 | 1,217 | 1,217 |
| Average hotel occupancy rate(8) | 84.1% | 85.1% | 84.1% | 86.3% | 86.4% |
| Number of slot machines(7) | 8,665 | 2,738 | 2,779 | 2,751 | 2,766 |
| Number of table games(7) | 177 | 100 | 97 | 99 | 97 |

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| **Consolidated Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 87,604 | $ 29,813 | $ 25,303 | $ 30,150 | $ 48,133 |
| Total assets | 1,175,330 | 270,182 | 262,525 | 272,662 | 333,643 |
| Total debt | 778,862 | 170,760 | 176,102 | 183,502 | 209,620 |
| Stockholders' equity | 151,622 | 75,575 | 61,003 | 66,023 | 95,905 |

**Footnotes to Selected Consolidated Financial Data:**

(1) During 2014 and 2013, we incurred $6.3 million and $3.2 million, respectively, in acquisition charges in connection with our merger with MTR Gaming Group, Inc. The amounts have been expensed in accordance with the applicable accounting guidance for business combinations.

(2) Except as explained in note (3) below, equity in income (losses) of unconsolidated affiliates represents (1) Resorts' 48.1% joint venture interest in the Silver Legacy Joint Venture (or, prior to the Merger, its 50% interest in ELLC) and (2) for periods prior to September 1, 2014, Resorts' 21.3% interest in Tamarack. Since the Company operates in the same line of business as the Silver Legacy and Tamarack, each with casino and/or hotel operations, the Company's equity in the income (losses) of such affiliates is included in operating income (loss).

(3) As a result of the Company's identification of triggering events, it recognized non-cash impairment charges of $33.1 million in 2011 for its investment in the Silver Legacy Joint Venture, which is included in the consolidated statement of operations and comprehensive income. Such impairment charge eliminated the Company's remaining investment in the Silver Legacy Joint Venture. Non-controlling interests in the Silver Legacy Joint Venture were allocated $4.8 million of the non-cash impairments, eliminating the remaining non-controlling interest. As a result of the elimination of the Company's remaining investment in the Silver Legacy Joint Venture as of December 31, 2011, we discontinued the equity method of accounting for our investment in the Silver Legacy Joint Venture until the fourth quarter of 2012 when additional investments in the Silver Legacy were made. At such time, the Company recognized its share of the Silver Legacy Joint Venture's suspended net losses not recognized during the period the equity method of accounting was discontinued and resumed the equity method of accounting for its investment.

(4) Prior to September 19, 2014, HoldCo was taxed as a partnership under the Internal Revenue Code pursuant to which income taxes were primarily the responsibility of the partners. On September 18, 2014, as part of the merger with MTR Gaming, ERI became a C Corporation subject to the federal and state corporate-level income taxes at prevailing corporate tax rates. While taxed as a partnership, HoldCo was not subject to federal income tax liability. Because holders of membership interests in HoldCo were required to include their respective shares of HoldCo and Resorts' taxable income (loss) in their individual income tax returns, Resorts made distributions to its member, HoldCo and HoldCo made distributions to its members to cover such liabilities.

(5) Non-controlling interest represented the minority partners' share of ELLC's 50% joint venture interest in the Silver Legacy Joint Venture. The non-controlling interest in ELLC was owned by certain HoldCo equity holders and was approximately 4%. The non-controlling interest in the Silver Legacy is 1.9%.

(6) Excludes the operating data of the Silver Legacy and Tamarack Junction.

(7) As of the end of each period presented.

(8) For each period presented.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**General**

Eldorado Resorts, Inc. ("ERI" or the "Company"), a Nevada corporation, was formed in September 2014 to be the parent company following the merger of wholly owned subsidiaries of the Company into Eldorado HoldCo LLC ("HoldCo"), a Nevada limited liability company formed in 2009 that is the parent company of Eldorado Resorts LLC ("Resorts"), and MTR Gaming Group, Inc. ("MTR Gaming"), a Delaware corporation incorporated in 1988 (the "Merger"). Effective upon the consummation of the Merger on September 19, 2014 (the "Merger Date"), MTR Gaming and HoldCo each became a wholly owned subsidiary of ERI and, as a result of such transactions, Resorts became an indirect wholly owned subsidiary of ERI.

Resorts owns and operates Eldorado Shreveport, a hotel and riverboat gaming complex that includes a 403-room, all suite, art deco-style hotel and a tri-level riverboat dockside casino situated on the Red River in Shreveport, Louisiana ("Eldorado Shreveport") and the Eldorado Reno, a premier hotel, casino and entertainment facility in Reno, Nevada ("Eldorado Reno"). Resorts owns the Eldorado Shreveport indirectly through two wholly owned subsidiaries which own 100% of the partnership interests in the Eldorado Shreveport Joint Venture, a Louisiana general partnership ("Louisiana Partnership"). In addition, Resorts owns a 48.1% interest in a joint venture ("Silver Legacy Joint Venture") which owns the Silver Legacy Resort Casino ("Silver Legacy"), a major, themed hotel/casino connected via a skywalk to the Eldorado Reno. Resorts also previously owned a 21.3% interest in Tamarack Junction, a small casino in south Reno. On September 1, 2014, and as a condition to closing the Merger, Resorts distributed to HoldCo, and HoldCo subsequently distributed to its members on a pro rata basis, all of Resorts' interest in Tamarack. The distribution resulted in no gain or loss being recognized in the accompanying consolidated financial statements because the distribution was in the amount of $5.5 million which was the book value of Tamarack.

MTR Gaming operates as a hospitality and gaming company with racetrack, gaming and hotel properties in West Virginia, Pennsylvania and Ohio. MTR Gaming, through its wholly owned subsidiaries, owns and operates Mountaineer Casino, Racetrack & Resort in Chester, West Virginia ("Mountaineer"), Presque Isle Downs & Casino in Erie, Pennsylvania ("Presque Isle Downs"), and Scioto Downs in Columbus, Ohio. Scioto Downs, through its subsidiary RacelineBet, Inc., also operates Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

ERI, HoldCo and MTR Gaming are collectively referred to as "we," "us," "our" or the "Company." The Merger closed on the Merger Date and has been accounted for as a reverse acquisition of MTR Gaming by HoldCo under accounting principles generally accepted in the United States. As a result, HoldCo is considered the acquirer of MTR Gaming for accounting purposes. The financial information included in this Item 7 for periods prior to the Merger Date are those of Resorts and its subsidiaries. The presentation of information herein for periods prior to the Merger Date and after the Merger Date are not fully comparable because the results of operations for MTR Gaming are not included for periods prior to the Merger Date. Summary financial results of MTR Gaming for the years ended December 31, 2013 and 2012 are included in MTR Gaming's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our audited consolidated financial statements and the notes to those statements included in this Annual Report.

**Significant Factors Impacting Operating Trends**

*Key Performance Metrics*

Our operating results are highly dependent on the volume of customers visiting and staying at our properties. Key performance metrics include volume indicators such as table games drop and slot handle, which refer to amounts wagered by our customers. The amount of volume we retain, which is not fully controllable by us, is recognized as casino revenues and is referred to as our win or hold. In addition, hotel occupancy and price per room designated by average daily rate ("ADR") are key indicators for our hotel business. Our calculation of ADR consists of the average price of occupied rooms per day including the impact of complimentary rooms. Complimentary room rates are determined based on an analysis of retail or cash rates for each customer segment and each type of room product to estimate complimentary rates which are consistent with retail rates. Complimentary rates are reviewed at least annually and on an interim basis if there are significant changes in market conditions. Complimentary rooms are treated as occupied rooms in our calculation of hotel occupancy.

*Economic Impact*

The economic downturn and the uneven recovery from the downturn continue to adversely influence consumers' confidence, discretionary spending levels and travel patterns. High unemployment and the record number of home foreclosures experienced in the economic downturn, increased competition and volatility of the economy have had, and continue to have, a significant negative impact on the gaming and tourism industries, and, as a result, our operating performance over the past several years. In response to the impact of the economic down turn, increased competition and other market factors on our business, our management has implemented cost savings measures and will continue to review our operations to look for opportunities to further reduce expenses and maximize cash flows. While there has been some improvement in the economy, we believe the impact of the economic downturn and the continuing uneven recovery may continue to negatively affect our operating results for some period of time. We remain uncertain as to the duration and magnitude of the impact of such factors on our operations and the length and sustainability of the recovery from the economic downturn.

*Expansion of Native American Gaming and Regional Gaming*

Our business has been adversely impacted by the expansion of Native American gaming and the expansion of gaming in our markets, including Ohio. Future growth of Native American and other gaming establishments, including the addition of hotel rooms and other amenities, would place additional competitive pressure on our operations. While we cannot predict the extent of any future impact, it could be significant.

*Eldorado Reno.* A significant portion of our revenues and operating income are generated from patrons who are residents of northern California and northeastern Texas, and as such, our operations have been adversely impacted by the growth in Native American gaming in northern California and, to a lesser extent, in Oklahoma.

Many existing Native American gaming facilities in northern California are modest compared to Eldorado Reno. However, a number of Native American tribes have established large-scale gaming facilities in California and some Native American tribes have announced that they are in the process of expanding, developing, or are considering establishing, large-scale hotel and gaming facilities in northern California. As northern California Native American gaming operations have expanded, we believe the increasing competition generated by these gaming operations has had a negative impact, principally on drive-in, day-trip visitor traffic from our main feeder markets in northern California.

Under their current compacts, most Native American tribes in California may operate up to 2,000 slot machines and up to two gaming facilities on any one reservation. However, under action taken by the National Indian Gaming Commission, gaming devices similar in appearance to slot machines, but which are deemed to be technological enhancements to bingo style gaming, are not subject to such limits and may be used by tribes without state permission. The number of slot machines the tribes may be allowed to operate could increase as a result of any new or amended compacts the tribes may enter into with the State of California that receive the requisite approvals. Such increases have occurred with respect to a number of new or amended compacts which have been executed and approved.

*Eldorado Shreveport.* Casino gaming is currently prohibited in several jurisdictions from which the Shreveport/Bossier City market draws customers, primarily Texas. Although casino gaming is currently not permitted in Texas, the Texas legislature has from time to time considered proposals to authorize casino gaming and there can be no assurance that casino gaming will not be approved in Texas in the future, which would have a material adverse effect on our business. Eldorado Shreveport competes with several Native American casinos located in Oklahoma, certain of which are located near our core Texas markets. Because we draw a significant amount of our customers from the Dallas/Fort Worth area, but are located approximately 190 miles from that area, we believe we will continue to face increased competition from gaming operations in Oklahoma, including the WinStar and Choctaw casinos, and would face significant competition that may have a material adverse effect on our business and results of operations if casino gaming is approved in Texas. In June 2013, construction was completed on a new 30,000 square foot casino and 400-room hotel in Bossier City across the Red River from Eldorado Shreveport. The facility, which also includes several restaurants and a 1,000-seat entertainment arena, received final approval from the Louisiana Gaming Control Board and opened on June 15, 2013. In December 2014, a new luxury, land-based casino with 1,600 slot machines, 72 gaming tables, a poker room, and a 740-room hotel with a ballroom and spa, opened in Lake Charles, Louisiana approximately 200 miles south of Eldorado Shreveport, but closer to the Houston, Texas market. In addition, a new 320,000 square foot gaming facility located in Sonoma County, California opened on November 5, 2013.

*MTR Gaming.* All of MTR Gaming's properties experience varying competitive pressures, from casinos in western Pennsylvania, western New York, northern West Virginia and eastern Ohio. We believe the expansion of gaming in Ohio, which includes casinos that opened in Cleveland in May 2012 and Columbus in October 2012 and additional casinos in Cincinnati and Toledo, as well as the installation of VLTs at existing horse race tracks near Cleveland, one of which opened in April 2013 and the other in December 2013 and the relocation of a racetrack to Austintown, Ohio in 2014, has had and will continue to have a negative impact on our results of operations at all our properties and such impact may be material. We intend to be proactive in our efforts to mitigate the effects of such competition, which include expanding marketing initiatives and proactively managing our cost structures at our properties.

*Major Bowling Tournaments in the Reno Market*

The National Bowling Stadium, located one block from Eldorado Reno, is one of the largest bowling complexes in North America and has been selected to host multi-month tournaments in Reno every year through 2018 except for 2017. It has also been selected to host ten United States Bowling Congress ("USBC") tournaments from 2019 through 2026. During this period, two of the ten USBC Tournaments may be held in the same year. Through a one-time agreement, the National Bowling Stadium hosted the USBC Open Tournament in Reno in 2014; usually an off-year for Reno. Historically, these multi-month bowling tournaments have attracted a significant number of visitors to the Reno market and have benefited business in the downtown area, including Eldorado Reno. The USBC Tournaments brought approximately 73,000 bowlers to the Reno area during the 2013 tournament period which began on March 1st and continued through July 7th. Both tournaments

returned to Reno in 2014 and brought approximately 62,000 bowlers to the Reno area during the 2014 tournament period which began on February 28th and continued through July 12th.

*West Virginia Smoking Ban*

On August 26, 2014, the Board of Health of Hancock County, West Virginia adopted and approved the Clean Air Regulation Act of 2014 ("Regulation"), which will be effective July 1, 2015. The Regulation, as currently adopted, will ban smoking in public places in Hancock County including at Mountaineer. We are continuing to evaluate the Regulation, its impact on our Mountaineer facility, and steps to become compliant with the Regulation upon its effective date. We expect that the Regulation will have a negative impact on our business and results of operations at Mountaineer, and such impact may be material.

**Summary Financial Results**

***Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013***

The following table highlights the results of our operations (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | Percent Change |
| Net operating revenues | $ 361,823 | $ 247,186 | 46.4% |
| Operating expenses | 339,478 | 224,560 | 51.2% |
| Equity in income of unconsolidated affiliates | 2,705 | 3,355 | (19.4)% |
| Operating income | 17,555 | 22,582 | (22.3)% |
| Net (loss) income | (14,322) | 18,897 | (175.8)% |

*Net Operating Revenues.* MTR Gaming contributed $124.2 million of net operating revenues for the period from the Merger Date through December 31, 2014 consisting primarily of casino revenues. Including the incremental MTR Gaming revenues, net operating revenues increased 46.4% for the year ended December 31, 2014 compared to the prior year.

Excluding incremental MTR Gaming revenues of $124.2 million, consolidated net operating revenues decreased 3.9% for the year ended December 31, 2014 compared to the prior year as both Eldorado Reno and Eldorado Shreveport experienced declines in all components of operating revenues.

*Equity in Income of Unconsolidated Affiliates.* Income from our unconsolidated affiliate, the Silver Legacy Joint Venture and our former unconsolidated affiliate, Tamarack, decreased $ 0.7 million for the year ended December 31, 2014 compared to the prior year. Our equity in the income of the Silver Legacy Joint Venture for the years ended December 31, 2014 and 2013 amounted to $2.0 million and $2.3 million, respectively. Equity in the income of Tamarack for the year ended December 31, 2014, prior to its disposition on September 1, 2014, amounted to $0.7 million compared to $1.1 million for the year ended December 31, 2013.

*Operating Income and Net (Loss) Income.* Consolidated operating income and net (loss) income includes operating income and a net loss of $17.6 million and $14.3. million, respectively, attributable to MTR Gaming for the period from the Merger Date through December 31, 2014.

For the year ended December 31, 2014 compared to the prior year, operating income, excluding operating income attributable to MTR Gaming, decreased $12.0 million primarily due to declines in departmental operating margins, increased general and administrative payroll and professional services associated with the Merger, and a decline in equity income of unconsolidated affiliates. Operating income was also impacted by an increase in acquisition charges of $3.2 million during the year ended December 31, 2014 compared to the prior year. Net (loss) income decreased $24.1 million during the

year ended December 31, 2014 compared to the prior year due to the same factors negatively impacting operating income, combined with the absence of a $12.0 million gain in 2013 for the extinguishment of debt of Silver Legacy and a tax provision of $1.1 million. This decrease during the year ended December 31, 2014 compared to 2013 was partially offset by a $0.7 million gain resulting from the termination of Silver Legacy's supplemental executive retirement plan and a $0.2 million decrease in interest expense.

**Revenues**

The following table highlights our sources of net operating revenues (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | Percent |
| Casino: | | | |
| Eldorado Reno | $ 61,946 | $ 63,002 | (1.7)% |
| Eldorado Shreveport | 123,228 | 129,377 | (4.8)% |
| MTR Gaming | 113,674 | — | 100.0% |
| Total | 298,848 | 192,379 | 55.3% |
| Pari-mutuel commissions—MTR Gaming | 1,986 | — | 100.0% |
| Food and beverage: | | | |
| Eldorado Reno | 33,500 | 34,307 | (2.4)% |
| Eldorado Shreveport | 25,624 | 26,249 | (2.4)% |
| MTR Gaming | 9,109 | — | 100.0% |
| Total | 68,233 | 60,556 | 12.7% |
| Hotel: | | | |
| Eldorado Reno | 18,149 | 18,287 | (0.8)% |
| Eldorado Shreveport | 8,498 | 8,647 | (1.7)% |
| MTR Gaming | 1,360 | — | 100.0% |
| Total | 28,007 | 26,934 | 4.0% |
| Other: | | | |
| Eldorado Reno | 5,976 | 6,832 | (12.5)% |
| Eldorado Shreveport | 3,264 | 3,552 | (8.1)% |
| MTR Gaming | 3,958 | — | 100.0% |
| Total | 13,198 | 10,384 | 27.1% |
| Promotional allowances: | | | |
| Eldorado Reno | (15,876) | (15,737) | 0.9% |
| Eldorado Shreveport | (26,654) | (27,330) | (2.5)% |
| MTR Gaming | (5,919) | — | (100.0)% |
| Total | (48,449) | (43,067) | 12.5% |

*Casino Revenues.* MTR Gaming contributed $113.6 million of casino revenues for the period from the Merger Date through December 31, 2014 consisting primarily of net win from slot operations, table games and poker. As a result, consolidated casino revenues increased 55.3% for the year ended December 31, 2014 compared to the prior year.

Consolidated casino revenues, excluding MTR Gaming revenues, decreased 4.0% for the year ended December 31, 2014 compared to the prior year. The decrease in casino revenues at Eldorado Reno of 1.7% was primarily due to decreases in slot handle and table games credit drop. Casino

revenues decreased 4.8% at Eldorado Shreveport for the year ended December 31, 2014 compared to the prior year due to lower slot handle while the slot hold percentage remained constant. The decrease in casino revenues associated with the decline in slot volume was partially offset by an increase in table games revenues resulting from an increase in the table games hold percentage, which more than offset a decrease in table games drop for the year ended December 31, 2014 compared to the prior year. The results of operations of Eldorado Shreveport have also been negatively impacted by the addition of a new competitor in the Shreveport/Bossier City market in June of 2013 that reduced the market share of all of the other casino operators in the market for the year ended December 31, 2014, including Eldorado Shreveport.

*Pari-mutuel Commissions.* MTR Gaming contributed $2.0 million of pari-mutuel commissions for the period from the Merger Date through December 31, 2014.

*Food and Beverage Revenues.* MTR Gaming contributed $9.1 million of food and beverage revenues for the period from the Merger Date through December 31, 2014. As a result, consolidated food and beverage revenues increased 12.7% for the year ended December 31, 2014 compared to the prior year.

Consolidated food and beverage revenues, excluding MTR Gaming revenues, decreased 2.4% for the year ended December 31, 2014 compared to the prior year due to declines in food and beverage revenues of 2.4% at both Eldorado Reno and Eldorado Shreveport. Food revenues at Eldorado Reno remained flat for the year ended December 31, 2014 compared to the prior year. Declines in customer counts of 2.5% were offset by an increase in the average check as a result of selective price increases in Eldorado Reno's restaurants. Beverage revenues decreased primarily due to lower complimentary sales and the closure of the BuBinga nightclub in May 2014. The decline in food and beverage revenues at Eldorado Shreveport for the year ended December 31, 2014 compared to the prior year was primarily due to the decrease in customer volume as evidenced by a 1.7% decline in customer counts.

*Hotel Revenues.* MTR Gaming contributed $1.4 million of hotel revenues for the period from the Merger Date through December 31, 2014 and consolidated hotel revenues increased 4.0% for the year ended December 31, 2014 compared to the prior year.

Consolidated hotel revenues, excluding MTR Gaming, decreased 1.1% for the year ended December 31, 2014 compared to the prior year. Hotel revenues at Eldorado Reno decreased 0.8% due to declines in hotel occupancy to 82.0% for the year ended December 31, 2014 from 82.9% for the year ended December 31, 2013. These declines were partially offset by growth in hotel revenues associated with an increase in our resort fee from $6 to $8 in August of 2013 resulting in a higher ADR which rose to $72.57 for the year ended December 31, 2014 compared to $72.17 during the prior year. Hotel revenues at Eldorado Shreveport decreased 1.7% due to a decline in the ADR to $64.50 during the year ended December 31, 2014 from $65.72 during 2013, which more than offset the slight increase in occupancy to 89.6% during 2014 from 89.4% during 2013.

*Other Revenues.* Other revenues are comprised of revenues generated by our retail outlets, entertainment venues and other miscellaneous items. MTR Gaming contributed $4.0 million of other revenues for the period from the Merger Date through December 31, 2014. As a result, consolidated other revenues increased 27.1% for the year ended December 31, 2014 compared to the prior year.

Consolidated other revenues, excluding MTR Gaming, decreased 11.0% for the year ended December 31, 2014 compared to the prior year. Other revenues at Eldorado Reno decreased 12.5% for the year ended December 31, 2014 compared to the prior year primarily due to declines in entertainment revenues associated with lower attendance at the Eldorado Reno theater, and to a lesser extent, decreased retail revenues. Other revenues decreased 8.1% at Eldorado Shreveport for the year ended December 31, 2014 compared to the prior year due to lower ATM commission revenues and retail sales which were partially offset by improved spa revenues.

*Promotional Allowances.* Consolidated promotional allowances, expressed as a percentage of casino revenues, decreased to 16.2% for the year ended December 31, 2014 compared to 22.4% for the prior year; however, the total consolidated promotional allowances incurred increased 12.5%. MTR Gaming's promotional allowances represented 5.2% of its casino revenues for the period after the Merger. Promotional allowances at Eldorado Reno increased slightly for the year ended December 31, 2014 compared to the prior year reflecting an increase in our casino direct mail program. Promotional allowances decreased 2.5% at Eldorado Shreveport in association with the 4.8% decrease in casino revenues. Management actively reviews the effectiveness of its promotions and direct mail programs to expand successful promotions while eliminating or reducing less profitable promotions. Promotional activities reflect our efforts to maintain the Eldorado's share of the gaming markets in which it operates in an effort to mitigate the impact of increasing competition.

**Operating Expenses**

The following table highlights our operating expenses (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | Percent |
| Casino: | | | |
| Eldorado Reno | $ 27,840 | $ 28,339 | (1.8)% |
| Eldorado Shreveport | 72,151 | 73,574 | (1.9)% |
| MTR Gaming | 67,801 | — | 100.0% |
| Total | 167,792 | 101,913 | 64.6% |
| Pari-mutuel commissions—MTR Gaming | 2,411 | — | 100.0% |
| Food and beverage: | | | |
| Eldorado Reno | 23,460 | 23,485 | (0.1)% |
| Eldorado Shreveport | 5,622 | 5,497 | 2.3% |
| MTR Gaming | 8,329 | — | 100.0% |
| Total | 37,411 | 28,982 | 29.0% |
| Hotel: | | | |
| Eldorado Reno | 6,474 | 6,725 | (3.7)% |
| Eldorado Shreveport | 1,192 | 1,166 | 2.6% |
| MTR Gaming | 870 | — | 100.0% |
| Total | 8,536 | 7,891 | 8.2% |
| Other: | | | |
| Eldorado Reno | 5,752 | 5,791 | (0.7)% |
| Eldorado Shreveport | 1,503 | 1,499 | 0.3% |
| MTR Gaming | 2,093 | — | 100.0% |
| Total | 9,348 | 7,290 | 28.2% |
| Marketing and promotions | 21,982 | 17,740 | 23.9% |
| General and administrative | 62,905 | 43,113 | 45.9% |
| Management fee | 450 | 600 | (25.0)% |
| Depreciation and amortization | 28,643 | 17,031 | 68.2% |

*Casino Expenses.* MTR Gaming contributed $67.8 million of casino expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated casino expenses increased 64.6% for the year ended December 31, 2014 compared to the prior year.

Casino expenses at Eldorado Reno decreased 1.8% for the year ended December 31, 2014 compared to the prior year due to lower gaming taxes and declines in bad debt expense. Casino expenses at Eldorado Shreveport decreased 1.9% for the year ended December 31, 2014 compared to the prior year primarily as a result of lower gaming taxes and payroll costs reflecting the decrease in visitor volume.

*Pari-mutuel Expense.* MTR Gaming contributed $2.4 million of pari-mutuel expense for the period from the Merger Date through December 31, 2014.

*Food and Beverage Expenses.* MTR Gaming contributed $8.3 million of food and beverage expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated food and beverage expenses increased 29.0% for the year ended December 31, 2014 compared to the prior year.

For the year ended December 31, 2014 compared to the prior year, food and beverage expenses at Eldorado Reno remained flat despite a decrease of 2.4% in food and beverage revenues. Increases in food costs associated with higher product costs were offset by decreases in beverage costs in conjunction with lower beverage revenues associated with the closure of the BuBinga nightclub in May of 2014. Despite a 2.4% decrease in food and beverage revenues, food and beverage expenses increased slightly at Eldorado Shreveport for the year ended December 31, 2014 compared to the prior year due to increased food costs related to quality improvements and the addition of new menu items.

*Hotel Expenses.* MTR Gaming contributed $0.9 million of hotel expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated hotel expenses increased 8.1% for the year ended December 31, 2014 compared to the prior year.

Hotel expenses at Eldorado Reno decreased 3.7% reflecting the decrease in occupancy for the year ended December 31, 2014 compared to the prior year in addition to decreased expenses associated with lower convention sales. For the year ended December 31, 2014 compared to the prior year, hotel expenses at Eldorado Shreveport increased slightly due to increases in payroll and benefits combined with higher supplies costs associated with improved amenities.

*Other Expenses.* MTR Gaming contributed $2.1 million of other expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated other expenses increased 28.2% for the year ended December 31, 2014 compared to the prior year.

Other expenses at Eldorado Reno decreased slightly for the year ended December 31, 2014 compared to the prior year despite a 12.5% decrease in other revenues. The higher proportion of expenses was due to fixed production and contract costs associated with the theater. Other expenses at Eldorado Shreveport did not change significantly despite an 8.1% decrease in other revenues due to higher retail costs, as a percentage of retail revenues.

*Marketing and Promotions Expenses.* MTR Gaming contributed $4.4 million of marketing and promotion expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated marketing and promotions expense increased 23.9% for the year ended December 31, 2014 compared to the prior year. Excluding MTR Gaming, marketing and promotional expenses did not change significantly for the year ended December 31, 2014 compared to the prior year.

*General and Administrative Expenses and Management Fees.* MTR Gaming contributed $17.9 million of general and administrative expenses for the period from the Merger Date through December 31, 2014. As a result, consolidated general and administrative expenses increased 45.9% for the year ended December 31, 2014 compared to the prior year. Excluding MTR Gaming, general and administrative expenses increased 4.4% for the year ended December 31, 2014 compared to the prior year due to increases in professional services and additional payroll associated with the Merger in

addition to higher property taxes and the absence of a sales tax refund received in the third quarter of 2013 at Eldorado Shreveport.

Historically, we have paid management fees to Recreational Enterprises, Inc. ("REI") and Hotel Casino Management, Inc. ("HCM"), affiliates of the Company. For the years ended December 31, 2014 and 2013, we paid $0.5 million and $0.6 million, respectively, in management fees to REI and HCM. Management fees were not paid subsequent to the consummation of the Merger. Subsequent to the consummation of the Merger, Donald L. Carano and Raymond J. Poncia received remuneration in the amount of $0.3 million and $0.2 million, respectively, for their services as consultants to ERI and its subsidiaries in lieu of the management fees previously paid under the terms of the Resorts' management agreement.

*Depreciation and Amortization Expense.* MTR Gaming contributed $12.3 million of depreciation expense for the period from the Merger Date through December 31, 2014. As a result, depreciation and amortization expense increased 68.2% for the year ended December 31, 2014 compared to the prior year. Depreciation expense decreased 4.0% for the year ended December 31, 2014 compared to the prior year at Eldorado Reno and Eldorado Shreveport as more assets became fully depreciated.

**Acquisition Charges**

For the years ended December 31, 2014 and 2013, we incurred $7.4 million and $3.2 million, respectively, in acquisition charges in connection with the Merger including $1.1 million contributed by MTR Gaming along with bonuses paid to several key executives in the amount of $2.4 million for the year ended December 31, 2014.

**Interest Expense**

MTR Gaming contributed $15.3 million of interest expense for the period from the Merger Date through December 31, 2014. This incremental expense offset a $0.2 million decline in Resorts' interest expense for the year ended December 31, 2014 compared to the prior year period due to a reduction in the balance outstanding under Resorts' credit facility which matured May 30, 2014 and was not renewed.

***Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012***

The following table highlights the results of our operations (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | Percent Change |
| Net operating revenues | $ 247,186 | $ 254,740 | (3.0)% |
| Operating expenses | 224,560 | 229,749 | (2.3)% |
| Equity in income (losses) of unconsolidated affiliates | 3,355 | (8,952) | 137.5% |
| Operating income | 22,582 | 15,841 | 42.6% |
| Net income (loss) | 18,897 | (991) | 2,006.9% |

*Net Operating Revenues.* Net operating revenues decreased 3.0% for the year ended December 31, 2013 compared to the prior year primarily as a result of decreases in casino revenues and increases in promotional activities at both Eldorado Shreveport and Eldorado Reno. In addition, decreases in hotel and other revenues at Eldorado Shreveport were only partially offset by increases in food and beverage revenues at both facilities and in hotel and other revenues at Eldorado Reno. As more fully explained below, the decrease in casino revenues at Eldorado Reno resulted primarily from a decrease in the

table games hold percentage. The decrease in casino revenues at Eldorado Shreveport primarily reflects reductions in slot machine wagering in 2013 compared to the prior year.

*Operating Expenses.* Operating expenses decreased 2.3% for the year ended December 31, 2013 compared to the prior year primarily as a result of decreases in casino expenses reflecting the decline in the associated revenues at both Eldorado Shreveport and Eldorado Reno. Also contributing to the decrease were reductions in selling, general and administrative expenses and depreciation and amortization.

*Equity in Income (Losses) of Unconsolidated Affiliates.* Income from the Company's unconsolidated affiliates, the Silver Legacy and Tamarack, increased approximately $12.3 million for year ended December 31, 2013 to the prior year. Following its reorganization, equity in the income of the Silver Legacy for 2013 amounted to $2.3 million compared with a loss of $9.7 million in 2012. Equity in the income of Tamarack for the year ended December 31, 2013 increased by $0.4 million due to an increase in Tamarack's net operating revenues.

*Operating Income and Net Income (Loss).* During 2013, we experienced an increase in operating income of $6.7 million compared to the prior year due primarily to the $12.3 million improvement in our equity in income of unconsolidated affiliates. Operating margins decreased during 2013 as consolidated net operating revenues decreased approximately $2.4 million more than the decrease in consolidated operating expenses. Also offsetting the improvement from our unconsolidated affiliates were $3.2 million of acquisition charges incurred during 2013 in connection with the Merger. Net income increased approximately $19.9 million during 2013 compared to the prior year due to the factors positively impacting operating income previously noted combined with the recognition in 2013 of $12.0 million of gain on the extinguishment of debt of the Silver Legacy as a result of its reorganization, the absence of an $0.8 million loss on property donation incurred in the 2012 period and a $0.4 million reduction in interest expense.

**Revenues**

The following table highlights our sources of net operating revenues (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | Percent |
| Casino: | | | |
| Eldorado Reno | $ 63,002 | $ 64,014 | (1.6)% |
| Eldorado Shreveport | 129,377 | 136,278 | (5.1)% |
| Total | 192,379 | 200,292 | (4.0)% |
| Food and beverage: | | | |
| Eldorado Reno | 34,307 | 33,210 | 3.3% |
| Eldorado Shreveport | 26,249 | 26,107 | 0.5% |
| Total | 60,556 | 59,317 | 2.1% |
| Hotel: | | | |
| Eldorado Reno | 18,287 | 17,081 | 7.1% |
| Eldorado Shreveport | 8,647 | 9,122 | (5.2)% |
| Total | 26,934 | 26,203 | 2.8% |
| Other: | | | |
| Eldorado Reno | 6,832 | 6,667 | 2.5% |
| Eldorado Shreveport | 3,552 | 3,791 | (6.3)% |
| Total | 10,384 | 10,458 | (0.7)% |
| Promotional allowances: | | | |
| Eldorado Reno | (15,737) | (14,882) | (5.7)% |
| Eldorado Shreveport | (27,330) | (26,648) | (2.6)% |
| Total | (43,067) | (41,530) | (3.7)% |

*Casino Revenues.* Consolidated casino revenues decreased 4.0% for the year ended December 31, 2013 compared to the prior year. The decrease in such revenues at Eldorado Reno of 1.6% was due to a decrease in the table games hold percentage during 2013 compared to 2012, in which we held higher than normal. This decrease in table games revenue was partially offset by an increase in slot revenue for the year ended December 31, 2013. Casino revenues at Eldorado Shreveport decreased in 2013 by 5.1% compared to 2012 due primarily to a decrease in slot handle. Table game revenues at Eldorado Shreveport did not change significantly in 2013 compared to the prior year.

*Food and Beverage Revenues.* Consolidated food and beverage revenues increased by 2.1% for the year ended December 31, 2012 compared to the prior year. Food and beverage revenues at Eldorado Reno increased 3.3% in 2013 compared to 2012 primarily due to an increase in the average check price as a result of selective price increases in our restaurants along with a 0.8% increase in customer counts. Food and beverage revenues increased by 0.5% at Eldorado Shreveport in 2013 compared to 2012 primarily due to an increase in the average food revenue per customer resulting from selective increases in menu prices.

*Hotel Revenues.* Consolidated hotel revenues increased 2.8% for the year ended December 31, 2013 compared to the prior year. Hotel revenues at Eldorado Reno increased by 7.1% due to an increased hotel occupancy rate of approximately 82.9% in 2013 compared to 80.6% in 2012 and an increased hotel ADR of $72.17 in 2013 compared to $68.81 in 2012. Other hotel revenues at Eldorado Reno increased as we increased our resort fee in August 2013. Hotel revenues at Eldorado Shreveport

decreased by 5.2% due to a decline in the occupancy rate to 89.4% in 2013 from 91.1% in 2012 and a decrease in the ADR to $66.00 in 2013 from $68.00 in 2012. Hotel room capacity in the Shreveport/Bossier City market increased during June 2013 with the opening of a 400-room hotel across the Red River from Eldorado Shreveport.

*Other Revenues.* Other revenues are comprised of revenues generated by our retail outlets, entertainment venues and other miscellaneous items. Other revenues at Eldorado Reno increased 2.5% for the year ended December 31, 2013 compared to the prior year due to an increase in retail sales. Other revenues decreased by 6.3% at Eldorado Shreveport during 2013 compared to 2012 due to lower ATM commission revenues and retail sales and to the absence of rental revenue from certain retail space located across the street from Eldorado Shreveport which we donated to the City of Shreveport during the third quarter of 2012.

*Promotional Allowances.* Consolidated promotional allowances, as a percentage of casino revenues, increased to 22.4% in for the year ended December 31, 2013 compared to 20.7% for the year ended December 31, 2012. Such costs at Eldorado Reno increased 5.7%, whereas such costs increased 2.6% at Eldorado Shreveport. Management actively reviews the effectiveness of its promotions and direct mail programs to expand successful promotions while eliminating or reducing less profitable promotions. Promotional activities at Eldorado Shreveport reflect, in part, our efforts to maintain our property's share of the overall Shreveport/Bossier City gaming market, which added a new competitor during June 2013.

**Operating Expenses**

The following table highlights our operating expenses (dollars in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | Percent |
| Casino: | | | |
| Eldorado Reno | $ 28,339 | $ 28,061 | 1.0% |
| Eldorado Shreveport | 73,574 | 75,983 | (3.2)% |
| Total | 101,913 | 104,044 | (2.0)% |
| Food and beverage: | | | |
| Eldorado Reno | 23,485 | 22,992 | 2.1% |
| Eldorado Shreveport | 5,497 | 6,103 | (9.9)% |
| Total | 28,982 | 29,095 | (0.4)% |
| Hotel: | | | |
| Eldorado Reno | 6,725 | 6,749 | (0.4)% |
| Eldorado Shreveport | 1,166 | 1,271 | (8.3)% |
| Total | 7,891 | 8,020 | (1.6)% |
| Other: | | | |
| Eldorado Reno | 5,791 | 5,572 | 3.9% |
| Eldorado Shreveport | 1,499 | 1,707 | (12.2)% |
| Total | 7,290 | 7,279 | 0.2% |
| Marketing and promotions | 17,740 | 18,724 | (5.3)% |
| General and administrative | 43,113 | 44,336 | (2.8)% |
| Management fee | 600 | 600 | —% |
| Depreciation and amortization | 17,031 | 17,651 | (3.5)% |

*Casino Expenses.* Casino expenses at Eldorado Reno increased 1.0% during the year ended December 31, 2013 compared to the prior year primarily due to an increase in bad debt expense and increased promotional allowances related to the cost of rooms, food and retail complimentaries allocated to the casino department. Casino expenses at Eldorado Shreveport decreased during 2013 compared to 2012 as a result of lower gaming taxes.

*Food and Beverage Expenses.* For the year ended December 31, 2013, food and beverage expenses at Eldorado Reno increased 2.1% compared to the prior year due to increases in food and beverage cost of sales and direct payroll associated with the aforementioned increased revenues. Food and beverage expenses decreased 9.9% at Eldorado Shreveport during 2013 compared to 2012 despite an insignificant increase in the associated revenues due primarily to reductions in food and beverage cost of goods sold and in labor and overhead charges as a result of management's cost control efforts.

*Hotel Expenses.* Hotel expenses at Eldorado Reno did not change significantly for the year ended December 31, 2013 compared to the prior year despite a 7.1% increase in the associated revenues as increased direct payroll associated with the higher occupancy levels was offset by lower group insurance costs and decreased maintenance expenses as a result of our hotel remodel. For the year ended December 31, 2013, hotel expenses at Eldorado Shreveport decreased 8.3% compared to 2012 due to decreases in payroll expenditures associated with the lower occupancy levels as reflected by the decrease in its occupancy percentage from 91.1% in 2012 to 89.4% in 2013.

*Other Expenses.* Other expenses increased 3.9% at Eldorado Reno for the year ended December 31, 2013 compared to the prior year primarily as a result of increased retail cost of sales associated with the aforementioned increased revenues, higher credit card discounts and increased show production costs in our theatre. Other expenses at Eldorado Shreveport decreased $0.2 million, or 12.2%, for the year ended December 31, 2013 compared to the prior year primarily due to decreases in cost of goods sold associated with reduced retail sales and reduced labor and overhead charges due to management's cost control efforts.

*Marketing and Promotions Expenses.* Marketing and promotions expenses decreased 5.3% for the year ended December 31, 2013 compared to the prior year due to efforts to strategically reduce promotional marketing and special events costs at both Eldorado Reno and Shreveport.

*General and Administrative Expenses and Management Fees.* For the year ended December 31, 2013, as compared to the prior year, selling, general and administrative expenses decreased primarily due to Eldorado Shreveport experiencing decreases in professional fees and real property taxes.

We have paid management fees to REI and HCM, affiliates of the Company. In each of the years ended December 31, 2013 and 2012, we paid an aggregate of $0.6 million in management fees to REI and HCM.

*Depreciation and Amortization Expense.* Depreciation expense decreased $0.6 million, or 3.5%, during 2013 as compared to 2012 as more assets became fully depreciated.

**Acquisition Charges**

For the year ended December 31, 2013, we incurred $3.2 million in acquisition charges in connection with the Merger.

**Interest Expense**

For the year ended December 31, 2013, interest expense decreased by approximately $0.4 million, or 2.4% compared to the prior year, due to principal reductions in our long-term debt obligations.

**Gain on Extinguishment of Debt of Unconsolidated Affiliate**

For the year ended December 31, 2013, we recognized $12.0 million of gain on extinguishment of debt of Silver Legacy, an unconsolidated affiliate, as a result of its reorganization.

**Loss on Property Donation**

For the year ended December 31, 2012, Eldorado Shreveport donated certain of its property with an appraised value of approximately $2.0 million to the City of Shreveport. The property had a recorded net value of $0.8 million, which was written off in connection with the donation.

**Loss on Early Retirement of Debt**

During the third quarter of 2012, we purchased and retired $2.0 million principal amount of our 8.625% Senior Secured Notes due June 15, 2019 (the "Senior Secured Notes") utilizing available excess cash. The total purchase price of the Senior Secured Notes was $2.0 million plus accrued interest which, after the write off of the associated bond offering costs of $0.1 million, resulted in a net loss on early retirement of debt in the amount of $22,000.

**Supplemental Unaudited Presentation of Consolidated Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the Years Ended December 31, 2014, 2013 and 2012**

Adjusted EBITDA (defined below), a non GAAP financial measure, has been presented as a supplemental disclosure because it is a widely used measure of performance and basis for valuation of companies in our industry and we believe that this non GAAP supplemental information will be helpful in understanding the Company's ongoing operating results. Adjusted EBITDA represents (losses) earnings before interest expense (income), income tax expense (benefit), depreciation and amortization, (loss) gain on the sale or disposal of property, loss on property donation, other regulatory gaming assessment costs, loss on asset impairment, project opening costs, acquisition/strategic transaction costs, loss (gain) on modification, early retirement or extinguishment of debt and equity in (income) loss of unconsolidated affiliate, to the extent that such items existed in the periods presented. Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with U.S. GAAP, is unaudited and should not be considered an alternative to, or more meaningful than, net income (loss) as an indicator of our operating performance. Uses of cash flows that are not reflected in Adjusted EBITDA include capital expenditures, interest payments, income taxes, debt principal repayments and certain regulatory gaming assessments, which can be significant. As a result, Adjusted EBITDA should not be considered as a measure of our liquidity. Other companies that provide EBITDA information may calculate EBITDA differently than we do. The definition of Adjusted EBITDA may not be the same as the definitions used in any of our debt agreements.

The following table summarizes our net revenues and Adjusted EBITDA for our operating segments for the years ended December 31, 2014, 2013 and 2012, in addition to reconciling Adjusted EBITDA to net income (loss) in accordance with U.S. GAAP (unaudited, in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (unaudited) | 2012 |
| | (dollars in thousands) | | |
| **Net Revenues:** | | | |
| Eldorado Reno(1) | $ 103,695 | $ 106,691 | $ 106,090 |
| Eldorado Shreveport | 133,960 | 140,495 | 148,650 |
| Resorts Total Net Revenues | 237,655 | 247,186 | 254,740 |
| MTR Gaming Group, Inc. | 476,045 | 497,791 | 486,989 |
| Total Net Revenues | $ 713,700 | $ 744,977 | $ 741,729 |
| **Adjusted EBITDA:** | | | |
| Eldorado Reno | $ 8,000 | $ 10,006 | $ 9,605 |
| Eldorado Shreveport(1) | 24,142 | 29,651 | 33,037 |
| Eldorado Corporate(2) | (1,609) | — | — |
| Eldorado Total Adjusted EBITDA | 30,533 | 39,657 | 42,642 |
| MTR Gaming Group, Inc.(3) | 87,449 | 98,658 | 96,233 |
| Combined Adjusted EBITDA(4) | $ 117,982 | $ 138,315 | $ 138,875 |
| **Eldorado Reno:** | | | |
| Net (loss) income attributable to the Company(1) | $ (8,655) | $ 8,971 | $ (13,665) |
| Interest expense, net of interest income | 4,772 | 4,865 | 5,101 |
| Provision for income taxes | 1,054 | — | — |
| Depreciation and amortization | 7,951 | 8,318 | 9,215 |
| Equity in (income) losses of unconsolidated affiliates | (2,705) | (3,355) | 8,952 |
| Loss (gain) on sale or disposal of property | — | 14 | (4) |
| Gain on extinguishment of debt of unconsolidated affiliate | (715) | (11,980) | — |
| Acquisition charges | 6,298 | 3,173 | — |
| Loss on early retirement of debt, net | — | — | 22 |
| Adjusted Eldorado Reno EBITDA | $ 8,000 | $ 10,006 | $ 9,605 |
| **Eldorado Shreveport:** | | | |
| Net income(1) | $ 5,001 | $ 9,926 | $ 12,690 |
| Interest expense, net of interest income | 10,654 | 10,800 | 10,954 |
| Provision for income taxes | — | — | — |
| Depreciation and amortization | 8,403 | 8,713 | 8,436 |
| Loss on sale or disposal of property | 84 | 212 | 202 |
| Loss on property donation | — | — | 755 |
| Adjusted Eldorado Shreveport EBITDA | $ 24,142 | $ 29,651 | $ 33,037 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (unaudited) | 2012 |
| | (dollars in thousands) | | |
| **Eldorado Corporate:** | | | |
| Net loss | $ (1,659) | $ — | $ — |
| Acquisition charges | 50 | — | — |
| Adjusted Eldorado Corporate EBITDA | $ (1,609) | $ — | $ — |
| **MTR Gaming Group, Inc.(3):** | | | |
| Net loss | $ (25,292) | $ (9,131) | $ (5,724) |
| Interest expense, net of interest income | 65,140 | 69,539 | 67,825 |
| Provision for income taxes | 3,949 | 3,467 | 3,577 |
| Depreciation and amortization | 34,520 | 30,458 | 27,511 |
| Other regulatory gaming assessments | 175 | (78) | 391 |
| Project opening costs | — | — | 2,705 |
| Loss on extinguishment of debt | 90 | — | — |
| Loss on sale or disposal of property | 184 | 38 | (52) |
| Strategic transaction costs | 8,683 | 4,365 | — |
| Adjusted MTR Gaming Group, Inc. EBITDA | $ 87,449 | $ 98,658 | $ 96,233 |

(1) Excludes intercompany management fees revenues earned by Eldorado Reno and expensed by Eldorado Shreveport amounting to $2.3 million in for the year ended December 31, 2014 and $3.0 million for the years ended December 31, 2013 and 2012, respectively.

(2) Amount comprises corporate expenses incurred subsequent to the Merger Date net of a $1.5 million allocated reimbursement paid by MTR Gaming in December 2014.

(3) Information for MTR Gaming Group, Inc. for periods prior to the Merger are based on MTR Gaming's Annual Reports on Form 10-K for the years ended December 31, 2014, 2013 and 2012 as filed with the SEC.

(4) The combined basis reflects operations of MTR Gaming for periods prior to the Merger combined with the operations of Resorts. Such presentation does not conform with U.S. GAAP or the SEC's rules for pro forma presentation; however, we have included the combined information because we believe it provides a meaningful comparison for the periods presented.

**Liquidity and Capital Resources**

The primary sources of liquidity and capital resources have been existing cash, cash flow from operations and proceeds from the issuance of debt securities.

We expect that our primary capital requirements going forward will relate to the operation and maintenance of our properties and servicing our outstanding indebtedness. In 2015, we plan to spend approximately $29.2 million, net of reimbursements from West Virginia on qualified capital expenditures and approximately $79.0 million to pay interest on the Resorts Senior Secured Notes and MTR Second Lien Notes. We expect that cash generated from operations will be sufficient to fund our operations and capital requirements and service our outstanding indebtedness for the foreseeable future; however, we cannot provide assurance that operating cash flows will be sufficient to do so and we cannot be sure that we will be able to refinance our outstanding debt prior to its maturity in 2019 on terms that we find acceptable, or at all.

At December 31, 2014, we had consolidated cash and cash equivalents of $87.6 million, $60.7 million of which was held by MTR Gaming and $27.0 million of which was held by Resorts.

ERI is a holding company and its only significant assets are ownership interests in its subsidiaries, MTR Gaming and HoldCo. ERI's ability to fund its obligations depends on the cash flow of its subsidiaries and the ability of its subsidiaries to distribute or otherwise make funds available to ERI. The agreements governing the indebtedness of MTR Gaming limit MTR Gaming's ability to distribute or otherwise make funds available to ERI or HoldCo and its subsidiaries, including Resorts, and the agreements governing indebtedness of Resorts limit Resorts' ability to distribute or otherwise make funds available to ERI or MTR Gaming and its subsidiaries. The ability of MTR Gaming and Resorts to make funds available to ERI and each other will also depend on, among other things, their earnings, business and tax considerations and applicable law, including regulations of gaming and racing authorities and state laws regulating the payment of dividends and distributions. Such limitations could adversely impact the liquidity of ERI, MTR Gaming, HoldCo and their respective subsidiaries.

*Operating Cash Flow.* For the year ended December 31, 2014, we generated cash flows from operating activities of $33.9 million as compared to $23.6 million in the prior year. The increase in operating cash was primarily due to various changes in balance sheet accounts in conjunction with the Merger along with changes in the balance sheet accounts in the normal course of business. These changes were offset by the decline in net income, including the absence of Silver Legacy's gain on the early retirement of its debt for the year ended December 31, 2014 compared to the prior year.

*Investing Cash Flow.* Net cash flows provided in investing activities totaled $38.1 million for the year ended December 31, 2014 compared to $7.6 million used for the year ended December 31, 2013. Net cash flows provided in investing activities for 2014 primarily consisted of $53.1 million representing acquired cash, including restricted cash, associated with the Merger. This increase was partially offset by $10.6 million in capital expenditures for various renovation projects and equipment purchases.

*Financing Cash Flow.* Net cash flows used in financing activities for the year ended December 31, 2014 totaled $14.2 million compared to $11.5 million during the year ended December 31, 2013. Net repayments on our Resorts Secured Credit Facility (see below) amounted to $2.5 million compared to $5.0 million of debt payments during the year ended December 31, 2013. Other financing activity expenditures included distributions to our members totaling $0.6 million compared to $6.1 million during the prior year. During the year ended December 31, 2014, an increase in restricted cash of $3.2 million due to a decrease in funds related to horsemen's fines and simulcasting funds that are restricted to payments for improving horsemen's facilities and racing purses at Scioto Downs was offset by a decrease in restricted cash related to the return of $2.5 million of the $5.0 million cash collateral that Resorts previously provided as credit support for Silver Legacy's obligations under its credit agreement.

The repurchase of MTR Gaming common stock totaled $5.0 million and represented the amount paid in cash by HoldCo upon closing of the Merger. An additional $30.0 million of MTR Gaming common stock was purchased by MTR Gaming upon closing of the Merger and was reflected as a reduction of the net cash acquired under investing activities. Also during the year ended December 31, 2014, MTR Gaming used $11.0 million to repurchase $10.0 million in aggregate principal amount of MTR Senior Lien Notes at a price of $110.25 per $100 in principal amount of the purchased notes.

**Capital Expenditures**

During the year ended December 31, 2014, additions to property and equipment, primarily slot machines, and other capital projects aggregated $10.6 million, which included $3.5 million at Eldorado Reno, $3.3 million at Eldorado Shreveport and $3.8 million at the MTR Gaming properties.

Under legislation approved by West Virginia in July 2011, Mountaineer participates in a modernization fund which provides for reimbursement from amounts paid to the West Virginia Lottery Commission in an amount equal to $1 for each $2 expended for certain qualifying capital expenditures

having a useful life of more than three years and placed into service after July 1, 2011. Qualifying capital expenditures include the purchase of slot machines and related equipment to the extent such slot machines are retained by Mountaineer at its West Virginia location for not less than five years. Any unexpended balance from a given fiscal year will be available for one additional fiscal year, after which time the remaining unused balance carried forward will be forfeited. For the period from the Merger Date to December 31, 2014, Mountaineer was reimbursed $1.4 million on qualified capital expenditures. As of December 31, 2014, Mountaineer remains eligible for approximately $5.8 million under annual modernization fund grants that expire in varying dates through June 30, 2016. We can make no assurances we will be able to make qualifying capital expenditures purchases sufficient to receive reimbursement of the available funds prior to their expiration.

We anticipate spending up to a total of approximately $32.7 million, or $29.2 after anticipated reimbursements from West Virginia on qualified capital expenditures of $3.5 million, on capital expenditures during 2015. Gross expenditures for 2015 are expected to include $12.1 million for facility improvements, information technology upgrades and related equipment; $7.7 million for development at Scioto Downs, including a new Brew Brothers branded restaurant and bar; $1.6 million for a hotel room remodel project at Eldorado Reno; $5.5 million for slot machines; $2.3 million on the racing related capital expenditures; and $3.5 million for other equipment and capital expenditures.

**Silver Legacy Joint Venture Loan**

Under the Plan of Reorganization, each of Eldorado Limited Liability Company ("ELLC") and Galleon retained its 50% interest in the Silver Legacy, but was required to advance $7.5 million to the Silver Legacy pursuant to a subordinated loan and provide credit support by depositing $5.0 million of cash into bank accounts that are subject to a security interest in favor of the lender under the Silver Legacy credit agreement. The $7.5 million note receivable from ELLC to the Silver Legacy was issued on November 16, 2012 with a stated interest rate of 5% per annum and a maturity date of May 16, 2018. Payment of any interest or principal under the loan is subordinate to the senior indebtedness of the Silver Legacy. Accrued interest under the loan will be added to the principal amount of the loan and may not be paid unless principal of the loan may be paid in compliance with the terms of the senior indebtedness outstanding or at maturity. In December 2014, Silver Legacy deposited $5.0 million of cash into a cash collateral account securing its obligations under its credit agreement, which reduced the credit support obligation of each of ELLC and Galleon to $2.5 million each and resulted in the return of $2.5 million of the $5.0 million of cash collateral that Resorts previously provided as credit support for Silver Legacy's obligations under its credit agreement.

**Debt Obligations**

*Resorts' Debt Obligations*

On June 1, 2011, Resorts issued $180 million of 8.625% Resorts Senior Secured Notes due June 15, 2019 (the "Resorts Senior Secured Notes"). Interest on the Resorts Senior Secured Notes is payable semiannually each June 15th and December 15th to holders of record on the preceding June 1st or December 1st, respectively.

The indenture relating to the Resorts Senior Secured Notes contains various restrictive covenants including, restricted payments and investments, additional liens, transactions with affiliates, covenants imposing limitations on additional debt, dispositions of property, mergers and similar transactions. As of December 31, 2014, we were in compliance with all of the covenants under the indenture relating to the Resorts Senior Secured Notes.

The Resorts Senior Secured Notes are unconditionally guaranteed, jointly and severally, by all of Resorts' current and future domestic restricted subsidiaries other than Eldorado Capital Corp., an entity that was formed for the exclusive purpose of acting as co-issuer of debt issued by Resorts

(collectively, the "Guarantors"). The Silver Legacy Joint Venture is not a subsidiary and did not guarantee the Resorts Senior Secured Notes. The Resorts Senior Secured Notes are secured by a first priority security interest on substantially all of Resorts' current and future assets (other than certain excluded assets, including gaming licenses and Resorts' interest in the Silver Legacy Joint Venture). In addition, all of the membership interests in Resorts and equity interests in the Guarantors are subject to a pledge for the benefit of the holders of the Resorts Senior Secured Notes.

The Company may redeem some or all of the Resorts Senior Secured Notes prior to June 15, 2015 at a redemption price of 100% of the principal amount thereof plus a "make whole premium" together with accrued and unpaid interest thereon. On or after June 15, 2015, Resorts may redeem the Resorts Senior Secured Notes at the following redemption prices (expressed as a percentage of principal amount) plus any accrued and unpaid interest thereon:

| Year beginning June 15, | Percentage |
|---|---|
| 2015 | 104.313% |
| 2016 | 102.156% |
| 2017 and thereafter | 100.000% |

On June 1, 2011, Resorts entered into a $30 million senior secured revolving credit facility (the "Resorts Secured Credit Facility") available until May 30, 2014 consisting of a $15 million term loan and a $15 million revolving credit facility. The term loan was repaid during the second quarter of 2014. At December 31, 2013, the outstanding principal amount under the term loan was $2.5 million. Resorts did not renew the Resorts Secured Credit Facility when it matured on May 30, 2014.

*MTR Gaming's Debt Obligations*

***MTR Second Lien Notes.*** On August 1, 2011, MTR Gaming completed the offering of $565.0 in aggregate principal amount of senior secured second lien notes (the "MTR Second Lien Notes") due August 1, 2019 at an issue price equal to 97% of the aggregate principal amount of the MTR Second Lien Notes. The MTR Second Lien Notes mature on August 1, 2019, with interest payable semi-annually in arrears on February 1 and August 1 of each year.

The MTR Second Lien Notes and the guarantees are senior secured obligations and are jointly and severally, fully, and unconditionally guaranteed by MTR Gaming's current and future domestic restricted subsidiaries, other than MTR Gaming's immaterial subsidiaries. The MTR Second Lien Notes are secured by a second priority lien on substantially all of the assets of MTR Gaming and the guarantors, other than excluded property, as defined in the Senior Secured Second Lien Indenture. The MTR Second Lien Notes and the guarantees are effectively junior to any of MTR Gaming's and the guarantors' existing and future debt that is secured by senior or prior liens on the collateral to the extent of the value of the collateral securing such obligations.

The indenture governing the MTR Second Lien Notes contains a number of customary covenants, including limitations on restricted payments and investments, additional liens, transactions with affiliates, additional debt, dispositions of property, mergers and similar transactions, and events of default. In addition, if the consolidated total debt ratio of MTR Gaming is equal to or greater than 4.0 to 1.0 and such offer is permitted pursuant to the terms of MTR Gaming's credit facilities, MTR Gaming is required to repay debt under its credit facility or make an offer to purchase MTR Second Lien Notes with the excess cash flow amounts (as such term is defined in the indenture governing the MTR Second Lien Notes). As of December 31, 2014, MTR Gaming was in compliance with the covenants under the indenture relating to the MTR Second Lien Notes.

MTR Gaming may redeem some or all of the MTR Second Lien Notes prior to August 1, 2015 at a redemption price of 100% of the principal amount thereof plus a "make whole premium" together with accrued and unpaid interest thereon. On or after August 1, 2015, MTR Gaming may redeem the

MTR Second Lien Notes at the following redemption prices (expressed as a percentage of principal amount) plus any accrued and unpaid interest thereon:

| Year beginning June 15, | Percentage |
|---|---|
| 2015 | 106.00% |
| 2016 | 103.00% |
| 2017 and thereafter | 100.00% |

In October 2014, MTR Gaming repurchased $10 million in aggregate principal amount of its 11.25% MTR Second Lien Notes, at a price of $110.25 per $100 in principal amount of the purchased notes. The repurchase resulted in a $1.2 million annual savings in interest expense. After giving effect to the repurchase of the bonds in October 2014, the annual interest expense on the MTR Second Lien Notes approximates $64.5 million. Additionally, annual amortization of the premium on the MTR Second Lien Notes is approximately $10.9 million.

***Credit Facility.*** On August 1, 2011, MTR Gaming entered into a senior secured revolving credit facility (the "MTR Credit Facility") with a borrowing availability of $20.0 million and a maturity date of August 1, 2016. On December 5, 2014, MTR Gaming terminated the MTR Credit Facility. There were no borrowings outstanding under the Credit Facility at the time of its termination. MTR Gaming terminated the Credit Facility because it determined that it had sufficient capital resources to meet its expected liquidity needs without incurring borrowings under the Credit Facility. MTR Gaming did not incur any fees or penalties in connection with the termination of the Credit Facility.

**Contractual Commitments**

The following table summarizes our estimated contractual payment obligations as of December 31, 2014 (in thousands):

| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| **Contractual cash obligations:** | | | | | |
| Long-term debt obligations(1) | $ 728.7 | $ — | $ — | $ — | $ 728.7 |
| Interest on indebtedness | 360.7 | 79.0 | 157.9 | 123.8 | — |
| Operating leases(2) | 30.3 | 2.3 | 2.6 | 1.9 | 23.5 |
| Gaming tax and license fees(3) | 63.3 | 12.5 | 25.3 | 25.5 | See note(3) |
| Purchase and other contractual obligations | 0.8 | 0.7 | 0.1 | — | — |
| Minimum purse obligations(4) | 20.0 | 20.0 | — | — | — |
| Contingent earn-out payments(5) | 0.9 | 0.1 | 0.2 | 0.2 | 0.4 |
| Regulatory gaming assessments(6) | 4.5 | 0.4 | 1.0 | 1.2 | 1.9 |
| Total | $ 1,209.2 | $ 115.0 | $ 187.1 | $ 152.6 | $ 754.5 |

(1) These amounts are included in our consolidated balance sheets, which are included elsewhere in this report. See Note 9 to our consolidated financial statements for additional information about our debt and related matters.

(2) Our operating lease obligations are described in Note 15 to our consolidated financial statements.

(3) Includes an annual table gaming license fee of $2.5 million for Mountaineer which is due on July 1st of each year as long as Mountaineer operates table games. Includes our obligation for gaming taxes at Presque Isle Downs, which is set at a minimum of $10.0 million per year, as required by the Pennsylvania Gaming Control Board. Also includes our obligation at Presque Isle Downs, as the holder of a Category 1 license, to create a fund to be used for the improvement and

maintenance of the backside area of the racetrack with an amount of not less than $250,000 or more than $1 million annually for a five-year period beginning in 2017.

(4) Pursuant to an agreement with the Mountaineer Park Horsemen's Benevolent and Protective Association, Inc. and/or in accordance with the West Virginia racing statute, Mountaineer is required to utilize its best efforts to conduct racing for a minimum of 210 days and pay average daily minimum purses established by Mountaineer prior to the first live racing date each year ($95,000 for 2015) for the term of the agreement which expires on December 31, 2015.

(5) In connection with the 2003 purchase of Scioto Downs, certain shareholders of Scioto Downs elected the option to receive cash and contingent earn-out payments ("CEP Rights") in lieu of all cash for their outstanding shares of Scioto Downs' common stock. The triggering event occurred when Scioto Downs received its permanent VLT license in May 2012 and commenced gaming operations. As a result, we recorded a liability for the estimated ten year payout to the stockholders who elected to receive the CEP Rights. The future obligation was calculated based on Scioto Downs' projected EBITDA for the ten calendar years beginning January 1, 2013.

(6) These amounts are included in our consolidated balance sheets, which are included elsewhere in this report. See Note 15 to our consolidated financial statements for additional information regarding our regulatory gaming assessments.

The table above excludes certain commitments as of December 31, 2014, for which the timing of expenditures associated with such commitments is unknown, or contractual agreements have not been executed, or the guaranteed maximum price for such contractual agreements has not been agreed upon.

The repayment of our long-term debt, which consists of indebtedness evidenced by the Resorts Senior Secured Notes and the MTR Second Lien Notes, is subject to acceleration upon the occurrence of an event of default under the indentures governing these obligations.

We routinely enter into operational contracts in the ordinary course of our business, including construction contracts for minor projects that are not material to our business or financial condition as a whole. Our commitments relating to these contracts are recognized as liabilities in our consolidated balance sheets when services are provided with respect to such contracts.

The Company does not currently have any off-balance sheet arrangements.

**Inflation**

We do not believe that inflation has had a significant impact on our revenues, results of operations or cash flows since inception.

**Other Liquidity Matters**

The Pennsylvania Gaming Control Board (the "PGCB"), the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the Borrowers"), were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the Borrowers. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings, which are in the aggregate amount of $99.9 million, once the designated number of Pennsylvania's slot machine licensees is operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012. The repayment allocation between all current licensees is based upon equal weighting of (i) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (ii) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross slot revenue. We have estimated that our total proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.2 million and will be paid quarterly over a ten-year period, which began effective January 1, 2012. For the $36.1 million that was borrowed from the General Fund, payment is scheduled to begin after all fourteen licensees are operational. Although we cannot determine when payment will begin, we have considered a similar repayment model for the General Fund borrowings and estimated that our total proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will be approximately $2.2 million.

The recorded estimate is subject to revision based upon future changes in the revenue assumptions utilized to develop the estimate. Our estimated total obligation at December 31, 2014 is $5.0 million. The Company paid approximately $0.4 million during the year ended December 31, 2014.

We are faced with certain contingencies involving litigation and environmental remediation and compliance. These commitments and contingencies are discussed in greater detail in "Part I, Item 3. Legal Proceedings" and Note 15 to our consolidated financial statements, both of which are included elsewhere in this report. In addition, new competition may have a material adverse effect on our revenues, and could have a similar adverse effect on our liquidity. See "Part I, Item 1A. Risk Factors—Risks Related to Our Business" which is included elsewhere in this report.

**Critical Accounting Policies**

Our significant accounting policies are included in Note 2 to our consolidated financial statements, which is included elsewhere in this report. These policies, along with the underlying assumptions and judgments made by our management in their application, have a significant impact on our consolidated financial statements. These judgments are subject to an inherent degree of uncertainty and actual results could differ from our estimates.

*Business Combinations*

The Company applied the provisions of Accounting Standards Codification ("ASC") Topic 805, "Business Combinations", in the accounting for the Merger. It required us to recognize the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date was measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we used our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates were inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the final determination of the values of assets acquired or liabilities assumed any subsequent adjustments will be recorded in our consolidated statements of operations.

Accounting for business combinations required our management to make significant estimates and assumptions, including our estimate of intangible assets, such as gaming licenses, trade names and customer loyalty programs. Although we believe the assumptions and estimates made have been reasonable and appropriate, they are inherently uncertain. For our gaming license valuation, our properties estimated future cash flows were the primary assumption in the respective intangible valuations. Cash flow estimates included assumptions regarding factors such as recent and budgeted operating performance, net win per unit (revenue), patron visits and growth percentages. The growth percentages were developed considering general macroeconomic conditions as well as competitive impacts from current and anticipated competition through a review of customer market data, operating margins, and current regulatory, social and economic climates. The most significant of the assumptions used in the valuations included: (1) revenue growth/decline percentages; (2) discount rates; (3) effective income tax rates; (4) future terminal values and (5) capital expenditure assumptions. These assumptions were developed for each of our properties based on historical trends in the current competitive markets in which they operate, and projections of future performance and competition. The primary assumptions with respect to our trade names and customer loyalty program intangibles primary assumptions were selecting the appropriate royalty rates and cost estimates for replacement cost analyses

In addition, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. The Company will reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date with any adjustments to our preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect our provision for income taxes in our consolidated statement of operations and could have material impact on our results of operations and financial position.

*Accounting for Unconsolidated Affiliates*

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in unconsolidated affiliates which are 50% or less owned and do not meet the consolidation criteria of ASC 810, "Consolidation" are accounted for under the equity method. All intercompany balances and transactions have been eliminated in consolidation. Certain amendments of ASC 810 became effective for us beginning January 1, 2010. Such amendments include changes to the quantitative approach to determine the primary beneficiary of a variable interest entity ("VIE"). An enterprise must determine if its variable interest or interests give it a controlling financial interest in a VIE by evaluating whether 1) the enterprise has the power to direct activities of the VIE that have a significant effect on economic performance, and 2) the enterprise has an obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The amendments to ASC 810 also require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The Company believes the adoption of these amendments did not have a material effect on our consolidated financial statements.

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. If the Company considers any such decline to be other than temporary, then a write-down would be recorded to the estimated fair value. Estimated fair value is determined using a discounted cash flow analysis based on estimated future results of the investee and market indicators of terminal year capitalization rate. There were no impairments of the Company's equity method investments in 2014, 2013 or 2012.

*Revenue Recognition*

Gaming revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons, and is recognized at the time wagers are made net of winning payouts to patrons. Base and progressive jackpots are accrued and charged to revenue at the time the obligation to pay the jackpot is established. Pari-mutuel commissions consist of commissions earned from thoroughbred and harness racing, and importing of simulcast signals from other race tracks. Pari-mutuel commissions 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. We recognize revenues from fees earned through the exporting of simulcast signals to other race tracks at the time wagers are made. Such fees are based upon a predetermined percentage of handle as contracted with the other race tracks. Revenues from food and beverage are recognized at the time of sale and revenues from lodging are recognized on the date of stay. Other revenues are recorded at the time services are rendered or merchandise sold. We offer certain promotional allowances to our customers, including complimentary lodging, food and beverage, and promotional credits for free play on slot machines. The retail value of these promotional items is shown as a reduction in total revenues on our consolidated statements of operations.

*Income Taxes*

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 2011.

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period. The income tax provision results in an effective tax rate that has an unusual relationship to the Company's pretax income (loss). This is due to the federal and state valuation allowances on the Company's deferred tax assets as discussed below.

The difference between the effective rate and the statutory rate is attributed primarily to the federal and state valuation allowances on the Company's deferred tax assets as discussed below. As a result of the Company's net operating losses and net deferred tax asset position (after exclusion of certain deferred tax liabilities that generally cannot be offset against deferred tax assets, known as "Naked Credits"), the Company expects to continue to provide for a full valuation allowance against substantially all of the net federal and the net state deferred tax assets.

For income tax purposes the Company amortizes or depreciates certain assets that have been assigned an indefinite life for book purposes. The incremental amortization or depreciation deductions for income tax purposes result in an increase in certain deferred tax liabilities that cannot be used as a source of future taxable income for purposes of measuring the Company's need for a valuation allowance against the net deferred tax assets. Therefore, the Company expects to record non-cash deferred tax expense as the Company amortizes these assets for tax purposes.

Prior to the Merger Date, HoldCo was taxed as a partnership under the Internal Revenue Code pursuant to which income taxes were primarily the responsibility of the partners. ERI is a C Corporation subject to the federal and state corporate-level income taxes at prevailing corporate tax rates. While taxed as a partnership, HoldCo was not subject to federal income tax liability. Because holders of membership interests in HoldCo were required to include their respective shares of HoldCo's taxable income (including that of Resorts) in their individual income tax returns, distributions

were made to their respective member(s) to cover such tax liabilities. Such distributions were subject to limitation in accordance with the provisions of their respective operating agreements. Eldorado Shreveport #2, LLC has elected as a single member limited liability company to be taxed as a C Corporation. Current and deferred income taxes associated with Eldorado Shreveport #2, LLC were not material.

Under the applicable accounting standards, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The accounting standards also provide guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions. We have recorded no liability associated with uncertain tax positions at December 31, 2014 and 2013.

*Property and Equipment and Other Long-Lived Assets*

Property and equipment is recorded at cost, except for MTR which was adjusted for fair value under ASC 805, and is depreciated over its estimated useful life or lease term. Judgments are made in determining estimated useful lives and salvage values of these assets. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and whether we have a gain or loss on the disposal of assets. We review depreciation estimates and methods as new events occur, more experience is acquired, and additional information is obtained that would possibly change our current estimates.

Property, equipment and other long-lived assets are assessed for impairment in accordance with ASC 360—*Property, Plant, and Equipment*. The Company evaluates its long-lived assets periodically for impairment issues or, more frequently, whenever events or circumstances indicate that the carrying amount may not be recoverable. Recoverability of these assets is determined by comparing the net carrying value to the sum of the estimated future net undiscounted cash flows expected to be generated by these assets. The amount of impairment loss, if any, is measured by the difference between the net carrying value and the estimated fair value of the asset which is typically measured using a discounted cash flow model (Level 3 of the fair value hierarchy). For assets to be disposed of, impairment is recognized based on the lower of carrying value or fair value less costs of disposal, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. Based on the results of our periodic reviews we have not recorded any impairment losses during the years ended December 31, 2014, 2013 and 2012.

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. The fair value measurements employed for our impairment evaluations, which are subject to the assumptions and factors as previously discussed, were generally based on a review of comparable activities in the marketplace, which falls within Level 3 of the fair value hierarchy.

*Goodwill and Other Indefinite-lived Intangible Assets*

Goodwill represents the excess of the purchase price paid over the fair value of the net assets of the acquired business. Intangible assets acquired in business combinations are recorded based upon their fair value at the date of acquisition. Goodwill and other indefinite-lived intangible assets are

reviewed for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired.

Goodwill is tested by comparing the carrying value of the reporting unit to its fair value. The Company estimates the fair value of the reporting unit utilizing income and market approaches. The income approach is based on projected future cash flow that is discounted to present value using factors that consider the timing and risk of the future cash flows. The market approach is based on the Company's market capitalization at the testing date. The aggregate carrying value of the Company's goodwill approximated $66.8 million as of December 31, 2014. The Company did not have goodwill prior to the Merger Date.

Other indefinite-lived intangible assets are evaluated for impairment by comparing the fair value of the asset to its carrying value. Any excess of carrying value over the fair value is recognized as an impairment within the consolidated statement of operations in the period of review. Our indefinite-lived intangible assets consist of racing and gaming licenses, trade names and customer loyalty programs.

The gaming and racing licenses of each property were valued in aggregate for each respective property, as these licenses are considered to be the most significant asset of the properties and the gaming licenses could not be obtained without holding the racing licenses. Therefore, market participant would consider the licenses in aggregate. The fair value of the licenses is calculated using an excess earnings methodology, which is an income approach methodology that allocates the projected cash flows of the property to the gaming license intangible assets less charges for the use of the other identifiable assets of the property, including working capital, fixed assets, and other intangible assets. We believe this methodology is appropriate as the gaming licenses are the primary asset to the properties, the licenses are linked to each respective facility and it's the lowest level at which discrete cash flows can be directly attributable to the assets. Under the gaming legislation applicable to our properties, licenses are property specific and can only be acquired if a buyer acquires the existing facility. Because existing licenses may not be acquired and transferred for use at a different facility, the estimated future cash flows of each of our properties was the primary assumption in the valuation of such property. The aggregate carrying value of the Company's gaming license intangibles approximated $482.0 million as of December 31, 2014.

Assessing the indefinite-lived intangible assets for impairment is a process that requires significant judgment and involves detailed quantitative and qualitative business-specific analysis and many individual assumptions which fluctuate between assessments. Our properties' estimated future cash flows are a primary assumption in the respective impairment analyses. Unforeseen events, changes in circumstances and market conditions and material differences in estimates of future cash flows could negatively affect the fair value of our assets and result in an impairment charge, which could be material. Cash flow estimates include assumptions regarding factors such as recent and budgeted operating performance, net win per unit (revenue), patron visits, growth percentages which are developed considering general macroeconomic conditions as well as competitive impacts from current and anticipated competition through a review of customer market data, operating margins, and current regulatory, social and economic climates. These estimates could also be negatively impacted by changes in federal, state, or local regulations, economic downturns or developments and other market conditions affecting travel and access to the properties. The most significant of the assumptions used in our valuations include: (1) revenue growth/decline percentages; (2) discount rates; (3) effective income tax rates; (4) future terminal values and (5) capital expenditure assumptions. These assumptions were developed for each property based on historical trends, the current competitive markets in which they operate, and projections of future performance and competition.

The Company values trade names using the relief-from-royalty method. Royalty rates range from 0.5% - 1.0%. The customer loyalty program was valued using a combination of a replacement cost and

lost profits analysis. Trade names are amortized on a straight-line basis over a 3.5 year useful life and the customer loyalty program is being amortized on a straight-line basis over a one year useful life. The aggregate carrying value of trade names and customer loyalty program intangibles as of December 31, 2014 was approximately $6.7 million and $4.8 million, respectively.

We believe we have used reasonable estimates and assumptions to calculate the fair value of our other indefinite-lived intangible assets; however, these estimates and assumptions could be materially different from actual results. If actual market conditions are less favorable than those projected, or if events occur or circumstances change that would reduce the fair value of our licensing intangibles below the carrying value reflected on the consolidated balance sheet, we may be required to conduct an interim test or possibly recognize impairment charges, which may be material, in future periods.

No impairment charges were recorded for our other indefinite-lived intangible assets in any of the years presented.

*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.

*Self-Insurance Reserves*

Eldorado Reno and Eldorado Shreveport are self-insured for their group health programs and Eldorado Reno is self-insured for its workmen's compensation program. We utilize historical claims information provided by our third party administrators to make estimates for known pending claims as well as claims that have been incurred, but not reported as of the balance sheet date. In order to mitigate our potential exposure, we have an individual claim stop loss policy on our group health claims and a specific claim stop loss policy on our workmen's compensation claims. If we become aware of significant claims or material changes affecting our estimates, we would increase our reserves in the period in which we made such a determination and record the additional expense. At December 31, 2014 and 2013, $1.3 million was accrued for insurance and workmen's compensation medical claims reserves and is included in accrued and other liabilities on our consolidated balance sheets.

*Frequent Players Program*

We offer programs whereby our participating patrons 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. Based upon the estimated redemptions of frequent player program points, an estimated liability is established for the cost of redemption on earned but unredeemed points. The estimated cost of redemption utilizes estimates and assumptions of the mix of the various product offerings for which the points will be redeemed and costs of such product offerings. Changes in the programs, membership levels and redemption patterns of our participating patrons can impact this liability. The aggregate outstanding liability for the frequent players program was $2.4 million and $2.0 million at December 31, 2014 and 2013, respectively, and is included as a component of other accrued liabilities in our accompanying consolidated balance sheets.

*Litigation, Claims and Assessments*

We utilize estimates for litigation, claims and assessments. These estimates are based on our knowledge and experience regarding current and past events, as well as assumptions about future events. If our assessment of such a matter should change, we may have to change the estimates, which

may have an adverse effect on our financial position, results of operations or cash flows. Actual results could differ from these estimates.

**Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2014-9, *Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09").* The standard requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods and services. Qualitative and quantitative disclosures are also required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU 2014-09 supersedes and replaces nearly all existing revenue recognition guidance under US GAAP. This accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements—Going Concern" (Subtopic 205-40) which amends the current guidance in ASC Topic 205 by adding Subtopic 40. Subtopic 40 requires management to evaluate whether there are conditions or events that in aggregate would raise substantial doubt about an entity's ability to continue as a going concern for one year from the date the financial statements are issued or available to be issued. If substantial doubt existed, management would be required to make certain disclosures related to nature of the substantial doubt and under certain circumstances, how that substantial doubt would be mitigated. This amendment is effective for annual periods ending after December 15, 2016 and for subsequent interim and annual periods thereafter. Early adoption is permitted. The Company is currently evaluating the effects, if any, adoption of this guidance will have on its consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-1, "Income Statement—Extraordinary and Unusual Items" (Subtopic 225-20) which eliminates the concept of accounting of Extraordinary Items, previously defined as items that are both unusual and infrequent, which were reported as a separate item on the income statement, net of tax, after income from continuing operations. The elimination of this concept is intended to simplify accounting for unusual items and more closely align with international accounting practices. This amendment is effective for annual periods ending after December 15, 2015 and for subsequent interim and annual periods thereafter. Early adoption is permitted. The Company believes that the effects, if any, of the adoption of this guidance will not have a material impact on its consolidated financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We are exposed to changes in interest rates primarily from variable rate long-term debt arrangements, of which there are none outstanding at December 31, 2014.

The Company evaluates its exposure to market risk by monitoring interest rates in the marketplace and has, on occasion, utilized derivative financial instruments to help manage this risk. The Company does not utilize derivative financial instruments for trading purposes. There were no material quantitative changes in our market risk exposure, or how such risks are managed, for the year ended December 31, 2014.

**Item 8. Financial Statements and Supplementary Data.**

Our consolidated financial statements and notes to consolidated financial statements, including the report of Ernst & Young LLP thereon, are included at pages 74 through 121 of this Annual Report on Form 10-K.

The Company has determined for the year ended December 31, 2013, the Silver Legacy Joint Venture met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which the Company, pursuant to Rule 3-09 of Regulation S-X, attached separate financial statements to this Annual Report on Form 10-K as Exhibit 99.2.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports that we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, evaluated and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) for Eldorado Resorts, Inc. and subsidiaries.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-K Annual Report (the "Evaluation Date"). They have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized, evaluated and reported within the time periods specified in SEC rules and forms.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of December 31, 2014, which report follows below.

**Changes in Internal Controls**

During the quarter ended December 31, 2014, there were no significant changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Eldorado Resorts, Inc.

We have audited Eldorado Resorts, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework, the COSO criteria). Eldorado Resorts, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying report of management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Eldorado Resorts, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Eldorado Resorts, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 16, 2015

**Item 9B. Other Information.**

Not applicable.

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item is hereby incorporated by reference to our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders (our "2015 Proxy Statement") to be filed with the Securities and Exchange Commission no later than April 30, 2015, pursuant to Regulation 14A under the Securities Act.

We have adopted a code of ethics and business conduct applicable to all directors and employees, including the chief executive officer, chief financial officer and principal accounting officer. The code of ethics and business conduct is posted on our website, http://www.eldoradoresorts.com (accessible through the "Corporate Governance" caption of the Investor Relations page) and a printed copy will be delivered on request by writing to the corporate secretary at Eldorado Resorts, Inc., c/o corporate secretary, 100 West Liberty Street, Suite 1150, Reno, NV 89501. We intend to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics and business conduct by posting such information on our website.

**Item 11. Executive Compensation.**

The information required by this Item is hereby incorporated by reference to our 2015 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2015, pursuant to Regulation 14A under the Securities Act.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item is hereby incorporated by reference to our 2015 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2015, pursuant to Regulation 14A under the Securities Act.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item is hereby incorporated by reference to our 2015 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2015, pursuant to Regulation 14A under the Securities Act.

**Item 14. Principal Accounting Fees and Services.**

The information required by this Item is hereby incorporated by reference to our 2015 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2015, pursuant to Regulation 14A under the Securities Act.

## PART IV

**Item 15. Financial Statement Schedules.**

(a)(i) Financial Statements

Included in Part II of this Annual Report on 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

(a)(ii) Financial Statement Schedule

Years Ended December 31, 2014, 2013 and 2012
Valuation and Qualifying Accounts

(a)(iii) Exhibits

| EXHIBIT NO. | ITEM TITLE |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of September 9, 2013, by and between MTR Gaming Group, Inc., Eclair Holdings Company, Ridgeline Acquisition Corp., Eclair Acquisition Company, LLC, Eldorado HoldCo LLC, and Thomas Reeg, Robert Jones, and Gary Carano, as the Member Representative (the schedules and certain exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on September 11, 2013). |
| 2.2 | Amendment No. 1 to Agreement and Plan of Merger, dated November 18, 2013, by and between MTR Gaming Group, Inc., Eclair Holdings Company, Ridgeline Acquisition Corp., Eclair Acquisition Company, LLC, and Eldorado HoldCo LLC (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on November 19, 2013). |
| 2.3 | Amendment No. 2 to Agreement and Plan of Merger, dated February 13, 2014, by and between MTR Gaming Group, Inc., Eclair Holdings Company, Ridgeline Acquisition Corp., Eclair Acquisition Company, LLC, and Eldorado HoldCo LLC (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on February 13, 2014). |

| EXHIBIT NO. | ITEM TITLE |
|---|---|
| 2.4 | Amendment No. 3 to Agreement and Plan of Merger, dated May 13, 2014, by and among MTR Gaming Group, Inc., Eclair Holdings Company, Ridgeline Acquisition Corp., Eclair Acquisition Company, LLC, and Eldorado Holdco LLC (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on May 13, 2014). |
| 3.1 | Amended and Restated Articles of Incorporation (incorporated by reference to our Current Report on Form 8-K filed on September 19, 2014). |
| 3.2 | Amended and Restated Bylaws (incorporated by reference to our Current Report on Form 8-K filed on September 19, 2014). |
| 4.1 | Specimen Stock Certificate of the Company (incorporated by reference to our Form S-4/A filed on April 21, 2014). |
| 10.1 | Indenture dated as of August 1, 2011, by and between MTR Gaming Group, Inc., certain of its wholly-owned subsidiaries (as guarantors) and Wilmington Trust, National Association, including the Form of Note (incorporated by reference to the current report of MTR Gaming Group, Inc. on Form 8-K filed on August 3, 2011). |
| 10.2 | First Supplemental Indenture, dated September 17, 2014 by and among MTR Gaming Group, Inc., certain of its wholly-owned subsidiaries (as guarantors) and Wilmington Trust, National Association (filed herewith). |
| 10.3 | Indenture dated as of June 1, 2011, by and among Eldorado Resorts LLC and Eldorado Capital Corp., as issuers, and U.S. Bank National Association, as Trustee, and Capital One, N.A., as Collateral Trustee, and Form of Note (filed herewith). |
| 10.4 | Agreement dated November 1, 2008 between Mountaineer Park, Inc. and Racetrack Employees Union Local No. 101 [Schedules omitted] (incorporated by reference to the Annual Report of MTR Gaming Group, Inc. on Form 10-K filed on March 16, 2009). |
| 10.5 | Agreement dated December 31, 2009 by and between Mountaineer Park, Inc. and Mountaineer Park Horsemen's Benevolent and Protective Association, Inc. (incorporated by reference to the Annual Report of MTR Gaming Group, Inc. on Form 10-K filed on March 16, 2010). |
| 10.6 | Agreement dated February 22, 2007 by and between Presque Isle Downs, Inc. and the Pennsylvania Horsemen's Benevolent and Protective Association Inc. (incorporated by reference to the Annual Report of MTR Gaming Group, Inc. on Form 10-K filed on April 2, 2007). |
| 10.7* | Executive Employment Agreement, dated as of September 29, 2014, by and between the Company and Gary Carano (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2014). |
| 10.8* | Executive Employment Agreement, dated as of September 29, 2014, by and between the Company and Thomas Reeg (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2014). |
| 10.9* | Executive Employment Agreement, dated as of September 29, 2014, by and between the Company and Robert Jones (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2014). |

| EXHIBIT NO. | ITEM TITLE |
|---|---|
| 10.10* | Executive Employment Agreement, dated as of September 29, 2014, by and between the Company and Joseph L. Billhimer, Jr. (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2014). |
| 10.11* | Executive Employment Agreement, dated as of September 29, 2014, by and between the Company and Anthony Carano (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2014). |
| 10.12* | 2010 Long-Term Incentive Plan (incorporated by reference to the Quarterly Report of MTR Gaming Group, Inc. on Form 10-Q filed on August 9, 2010). |
| 10.13* | Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2010 Long-Term Incentive Plan) (incorporated by reference to the Quarterly Report of MTR Gaming Group, Inc. on Form 10-Q filed on August 9, 2010). |
| 10.14* | Form of Nonqualified Stock Option Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on February 3, 2011). |
| 10.15* | Form of Restricted Stock Unit Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on February 3, 2011). |
| 10.16* | Form of Cash-Based Performance Award Agreement (2010 Long-Term Incentive Plan) (incorporated by reference to the Current Report of MTR Gaming Group, Inc. on Form 8-K filed on February 3, 2011). |
| 10.17 | Ground Lease dated as of May 19, 1999 between City of Shreveport, as landlord, and Eldorado Casino Shreveport Joint Venture (formerly known as QNOV) as tenant (filed herewith). |
| 10.18 | First Amendment to Lease Agreement made and entered into as of August 13, 2012, by and between City of Shreveport, as landlord, and Eldorado Casino Shreveport Joint Venture (formerly known as QNOV) as tenant (filed herewith). |
| 10.19 | Lease between C, S & Y Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (filed herewith). |
| 10.20 | Addendum, dated as of March 20, 1973, to lease between C, S & Y Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (filed herewith). |
| 10.21 | Amendment, dated as of January 1, 1978, to lease between C. S. & Y. Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (filed herewith). |
| 10.22 | Amendment, dated as of January 31, 1985, to lease between C. S. & Y. Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (filed herewith). |
| 10.23 | Amendment, dated as of December 24, 1987, to lease between C. S. & Y. Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (filed herewith). |
| 10.24 | Reimbursement and Indemnification Agreement and Lease Amendment, entered into as of March 24, 1994, by and between Eldorado Hotel Associates Limited Partnership, and CS&Y Associates (filed herewith). |

| EXHIBIT NO. | ITEM TITLE |
|---|---|
| 10.25 | Fourth Amendment, dated as of June 1, 2011, by and between Eldorado Resorts LLC and CS&Y Associates, to Reimbursement and Indemnification Agreement and Lease Amendment, entered into as of March 24, 1994, by and between Eldorado Hotel Associates Limited Partnership, and CS&Y Associates (filed herewith). |
| 10.26 | Operating Agreement of Circus and Eldorado Joint Venture, LLC, dated as of July 1, 2013 (filed herewith). |
| 14.1 | Code of Ethics and Business Conduct of the Company (incorporated by reference to our Current Report on Form 8-K filed on September 9, 2014). |
| 21.1 | Subsidiaries of the Registrant (filed herewith). |
| 23.1 | Consent of Ernst & Young LLP (filed herewith). |
| 31.1 | Certification of Gary L. Carano pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification of Robert M. Jones pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Certification of Gary L. Carano in accordance with 18 U.S.C. Section 1350 (filed herewith). |
| 32.2 | Certification of Robert M. Jones in accordance with 18 U.S.C. Section 1350 (filed herewith). |
| 99.1 | Description of Governmental Regulations and Licensing (filed herewith). |
| 99.2 | Audited consolidated financial statements of Circus and Eldorado Joint Venture, LLC, as of and for the years ended December 31, 2013 and 2012 (filed herewith). |
| 101.1 | XBRL Instance Document |
| 101.2 | XBRL Taxonomy Extension Schema Document |
| 101.3 | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.4 | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.5 | XBRL Taxonomy Extension Label Linkbase Document |
| 101.6 | XBRL Taxonomy Extension Presentation Linkbase Document |

* Management contracts or compensatory plans or arrangements.

**SIGNATURES**

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELDORADO RESORTS, INC.

By: /s/ GARY L. CARANO

Gary L. Carano
*Chief Executive Officer*

Dated: March 16, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ GARY L. CARANO<br>Gary L. Carano | Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer) | March 16, 2015 |
| /s/ ROBERT M. JONES<br>Robert M. Jones | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | March 16, 2015 |
| /s/ FRANK J. FAHRENKOPF JR.<br>Frank J. Fahrenkopf Jr. | Director | March 16, 2015 |
| /s/ JAMES B. HAWKINS<br>James B. Hawkins | Director | March 16, 2015 |
| /s/ MICHAEL E. PEGRAM<br>Michael E. Pegram | Director | March 16, 2015 |
| /s/ THOMAS R. REEG<br>Thomas R. Reeg | Director | March 16, 2015 |
| /s/ DAVID P. TOMICK<br>David P. Tomick | Director | March 16, 2015 |
| /s/ ROGER P. WAGNER<br>Roger P. Wagner | Director | March 16, 2015 |

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF ELDORADO RESORTS, INC.**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Eldorado Resorts, Inc.

We have audited the accompanying consolidated balance sheets of Eldorado Resorts, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eldorado Resorts, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Eldorado Resorts, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 16, 2015

**ELDORADO RESORTS, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(dollars in thousands)**

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 87,604 | $ 29,813 |
| Restricted cash | 5,734 | 305 |
| Accounts receivable, net | 7,112 | 3,240 |
| Due from affiliates | 362 | 430 |
| Inventories | 7,234 | 3,109 |
| Prepaid expenses and other | 9,447 | 2,532 |
| Total current assets | 117,493 | 39,429 |
| RESTRICTED CASH | 2,500 | 5,000 |
| INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES | 14,009 | 18,349 |
| PROPERTY AND EQUIPMENT, NET | 456,139 | 180,342 |
| GAMING LICENSES AND OTHER INTANGIBLES, NET | 491,913 | 20,574 |
| NON-OPERATING REAL PROPERTY | 16,419 | — |
| GOODWILL | 66,826 | — |
| OTHER ASSETS, net | 10,031 | 6,488 |
| Total assets | $ 1,175,330 | $ 270,182 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | $ — | $ 2,500 |
| Current portion of capital lease obligations | 32 | 225 |
| Accounts payable | 12,184 | 6,762 |
| Interest payable | 27,469 | 633 |
| Income taxes payable | 137 | — |
| Accrued gaming taxes and assessments | 12,998 | 2,447 |
| Accrued payroll | 9,441 | 4,568 |
| Accrued other liabilities | 26,788 | 7,764 |
| Deferred income taxes | 2,608 | — |
| Due to affiliates | 187 | 248 |
| Total current liabilities | 91,844 | 25,147 |
| LONG-TERM DEBT, less current portion | 778,827 | 168,000 |
| CAPITAL LEASE OBLIGATIONS, less current portion | 3 | 35 |
| DEFERRED INCOME TAXES | 144,439 | — |
| OTHER LIABILITIES | 8,595 | 1,425 |
| Total liabilities | 1,023,708 | 194,607 |
| COMMITMENTS AND CONTINGENCIES (Note 6) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, 100,000,000 shares authorized, 46,426,714 issued and outstanding, par value $0.00001 | — | — |
| Paid-in capital | 165,857 | 73,803 |
| Accumulated deficit | (14,425) | — |
| Accumulated other comprehensive income | 87 | 1,772 |
| Stockholders' equity before non-controlling interest | 151,519 | 75,575 |
| Non-controlling interest | 103 | — |
| Total stockholders' equity | 151,622 | 75,575 |
| Total liabilities and stockholders' equity | $ 1,175,330 | $ 270,182 |

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

**ELDORADO RESORTS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(dollars in thousands, except per share data)**

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| REVENUES: | | | |
| Casino | $ 298,848 | $ 192,379 | $ 200,292 |
| Pari-mutuel commissions | 1,986 | — | — |
| Food and beverage | 68,233 | 60,556 | 59,317 |
| Hotel | 28,007 | 26,934 | 26,203 |
| Other | 13,198 | 10,384 | 10,458 |
| | 410,272 | 290,253 | 296,270 |
| Less—promotional allowances | (48,449) | (43,067) | (41,530) |
| Net operating revenues | 361,823 | 247,186 | 254,740 |
| EXPENSES: | | | |
| Casino | 167,792 | 101,913 | 104,044 |
| Pari-mutuel commissions | 2,411 | — | — |
| Food and beverage | 37,411 | 28,982 | 29,095 |
| Hotel | 8,536 | 7,891 | 8,020 |
| Other | 9,348 | 7,290 | 7,279 |
| Marketing and promotions | 21,982 | 17,740 | 18,724 |
| General and administrative | 63,355 | 43,713 | 44,936 |
| Depreciation and amortization | 28,643 | 17,031 | 17,651 |
| Total operating expenses | 339,478 | 224,560 | 229,749 |
| LOSS ON SALE OR DISPOSAL OF PROPERTY | (84) | (226) | (198) |
| ACQUISITION CHARGES | (7,411) | (3,173) | — |
| EQUITY IN INCOME (LOSSES) OF UNCONSOLIDATED AFFILIATES | 2,705 | 3,355 | (8,952) |
| OPERATING INCOME | 17,555 | 22,582 | 15,841 |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 18 | 16 | 14 |
| Interest expense | (30,752) | (15,681) | (16,069) |
| Gain on extinguishment of debt of unconsolidated affiliate | — | 11,980 | — |
| Gain on termination of supplemental executive retirement plan assets of unconsolidated affiliates | 715 | — | — |
| Loss on property donation | — | — | (755) |
| Loss on early retirement of debt, net | (90) | — | (22) |
| Total other expense | (30,109) | (3,685) | (16,832) |
| NET (LOSS) INCOME BEFORE INCOME TAXES | (12,554) | 18,897 | (991) |
| PROVISION FOR INCOME TAXES | (1,768) | — | — |
| NET (LOSS) INCOME | (14,322) | 18,897 | (991) |
| NON-CONTROLLING INTEREST | (103) | — | — |
| NET INCOME (LOSS) ATTRIBUTABLE TO ERI, INC. | $ (14,425) | $ 18,897 | $ (991) |
| Net (Loss) Income per share of Common Stock: | | | |
| Basic and Diluted | $ (0.48) | $ 0.81 | $ (0.04) |
| Weighted Average Number of Shares Outstanding | | | |
| Basic and Diluted | 29,901,405 | 23,311,492 | 23,311,492 |

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

**ELDORADO RESORTS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

**(dollars in thousands)**

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| NET (LOSS) INCOME | $ (14,425) | $ 18,897 | $ (991) |
| Other Comprehensive Income (Loss), net of tax: | | | |
| Defined benefit pension plan—amortization of net gain | 87 | — | — |
| Minimum pension liability adjustment of unconsolidated affiliate | (1,772) | 1,772 | — |
| Other Comprehensive (Loss) Income | (1,685) | 1,772 | — |
| Comprehensive (Loss) Income, net of tax | $ (16,110) | $ 20,669 | $ (991) |

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

**ELDORADO RESORTS, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**(dollars in thousands)**

| | Common Stock | | Paid-in Capital | Accumulated Deficit | Noncontrolling Interest | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| Balances, January 1, 2012 | 23,311,492 | $ — | $ 66,023 | $ — | $ — | $ — | $ 66,023 |
| Net loss | — | — | (991) | — | — | — | (991) |
| Cash contributions | — | — | 106 | — | — | — | 106 |
| Cash distributions | — | — | (4,135) | — | — | — | (4,135) |
| Balances, December 31, 2012 | 23,311,492 | — | 61,003 | — | — | — | 61,003 |
| Net income | — | — | 18,897 | — | — | — | 18,897 |
| Other comprehensive income—Minimum pension liability adjustment of unconsolidated affiliate | — | — | — | — | — | 1,772 | 1,772 |
| Cash distributions | — | — | (6,097) | — | — | — | (6,097) |
| Balances, December 31, 2013 | 23,311,492 | — | 73,803 | — | — | 1,772 | 75,575 |
| Noncash distribution of investment in Tamarack Crossing, LLC | — | — | (5,479) | — | — | — | (5,479) |
| Cash distributions | — | — | (575) | — | — | — | (575) |
| MTR Gaming shares converted upon reverse merger | 23,100,140 | — | 98,011 | — | — | — | 98,011 |
| Escrow shares returned to authorized and unissued | (25,290) | — | — | — | — | — | — |
| Net loss | — | — | — | (14,425) | 103 | — | (14,322) |
| Pension other comprehensive gain, net of tax of $50 | — | — | — | — | — | 87 | 87 |
| Minimum pension liability adjustment of unconsolidated affiliate | — | — | — | — | — | (1,772) | (1,772) |
| Exercise of stock options | 76,633 | — | 245 | — | — | — | 245 |
| Shares withheld related to net share settlement of stock awards | (36,261) | — | (148) | — | — | — | (148) |
| Balances, December 31, 2014 | 46,426,714 | $ — | $ 165,857 | $ (14,425) | 103 | $ 87 | $ 151,622 |

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

## ELDORADO RESORTS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### (dollars in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | $ (14,322) | $ 18,897 | $ (991) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 28,643 | 17,031 | 17,651 |
| Amortization of debt issuance costs and (premium) discount | (2,261) | 854 | 1,006 |
| Equity in (income) losses of unconsolidated affiliates | (2,705) | (3,355) | 8,952 |
| Gain on termination of supplemental executive retirement plan assets of unconsolidated affiliate | (715) | — | — |
| Loss on property donation | — | — | 755 |
| Gain on extinguishment of debt of unconsolidated affiliate | — | (11,980) | — |
| Gain on early retirement of debt, net | 90 | — | 22 |
| Distributions from unconsolidated affiliate | 509 | 1,626 | 893 |
| Change in fair value of acquisition related contingencies | 16 | — | — |
| Loss on sale or disposal of property | 84 | 226 | 198 |
| Provision for bad debts | 1,070 | 847 | 271 |
| Provision for deferred income taxes | 1,583 | — | — |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | 358 | (454) | (213) |
| Inventories | (12) | (264) | 284 |
| Prepaid expenses and other | 2,503 | (37) | (129) |
| Accounts payable | 1,811 | 400 | (1,473) |
| Interest payable | 18,063 | — | (62) |
| Income taxes payable | 137 | — | — |
| Accrued and other liabilities and due to affiliates | (973) | (172) | 1,202 |
| Net cash provided by operating activities | 33,879 | 23,619 | 28,366 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures, net of payables | (10,564) | (7,413) | (9,181) |
| Investment in and loans to unconsolidated affiliate | — | — | (7,500) |
| Cash acquired in Merger, net of $35 million cash used to repurchase stock | 48,110 | — | — |
| Proceeds from sale of property and equipment | 3 | 19 | 10 |
| Decrease (increase) in restricted cash due to credit support deposit | 2,500 | — | (5,000) |
| Reimbursement of capital expenditures from West Virginia regulatory authorities | 799 | — | — |
| Increase in restricted cash | (2,273) | (83) | (62) |
| Increase in other assets, net | (435) | (166) | (99) |
| Net cash provided by (used in) investing activities | 38,140 | (7,643) | (21,832) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payments of long-term debt | (13,525) | (5,000) | (6,952) |
| Principal payments on capital leases | (225) | (369) | (400) |
| Cash contributions | — | — | 106 |
| Cash distributions | (575) | (6,097) | (4,135) |
| Proceeds from exercise of stock options | 245 | — | — |
| Repurchase of treasury stock | (148) | — | — |
| Net cash used in financing activities | (14,228) | (11,466) | (11,381) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 57,791 | 4,510 | (4,847) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 29,813 | 25,303 | 30,150 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 87,604 | $ 29,813 | $ 25,303 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Interest paid | $ 14,848 | $ 14,827 | $ 15,125 |
| Local income taxes paid | 360 | — | — |
| Noncash distribution of Tamarack investment | 5,479 | — | — |
| Payables for capital expenditures | 3,890 | 397 | 418 |
| Capital lease obligations settled through deposits | — | 68 | — |
| Equipment acquired under capital leases | — | 95 | — |

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

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

## 1. Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Eldorado Resorts, Inc. ("ERI" or the "Company"), a Nevada corporation formed in September 2013, and its consolidated subsidiaries. As explained in greater detail in Note 3, ERI was formed in September 2013 to be the parent company following the merger of wholly owned subsidiaries of the Company into Eldorado HoldCo LLC ("HoldCo"), a Nevada limited liability company formed in 2009 that is the parent company of Eldorado Resorts LLC ("Resorts"), and MTR Gaming Group, Inc. ("MTR Gaming"), a Delaware corporation incorporated in 1988 (the "Merger"). Effective upon the consummation of the Merger on September 19, 2014 (the "Merger Date"), MTR Gaming and HoldCo each became a wholly owned subsidiary of ERI and, as a result of such transactions, Resorts became an indirect wholly owned subsidiary of ERI. The Merger has been accounted for as a reverse acquisition of MTR Gaming by HoldCo under accounting principles generally accepted in the United States ("US GAAP"). As a result, HoldCo is considered the acquirer of MTR Gaming for accounting purposes. The accompanying consolidated financial statements for periods prior to the Merger Date are those of HoldCo and its subsidiaries, and for periods subsequent to the Merger Date also include MTR Gaming and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Resorts owns and operates the Eldorado Hotel and Casino, a premier hotel, casino and entertainment facility centrally located in downtown Reno, Nevada (the "Eldorado Reno"), which opened for business in 1973. Resorts also owns Eldorado Resort Casino Shreveport ("Eldorado Shreveport"), a 403-room all suite art deco-style hotel and a tri-level riverboat dockside casino complex situated on the Red River in Shreveport, Louisiana, which commenced operations under its previous owners in December 2000.

Resorts also owns a 48.1% interest in the joint venture (the "Silver Legacy Joint Venture") which owns the Silver Legacy Resort Casino (the "Silver Legacy"), a major themed hotel and casino situated between and seamlessly connected at the mezzanine level to the Eldorado Reno and Circus Circus-Reno, a hotel and casino owned and operated by Galleon, Inc. ("Galleon"), an indirect, wholly owned subsidiary of MGM Resorts International. Galleon owns 50% of the interests of the Silver Legacy Joint Venture. Pursuant to a Retained Interest Agreement entered into in connection with the Merger (see Note 5), Resorts has the right to acquire the remaining 1.9% interest in the Silver Legacy from Eldorado Limited Liability Company ("ELLC"), a Nevada limited liability company that was a 96% owned subsidiary of Resorts prior to the Merger, on the terms and conditions described therein.

Resorts previously owned a 21.3% interest in Tamarack Crossing, LLC ("Tamarack"), a Nevada limited liability company that owned and operated Tamarack Junction, a casino in south Reno which commenced operations on September 4, 2001. On September 1, 2014, and as a condition to closing the Merger, Resorts distributed to HoldCo, and HoldCo subsequently distributed to its members on a pro rata basis Resorts' interest in Tamarack. No gain or loss was recognized in the accompanying consolidated financial statements as a result of such distribution because the distribution was in the amount of the book value of Tamarack and totaled $5.5 million.

MTR Gaming operates as a hospitality and gaming company with racetrack, gaming and hotel properties in West Virginia, Pennsylvania and Ohio. MTR Gaming, through its wholly owned subsidiaries, owns and operates Mountaineer Casino, Racetrack & Resort in Chester, West Virginia ("Mountaineer"), Presque Isle Downs & Casino in Erie, Pennsylvania ("Presque Isle Downs"), and Scioto Downs in Columbus, Ohio. Scioto Downs, through its subsidiary, RacelineBet, Inc., also operates

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**1. Organization and Basis of Presentation (Continued)**

Racelinebet.com, a national account wagering service that offers online and telephone wagering on horse races as a marketing affiliate of TwinSpires.com, an affiliate of Churchill Downs, Inc.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation.*** The accompanying consolidated financial statements include the accounts of the Company as described in Note 1. All significant intercompany transactions have been eliminated in consolidation.

***Use of Estimates.*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into the Company's unaudited condensed consolidated financial statements include estimated useful lives for depreciable and amortizable assets, estimated allowance for doubtful accounts receivable, estimated cash flows in assessing the recoverability of long-lived assets, self-insurance reserves, players' club liabilities, contingencies and litigation, claims and assessments, and fair value measurements related to the Company's long-term debt. Actual results could differ from these estimates.

***Cash and Cash Equivalents.*** Cash and cash equivalents include all unrestricted, highly liquid investments purchased with a remaining maturity of 90 days or less. Cash and cash equivalents also includes cash maintained for gaming operations.

***Restricted Cash.*** Restricted cash includes unredeemed winning tickets from our racing operations, funds related to horsemen's fines and certain simulcasting funds that are restricted to payments for improving horsemen's facilities and racing purses at Scioto Downs, cash deposits that serve as collateral for letters of credit surety bonds and short-term certificates of deposit that serve as collateral for certain bonding requirements. The Company maintains renewable short-term certificates of deposit in the amount of $0.3 million.

The Company also has a certificate of deposit which is used for security with the Nevada Department of Insurance for its self-insured workers compensation. The certificate of deposit matured on August 2, 2014 at which time it was renewed and increased in amount to $321,000 and the maturity date was extended to February 2, 2015. It was subsequently renewed and extended to August 5, 2015.

Additionally, in connection with the Plan of Reorganization of the Silver Legacy Joint Venture (Note 5), each of Resorts and Galleon were required, among other things, to deposit $5.0 million of cash into a bank account as collateral in favor of the lender under the Silver Legacy Joint Venture credit agreement. In December 2014, the amount of cash deposited by Resorts and Galleon as collateral in favor of the lenders under the Silver Legacy Joint Venture credit agreement was reduced to $2.5 million.

***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

**2. Summary of Significant Accounting Policies (Continued)**

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 a historical collection experience and current economic and business conditions. Management believes that as of December 31, 2014 and 2013, no significant concentrations of credit risk existed.

***Certain Concentrations of Risk.*** The Company's operations are in limited market areas. Therefore, the Company is subject to risks inherent within those markets. To the extent that new casinos enter into the markets or hotel room capacity is expanded, competition will increase. The Company may also be affected by economic conditions in the United States and globally affecting the markets or trends in visitation or spending in the markets in which it operates. We maintain cash balances at certain financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. In addition, we maintain significant cash balances on hand at our gaming facilities.

***Inventories.*** Inventories are stated at the lower of average cost, using a first-in, first-out basis, or market. Inventories consist primarily of food and beverage, retail merchandise and operating supplies. Cost is determined primarily by the average cost method for food and beverage and operating supplies.

***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 capitalized 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.

***Investment in Unconsolidated Affiliates.*** Because Resorts does not control, but exerts significant influence over the operations of the Silver Legacy, the Company previously accounted for ELLC's 50% joint venture interest in and will account for its now 48.1% direct interest in the Silver Legacy using the equity method of accounting. Since Resorts operates in the same line of business as the Silver Legacy, which has casino and hotel operations, Resorts' equity in the income (loss) of the Silver Legacy Joint Venture is included in operating income. Similarly, Resorts accounted for its 21.3% interest in Tamarack using the equity method of accounting and included its equity in the income (loss) of Tamarack in operating income.

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 and market indicators of terminal year capitalization rate. There were no impairments of the Company's equity method investments during 2014, 2013 or 2012.

***Long-Lived and Finite-Lived Intangible Assets and Non-Operating Real Properties.*** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying amount 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

**2. Summary of Significant Accounting Policies (Continued)**

carrying amount, an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. If the asset is still under development, future cash flows include remaining construction costs. An estimate of undiscounted future cash flows produced by the asset is compared to its carrying value to determine whether an impairment exists. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. If the undiscounted cash flows do not exceed the carrying amount, an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

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. No less than annually, we obtain independent appraisals of the fair value of these assets. Although we continue to actively market these properties for sale, we do not anticipate that we will be able to 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, 2014. For undeveloped properties, including non-operating real properties, when indicators of impairment for non-operating properties are present, the 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.

***Indefinite-Lived Intangible Assets.*** 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.

***Self-Insurance Reserves.*** The Company is self-insured for various levels of general liability, employee medical insurance coverage and workers' compensation coverage. Self-insurance reserves are estimated based on the Company's claims experience and are included in accrued other liabilities on the consolidated balance sheets. At December 31, 2014 and 2013, accrued insurance and medical claims reserves were $1.3 million.

***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.

***Frequent Players Program.*** The Company offers programs at its properties whereby our participating patrons 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. Based upon

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

the estimated redemptions of frequent player program points, an estimated liability is established for the cost of redemption of earned but unredeemed points. The estimated cost of redemption utilizes estimates and assumptions of the mix of the various product offerings for which the points will be redeemed and costs of such product offerings. Changes in the programs, membership levels and changes in the redemption patterns of our participating patrons can impact this liability. The aggregate outstanding liability for the frequent players program was $2.4 million and $2.0 at December 31, 2014 and 2013, respectively, and is included as a component of other accrued liabilities in our accompanying consolidated balance sheets.

***Revenues and Promotional Allowances.*** The Company recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses. Base and 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. Such fees are based upon a predetermined percentage of handle as contracted with the other race tracks. Hotel, food and beverage, and other operating revenues are recognized as services are performed. Advance deposits on rooms and advance ticket sales are recorded as accrued liabilities until services are provided to the customer.

The retail value of food, beverage, rooms and other services furnished to customers on a complimentary basis is included in gross revenues and then deducted as promotional allowances. The Company rewards customers, through the use of our loyalty programs, with complimentaries based on amounts wagered or won that can be redeemed for a specified time period. The Company also offers discretionary coupons to our customers, the retail values of which are included as a component of promotional allowances in the accompanying consolidated statements of operations in accordance with Financial Accounting Standards Board ("FASB") Section 605-50 for revenue recognition.

The retail value of complimentaries included in promotional allowances is as follows (in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Food and beverage | $ 33,182 | $ 29,356 | $ 28,246 |
| Hotel | 12,582 | 11,386 | 11,095 |
| Other | 2,685 | 2,325 | 2,189 |
| | $ 48,449 | $ 43,067 | $ 41,530 |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

The estimated cost of providing such complimentary services are as follows (in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Food and beverage | $ 25,190 | $ 22,873 | $ 22,288 |
| Hotel | 5,030 | 4,438 | 4,300 |
| Other | 1,860 | 1,608 | 1,539 |
| | $ 32,080 | $ 28,919 | $ 28,127 |

***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 $22.0 million, $17.7 million and $18.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

***Income Taxes.*** We account for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the basis differences reverse.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. Changes in recognized tax benefits are reflected within income tax expense. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within accrued income taxes. Interest and tax-related penalties associated with uncertain tax positions are included in benefit for income taxes in the accompanying consolidated statement of operations.

Prior to September 19, 2014, HoldCo was taxed as a partnership under the Internal Revenue Code pursuant to which income taxes were primarily the responsibility of the partners. ERI is a C Corporation subject to the federal and state corporate-level income taxes at prevailing corporate tax rates. There was no income tax expense for periods prior to the Merger Date because the Company was a partnership for income tax purposes. During the years ended December 31, 2014, 2013 and 2012, distributions of $0.6 million, $6.1 million and $4.1 million, respectively, were made by Resorts, on behalf of HoldCo, to its members. In 2013, the Silver Legacy Joint Venture made payments pursuant to

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

its operating agreement, representing tax distributions to Resorts in the amount of $0.7 million, who then on behalf of HoldCo, distributed the $0.7 million to its members. No such distributions were made during the year ended December 31, 2014.

***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:* Quoted market prices in active markets for identical assets or liabilities.
- *Level 2:* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- *Level 3:* Unobservable inputs that are not corroborated by market data.

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 investments in money market funds. Investments in this category 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. The carrying amounts approximate the fair value because of the short maturity of those instruments.

*Restricted Cash:* The credit support deposit is classified as Level 1 as its carrying value approximates market prices.

*Advance to Silver Legacy Joint Venture:* The $7.5 million note receivable due to ELLC from the Silver Legacy Joint Venture (see Note 5) is classified as Level 2 based upon market-based inputs.

*Long-term Debt:* The Resorts 8.625% Senior Secured Notes due June 15, 2019 (the "Resorts Senior Secured Notes," see Note 9) and MTR Gaming 11.5% Senior Secured Second Lien Notes due August 1, 2019 (the "MTR Second Lien Notes", see Note 9) are classified as Level 2 based upon market-based inputs. The fair value of the Resorts Senior Secured Notes has been calculated based on management's estimates of the borrowing rates available as of December 31, 2014 and 2013 for debt with similar terms and maturities. The fair value of the MTR Second Lien Notes was based on quoted market prices as of December 31, 2014.

*Term Loan:* Resorts' term loan under the Resorts Secured Credit Facility (see Note 9) is classified as Level 2 as it is tied to market rates of interest and its carrying value approximates market 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. We consider the acquisition-related contingency's fair

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

value measurement, which includes forecast assumptions, to be Level 3 within the fair value hierarchy. The fair value of the acquisition-related contingent consideration was based on its fair value as of the Merger Date (see Note 3).

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

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Cash and cash equivalents | $ 87,604 | $ 87,604 | $ 29,813 | $ 29,813 |
| Restricted cash | 8,234 | 8,234 | 5,305 | 5,305 |
| Advance to Silver Legacy Joint Venture | — | 4,911 | — | 4,004 |
| Financial liabilities: | | | | |
| 8.625% Senior Secured Notes | 168,000 | 174,720 | 168,000 | 178,080 |
| 11.5% Senior Secured Second Lien Notes | 610,827 | 606,919 | — | — |
| Term loan | — | — | 2,500 | 2,500 |
| Acquisition-related contingent considerations | 524 | 524 | — | — |

The following table represents the change in acquisition-related contingent consideration liabilities during the period from the Merger Date to December 31, 2014 (amounts in thousands):

| | |
|---|---|
| Balance as of Merger Date | $ 508 |
| Amortization of present value discount(1) | 38 |
| Fair value adjustment for change in consideration expected to be paid(2) | (22) |
| Settlements | — |
| Balance as of December 31, 2014 | $ 524 |

(1) Changes in present value are included as a component of interest expense in the consolidated statement of operations.

(2) Fair value adjustments for changes in earn-out estimates are recorded as a component of general and administrative expense in the consolidated statement of operations.

***Property Donation.*** During the third quarter of 2012, Eldorado Shreveport donated certain of its property to the City of Shreveport and recorded a charge of $755,000, which represented the net book value of the property as of the donation date.

***Stock-Based Compensation.*** We account for stock-based compensation in accordance with Accounting Standards Codification ("ASC") 718, *Compensation—Stock Compensation*. 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 statement of operations 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.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

***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.

***Segment Reporting.*** The executive decision makers of our Company review operating results, assess performance and make decisions on a "significant market" basis. We, therefore, consider the Eldorado Reno, Eldorado Shreveport and MTR Gaming properties to be operating segments.

**Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-9, "Revenue from Contracts with Customers", which provides guidance for revenue recognition. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is 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 standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements—Going Concern" (Subtopic 205-40) which amends the current guidance in ASC Topic 205 by adding Subtopic 40. Subtopic 40 requires management to evaluate whether there are conditions or events that in aggregate would raise substantial doubt about an entity's ability to continue as a going concern for one year from the date the financial statements are issued or available to be issued. If substantial doubt existed, management would be required to make certain disclosures related to nature of the substantial doubt and under certain circumstances, how that substantial doubt would be mitigated. This amendment is effective for annual periods ending after December 15, 2016 and for subsequent interim and annual periods thereafter. Early adoption is permitted. The Company is currently evaluating the effects, if any, adoption of this guidance will have on its consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-1, "Income Statement—Extraordinary and Unusual Items" (Subtopic 225-20) which eliminates the concept of accounting of Extraordinary Items, previously defined as items that are both unusual and infrequent, which were reported as a separate item on the income statement, net of tax, after income from continuing operations. The elimination of this concept is intended to simplify accounting for unusual items and more closely align with international accounting practices. This amendment is effective for annual periods ending after December 15, 2015 and for subsequent interim and annual periods thereafter. Early adoption is

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**2. Summary of Significant Accounting Policies (Continued)**

permitted. The Company believes that the effects, if any, of the adoption of this guidance will not have a material impact on its consolidated financial statements.

**Reclassifications**

Certain reclassifications, which have no effect on previously reported net income, have been made to the 2013 consolidated balance sheet and to the 2013 and 2012 consolidated statements of operations to conform to ERI's 2014 financial statement presentation. "Accrued Other Liabilities" at December 31, 2013 has been reduced by $7.0 million to disclose "Accrued Gaming Taxes and Assessments" ($2.4 million) and "Accrued Payroll and Related" ($4.6 million) as separate balance sheet line item categories. Entertainment revenues ($3.6 million during each of 2013 and 2012) and entertainment expenses ($2.5 million during each of 2013 and 2012) have been reclassified from what was previously "Food, Beverage and Entertainment Revenues" and "Food, Beverage and Entertainment Expenses" to "Other Revenues" and "Other Expenses", respectively. Marketing and promotions costs have been reclassified to a separate line item from "Casino Expenses" ($15.4 million and $16.5 million for 2013 and 2012, respectively) and from "General and Administrative Expenses" ($2.3 million for 2013 and 2012). Valet related expenses ($0.9 million during each of 2013 and 2012) have been reclassified to "Other Expenses" from "General and Administrative Expenses".

**3. Acquisition and Purchase Accounting**

The Merger has been accounted for as a reverse acquisition of MTR Gaming by HoldCo under which HoldCo is considered the acquirer for accounting purposes. HoldCo was considered the accounting acquirer on the Merger Date based on the following facts and circumstances:

- The former members of HoldCo own approximately 50% of ERI.
- Certain former members of HoldCo control the largest blocks of voting shares in ERI with the remaining shares of ERI being owned in smaller amounts by a diverse group of investors.
- All of the initial members of ERI's board of directors were selected by HoldCo.
- The Chief Executive Officer, President, the Chief Financial Officer and other key management of HoldCo assumed leadership positions at ERI upon consummation of the Merger.
- As of the Merger Date, ERI and the combined Company's headquarters are in the same location in Reno, Nevada.

*Consideration Transferred*

The total consideration paid was $103.0 million. The purchase consideration in a reverse acquisition is determined with reference to the value of equity that the accounting acquirer, HoldCo, would have had to issue to the owners of the accounting acquiree, MTR Gaming, to give them the same percentage interest in the combined entity. However, in reverse acquisition between a public company as the legal acquirer and a private company as the accounting acquirer, the fair value of the legal acquirer's publicly traded stock generally is a more reliable determination of the fair value of the purchase consideration than the fair value of the accounting acquirer's untraded equity security, and, as such, is generally used in calculating the purchase consideration. Accordingly, the following table

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**3. Acquisition and Purchase Accounting (Continued)**

provides the calculation of the purchase price using the fair value of the outstanding common stock of MTR Gaming based on the closing stock price of $4.43 on the Merger Date, as well as a reconciliation of the total shares outstanding on the Merger Date.

| | |
|---|---|
| ***ERI Outstanding Share Calculation:*** | |
| Shares issued to HoldCo(1) | 23,286,202 |
| Number of MTR Gaming shares outstanding on the Merger Date(2) | 28,386,084 |
| MTR Gaming RSUs that vested upon closing of the Merger(3) | 499,179 |
| Total ERI shares outstanding—before share repurchase | 52,171,465 |
| MTR Gaming shares acquired at $6.05 per share based on $35.0 million cash election(4) | (5,785,123) |
| Total ERI shares outstanding at Merger Date(5) | 46,386,342 |
| Resorts % ownership | 50.20% |
| MTR Gaming % ownership | 49.80% |
| ***Consideration Transferred (dollars in thousands, except stock price)*** | |
| Number of MTR Gaming shares outstanding at the Merger Date | 28,386,084 |
| MTR Gaming RSUs that vested upon closing of the Merger | 499,179 |
| MTR Gaming shares acquired at $6.05 per share based on $35.0 million cash election | (5,785,123) |
| Total net MTR Gaming shares | 23,100,140 |
| FMV of MTR Gaming common stock at Merger Date | $ 4.43 |
| Fair value of MTR Gaming shares | $ 102,334 |
| Fair value of MTR Gaming stock options(3) | 677 |
| Total consideration transferred | $ 103,011 |

(1) The number of shares issued to members of HoldCo in the Mergers as merger consideration was determined pursuant to the terms of the Merger Agreement. The shares have been adjusted based upon the final review, as defined in the Merger Agreement. As a result, 25,290 escrow shares previously issued were returned to authorized and unissued.

(2) Number of shares of MTR Gaming common stock issued and outstanding immediately prior to closing.

(3) Pursuant to the MTR Gaming 2010 Long-Term Incentive Plan, immediately prior to closing, all outstanding stock options and MTR Gaming RSUs vested and became immediately exercisable. All vested MTR Gaming RSUs were exchanged for one share of ERI common stock. All outstanding stock options became exercisable for shares of ERI common stock with the same terms as the previous awards.

(4) Total cash election includes $30.0 million paid by MTR Gaming and $5.0 million paid by HoldCo on the Merger Date.

(5) The number of shares issued and outstanding, after settlement of the escrow shares, as determined pursuant to the terms of the Merger Agreement.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**3. Acquisition and Purchase Accounting (Continued)**

*Final Purchase Price Allocation*

The following table summarizes the fair values of the assets acquired and liabilities assumed at the Merger Date. The fair values were based on management's analysis, including work performed by third-party valuation specialists. The following table summarizes the final purchase price allocation of the acquired assets and assumed liabilities as recorded at fair value on the Merger Date (dollars in thousands):

| | |
|---|---|
| Current and other assets | $ 75,031 |
| Property and equipment | 289,211 |
| Goodwill | 66,826 |
| Intangible assets(1) | 473,000 |
| Other noncurrent assets | 20,381 |
| Total assets | 924,449 |
| Current liabilities | 46,446 |
| Long-term debt(2) | 624,877 |
| Deferred income taxes(3) | 143,104 |
| Other noncurrent liabilities | 7,011 |
| Total liabilities assumed | 821,438 |
| Net assets acquired | $ 103,011 |

(1) Intangible assets consist of gaming licenses, trade names and customer loyalty programs.

(2) Long-term debt was comprised of MTR Second Lien Notes totaling $570.7 million.

(3) Deferred tax liabilities were derived based on fair value adjustments for property and equipment, identified intangibles, deferred financing costs, certain long term liabilities and long-term debt.

During the fourth quarter of 2014, the Company finalized its valuation procedures and adjusted the preliminary purchase price allocations, as disclosed in the September 30, 2014 Form 10-Q, to their updated values. The significant changes in values were as follows; $19.0 increase in property and equipment, $36.4 million increase in intangible assets, $14.6 million increase in deferred income taxes, $2.0 million increase in other noncurrent liabilities and a $37.9 million decrease in goodwill. These changes were primarily related to management finalizing its financial forecasts and refining certain operating and competitive assumptions. The Company recorded the incremental depreciation and amortization expense from the Acquisition Date through December 31, 2014 based on the revised measurement of property and equipment and definite-lived intangible assets. The incremental expense recorded was not material.

Goodwill, the excess of the purchase price of acquiring MTR Gaming over the fair market value of the net assets acquired, in the amount of $66.8 million was recorded as of the Merger Date. The Company considers the goodwill to represent benefits expected to be realized as a result of the Merger,

**3. Acquisition and Purchase Accounting (Continued)**

including, but not limited to, the expected synergies and the assembled workforce. None of the goodwill is expected to be deductible for tax purposes.

Trade receivables and payable, inventory as well as other current and noncurrent assets and liabilities were valued at the existing carrying values as they represented the fair value of those items at the Merger Date, based on management's judgments and estimates.

The fair value of property and equipment utilized a combination of the cost and market approaches, depending on the characteristics of the asset classification. The fair value of land was determined using the market approach, which considers sales of comparable assets and applies compensating factors for any differences specific to the particular assets. With respect to personal property components of the assets (gaming equipment, furniture, fixtures and equipment, computers, and vehicles) the cost approach was used, which is based on replacement or reproduction costs of the asset. Building and site improvements were valued using the cost approach using a direct cost model built on estimates of replacement cost.

The fair value of non-operating real property was determined utilizing a sales comparison approach.

The gaming and racing licenses of each property were valued in aggregate for each respective property, as these licenses are considered to be the most significant asset of MTR Gaming and the gaming licenses could not be obtained without holding the racing licenses. Therefore, a market participant would value the licenses in aggregate. The fair value of the licenses was determined using 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 MTR Gaming including working capital, fixed assets and other intangible assets. This methodology was considered appropriate as the gaming licenses are the primary asset of MTR Gaming and the licenses are linked to each respective facility. Under the gaming legislation applicable to the MTR Gaming properties, licenses are property specific and can only be acquired if a buyer acquires the existing facility. Because existing licenses may not be acquired and transferred for use at a different facility, the estimated future cash flows of each of the MTR Gaming properties was the primary assumption in the valuation of such property.

Management has assigned an indefinite useful life to the gaming licenses, in accordance with its review of the applicable guidance of ASC 350. The standard required management to consider, among other things, the expected use of the asset, the expected useful life of other related asset or asset group, 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. In that analysis, management determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets. The Company has licenses in Pennsylvania, West Virginia and Ohio. 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 management expect, any limitations regarding its ability to continue to renew each license. No other competitive, contractual, or economic factor limits the useful lives of

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**3. Acquisition and Purchase Accounting (Continued)**

these assets. Accordingly, the Company has concluded that the useful lives of these licenses are indefinite.

Trade names were valued using the relief-from-royalty method. The customer loyalty program was valued using a combination of a replacement cost and lost profits analysis. Trade names are being amortized on a straight-line basis over a 3.5 year useful life and the customer loyalty program is being amortized on a straight-line basis over a one year useful life. The weighted average useful life of all amortizing intangible assets related to the Merger is approximately 1.7 years.

Existing long term debt assumed on the Merger Date was fair valued based on quoted market prices.

Deferred income tax assets and liabilities as of the Merger Date represent the expected future tax consequences of temporary differences between the fair values of the assets acquired and liabilities assumed and their tax bases.

*Unaudited Pro Forma Information*

The following table includes the unaudited pro forma financial results for the years ended December 31, 2014 and 2013 which give effect to the Merger as if it had occurred on January 1, 2013 and reflect proforma adjustments that are expected to have a continuing impact on the results of operations of the Company and are directly attributable to the Merger:

| | 2014 | 2013 |
|---|---|---|
| | (in thousands, except per share data) | |
| Net revenues | $ 713,700 | $ 744,977 |
| Net loss | (5,215) | (176) |
| Net (loss) income per common share: | | |
| Basic | $ (0.11) | $ .00 |
| Diluted | $ (0.11) | $ .00 |
| Weighted shares outstanding: | | |
| Basic | 46,396,307 | 46,386,342 |
| Diluted | 46,396,307 | 46,386,342 |

These pro forma results do not necessarily represent the results of operations that would have been achieved if the MTR Gaming transaction had taken place on January 1, 2013, 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 MTR Gaming prior to the acquisition, with adjustments directly attributable to the Merger.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

## 4. Accounts Receivable

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Accounts receivable | $ 9,701 | $ 4,619 |
| Allowance for doubtful accounts | (2,589) | (1,379) |
| Total | $ 7,112 | $ 3,240 |

The provision for bad debt expense was $1.1 million, $0.8 million and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. Write-offs of accounts receivable were $0.2 million, $1.1 million and $1.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. Recoveries of accounts receivable previously written off during the year ended December 31, 2014 amounted to $0.2 million and were less than $0.1 million during each of the years ended December 31, 2013 and 2012.

## 5. Investment in Unconsolidated Affiliates

***Silver Legacy Joint Venture.*** Effective March 1, 1994, ELLC and Galleon, (each a "Partner" and, together, the "Partners"), entered into the Silver Legacy Joint Venture pursuant to a joint venture agreement (the "Original Joint Venture Agreement" and, as amended to date, the "Joint Venture Agreement") to develop the Silver Legacy. The Silver Legacy consists of a casino and hotel located in Reno, Nevada, which began operations on July 28, 1995. Each partner owned a 50% interest in the Silver Legacy Joint Venture. Prior to the Merger Date, the Company owned a 48.1% interest in the Silver Legacy Joint Venture by means of its 96.2% ownership of ELLC, which owned a 50% interest in the Silver Legacy Joint Venture. Subsequent to the Merger Date, the Company owns a direct 48.1% interest in the Silver Legacy Joint Venture. The remaining 1.9% noncontrolling interest is owned by ELLC. The noncontrolling interest's share of $103,000 in income is reflected in the accompanying consolidated statements of operations.

On May 17, 2012, the Silver Legacy Joint Venture and Silver Legacy Capital Corp. (the "Silver Legacy Debtors") filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and on June 1, 2012 the Silver Legacy Debtors filed a joint plan of reorganization, which was subsequently amended on June 29, 2012 and August 8, 2012 (the "Plan of Reorganization"). On October 23, 2012, an order of confirmation relating to the Plan of Reorganization was entered by the bankruptcy court. The effective date, as defined in the Plan of Reorganization, occurred on November 16, 2012. Concurrently, the Silver Legacy Joint Venture closed on its new debt facilities and issued its new subordinated debt owed to its partners. All creditors were paid under the terms of the Plan of Reorganization (with the exception of the quarterly installment payments to certain general unsecured creditors which were paid in full by November 16, 2013) and the Silver Legacy Joint Venture emerged from bankruptcy. A final hearing was held and the Chapter 11 case closed on March 20, 2013.

Under the Plan of Reorganization, each of ELLC and Galleon retained its 50% interest in the Silver Legacy, but was required to advance $7.5 million to the Silver Legacy pursuant to a subordinated loan and provide credit support by depositing $5.0 million of cash into a bank account as collateral in favor of the lender under the Silver Legacy credit agreement. The $7.5 million note receivable from

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**5. Investment in Unconsolidated Affiliates (Continued)**

ELLC to the Silver Legacy was issued on November 16, 2012 with a stated interest rate of 5% per annum and a maturity date of May 16, 2018 and is included on the accompanying consolidated balance sheets in Investment in and Advances to Unconsolidated Affiliates at December 31, 2014 and 2013. Payment of any interest or principal under the loan is subordinate to the senior indebtedness of the Silver Legacy. Accrued interest under the loan will be added to the principal amount of the loan and may not be paid unless principal of the loan may be paid in compliance with the terms of the senior indebtedness outstanding or at maturity. In December 2014, Silver Legacy deposited $5.0 million of cash into a cash collateral account securing its obligations under its credit agreement, which reduced the credit support obligation of each of ELLC and Galleon to $2.5 million each and resulted in the return of $2.5 million of the $5.0 million of cash collateral that Resorts previously provided as credit support for Silver Legacy's obligations under its credit agreement. The collateral deposit is included as noncurrent restricted cash in the amounts of $2.5 million and $5.0 million, respectively, in the accompanying consolidated balance sheets at December 31, 2014 and 2013.

On December 16, 2013, the Silver Legacy Joint Venture entered into a new senior secured term loan facility totaling $90.5 million (the "New Silver Legacy Credit Facility") to refinance its indebtedness under its then existing senior secured term loan and Silver Legacy Second Lien Notes. The proceeds from the New Silver Legacy Credit Facility, in addition to $7.0 million of operating cash flows, were used to repay $63.8 million representing principal and interest outstanding under the Silver Legacy Credit Facility, $31.7 million representing principal and interest related to the extinguishment of the Silver Legacy Second Lien Notes and $2.0 million in fees and expenses associated with the transactions. The New Silver Legacy Credit Facility consists of a $60.5 million first-out tranche term loan and a $30.0 million last-out tranche term loan. The New Silver Legacy Credit Facility matures on November 16, 2017, which was the maturity date of the original Silver Legacy credit facility.

Equity in income (losses) related to the Silver Legacy Joint Venture for the years ended December 31, 2014, 2013 and 2012 amounted to $2.0, million, $2.3 million and ($9.7) million, respectively.

Summarized information for the Company's investment in and advances to the Silver Legacy Joint Venture for is as follows (in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Beginning balance | $ 13,081 | $ (2,198) | $ — |
| Investment in joint venture | — | — | 7,500 |
| Equity in income (losses) of unconsolidated affiliate | 1,985 | 2,261 | (9,698) |
| Gain on early extinguishment of debt of unconsolidated affiliate | — | 11,980 | — |
| Gain on termination of supplemental executive retirement plan of unconsolidated affiliate | 715 | — | — |
| Other comprehensive (loss) income—minimum pension liability adjustment of unconsolidated affiliate | (1,772) | 1,772 | — |
| Member's distribution | — | (734) | — |
| Ending balance | $ 14,009 | $ 13,081 | $ (2,198) |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**5. Investment in Unconsolidated Affiliates (Continued)**

Summarized balance sheet information for the Silver Legacy Joint Venture is as follows (in thousands):

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Current assets | $ 30,563 | $ 29,565 |
| Property and equipment, net | 190,592 | 198,150 |
| Other assets, net | 6,412 | 8,201 |
| Total assets | $ 227,567 | $ 235,916 |
| Current liabilities | $ 18,707 | $ 27,475 |
| Long-term liabilities | 89,322 | 92,541 |
| Partners' equity | 119,538 | 115,900 |
| Total liabilities and partners' equity | $ 227,567 | $ 235,916 |

Summarized results of operations for the Silver Legacy Joint Venture are as follows (in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Net revenues | $ 127,095 | $ 125,841 | $ 114,800 |
| Operating expenses | (112,086) | (112,558) | (113,387) |
| Operating income | 15,009 | 13,283 | 1,413 |
| Other income (expense) | (9,607) | 15,606 | (12,188) |
| Reorganization items | — | (407) | (8,621) |
| Net income (loss) | $ 5,402 | $ 28,482 | $ (19,396) |

The Company has determined for the year ended December 31, 2013, the Silver Legacy Joint Venture met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which the Company, pursuant to Rule 3-09 of Regulation S-X, attached separate financial statements to this Annual Report on Form 10-K as Exhibit 99.2.

***Tamarack.*** Prior to the Merger, Resorts owned a 21.3% interest in Tamarack, which owned and operated Tamarack Junction, a small casino in south Reno, Nevada. Donald L. Carano ("Carano"), who was the presiding member of Resorts' Board of Managers and the Chief Executive Officer of Resorts, owned a 26.3% interest in Tamarack. Four members of Tamarack, including Resorts and three unaffiliated third parties, managed the business and affairs of Tamarack Junction. At December 31, 2013, Resorts' financial investment in Tamarack was $5.3 million. Resorts' capital contribution to Tamarack represented its proportionate share of the total capital contributions of the members. Resorts' investment in Tamarack was accounted for using the equity method of accounting. Equity in income related to Tamarack for the period prior to its disposition in 2014 and for the years ended December 31, 2013 and 2012 of $0.7 million, $1.1 million and $0.7 million, respectively, is included as a component of operating income.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**5. Investment in Unconsolidated Affiliates (Continued)**

On September 1, 2014, and as a condition to closing the Merger, Resorts distributed to HoldCo and HoldCo subsequently distributed to its members on a pro rata basis Resorts' interest in Tamarack. No gain or loss was recognized in the accompanying unaudited consolidated financial statements as a result of such distribution because the distribution was in the amount of the book value of Tamarack. The distributed interests in Tamarack had a carrying amount of $5.5 million.

Summarized information for the Company's equity in Tamarack for 2014 prior to its disposition and for the years ended December 31, 2013 and 2012 is as follows (in thousands):

| | Period from, January 1, 2014 through September 1, 2014 | For the year ended December 31, 2013 | 2012 |
|---|---|---|---|
| Beginning balance | $ 5,268 | $ 5,066 | $ 5,213 |
| Member's distribution | (509) | (892) | (893) |
| Equity in net income of unconsolidated affiliate | 720 | 1,094 | 746 |
| Distribution of investment | (5,479) | — | — |
| Ending balance | $ — | $ 5,268 | $ 5,066 |

Summarized balance sheet information for Tamarack at December 31, 2013 is as follows (in thousands):

| | |
|---|---|
| Current assets | $ 6,165 |
| Property and equipment, net | 22,065 |
| Other assets | 19 |
| Total assets | $ 28,249 |
| Current liabilities | $ 2,020 |
| Notes payable and capital lease obligations | 1,443 |
| Partners' equity | 24,786 |
| Total liabilities and partners' equity | $ 28,249 |

Summarized unaudited results of operations for Tamarack are as follows (in thousands):

| | Period from January 1, 2014 through September 1, 2014 | For the year ended December 31, 2013 | 2012 |
|---|---|---|---|
| Net revenues | $ 12,908 | $ 21,548 | $ 17,845 |
| Operating expenses | (9,431) | (16,172) | (14,284) |
| Operating income | 3,477 | 5,376 | 3,561 |
| Other expense | (45) | (97) | (182) |
| Net income | $ 3,432 | $ 5,279 | $ 3,379 |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

## 6. Property and Equipment

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

| | Estimated Service Life (years) | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Land and improvements | — | $ 40,170 | $ 29,660 |
| Buildings and other leasehold improvements | 10 - 45 | 460,662 | 250,429 |
| Riverboat | 25 | 39,023 | 39,023 |
| Furniture, fixtures and equipment | 3 - 15 | 166,207 | 119,286 |
| Furniture, fixtures and equipment held under capital leases (Note) | 3 - 15 | 30,833 | 3,592 |
| Construction in progress | | 3,130 | 496 |
| | | 740,025 | 442,486 |
| Less—Accumulated depreciation and amortization | | (283,886) | (262,144) |
| Property and equipment, net | | $ 456,139 | $ 180,342 |

Substantially all property and equipment is pledged as collateral under our long-term debt (see Note 9).

Depreciation expense, including amortization expense on capital leases, was $26.9 million, $17.0 million and $17.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. At December 31, 2014 and 2013, accumulated depreciation and amortization includes $3.4 million and $3.3 million, respectively, related to assets acquired under capital leases.

During the year ended December 31, 2014, the West Virginia Racing Commission reimbursed Mountaineer for capital expenditures aggregating $0.2 million. These reimbursement amounts were applied against the applicable acquisition costs, which resulted in corresponding adjustments to the basis of the capitalized fixed assets. These reimbursements, which are reflected within investing activities in our accompanying consolidated statement of cash flows, did not have a material impact on our consolidated financial statements. Future reimbursements from the West Virginia Racing Commission are subject to the availability of racing funds.

In addition to the racing funds discussed above, Mountaineer also participates in a modernization fund which provides for reimbursement from amounts paid to the West Virginia Lottery Commission of $1 for each $2 expended for certain qualifying capital expenditures having a useful life of more than three years and placed into service after July 1, 2011. Qualifying capital expenditures include the purchase of slot machines and related equipment to the extent such slot machines are retained by Mountaineer at its West Virginia location for not less than five years. Any unexpended balance from a given fiscal year will be available for one additional fiscal year, after which time the remaining unused balance carried forward will be forfeited. During the year ended December 31, 2014, Mountaineer was reimbursed $0.6 million on qualified capital expenditures. As of December 31, 2014, Mountaineer remains eligible for approximately $5.8 million under annual modernization fund grants that expire in varying dates through June 30, 2016.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

## 7. Other and Intangible Assets, net

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Goodwill | $ 66,826 | $ — |
| Gaming license (Indefinite-lived) | 482,074 | 20,574 |
| Trade names | 6,700 | — |
| Customer loyalty programs | 4,800 | — |
| | 493,574 | 20,574 |
| Accumulated amortization trade names | (547) | — |
| Accumulated amortization customer loyalty programs | (1,114) | — |
| Total goodwill and other intangible assets | $ 491,913 | $ 20,574 |
| Land held for development | $ 906 | $ 906 |
| Bond offering costs, 8.625% Resorts Senior Secured Notes | 6,851 | 6,851 |
| Other | 5,354 | 957 |
| | 13,111 | 8,714 |
| Accumulated amortization bond costs 8.625% Senior Secured | (3,080) | (2,226) |
| Total Other Assets, net | $ 10,031 | $ 6,488 |

Goodwill, the excess of the purchase price of acquiring MTR Gaming over the fair market value of the net assets acquired, in the amount of $66.8 million was recorded as of the Merger Date. For financial reporting purposes, goodwill is not amortized, but is reviewed no less than annually or when events or circumstances indicate the carrying value might exceed the market value to determine if there has been an impairment in the recorded value.

Included in gaming licenses is the Eldorado Shreveport gaming license recorded at $20.6 million at both December 31, 2014 and 2013. The license represents an intangible asset 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. Gaming license rights are not subject to amortization as the Company has determined that they have an indefinite useful life.

Trade names are amortized on a straight-line basis over a 3.5 year useful life and the customer loyalty program is amortized on a straight-line basis over a one year useful life. Amortization expense with respect to trade names and the customer loyalty program amounted to $0.5 million and $1.1 million, respectively, for the year ended December 31, 2014, which is included in depreciation and amortization in the consolidated statement of operations. Such amortization expense is expected to be $5.6 million for the year ended December 31, 2015, $1.9 million during each of the years ended December 31, 2015 through 2017 and $0.4 million for the year ended December 31, 2017.

Amortization of Resorts' bond costs is computed using the straight-line method, which approximates the effective interest method, over the term of the bonds, and is included in interest expense on the accompanying consolidated statements of operations. Amortization expense with respect to deferred financing costs amounted to $0.9 million for each of the years ended December 31, 2014

**7. Other and Intangible Assets, net (Continued)**

and 2013 and $1.0 million for the year ended December 31, 2012. Such amortization expense is expected to be $0.9 million during each of the years ended December 31, 2015 through 2018 and $0.4 million during 2019.

**8. Accrued and Other Liabilities**

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Accrued insurance and medical claims | $ 1,273 | $ 1,285 |
| Unclaimed chips | 938 | 1,482 |
| Accrued purses and track related liabilities | 4,303 | — |
| Accrued real estate and property taxes | 2,578 | — |
| Jackpot liabilities and other accrued gaming promotions | 8,211 | 3,044 |
| Construction project and equipment liabilities | 2,333 | — |
| Other | 7,152 | 1,953 |
| | $ 26,788 | $ 7,764 |

**9. Long-Term Debt**

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| 8.625% Resorts Senior Secured Notes | $ 168,000 | $ 168,000 |
| Term Loan under Secured Credit Facility | — | 2,500 |
| Total Resorts | 168,000 | 170,500 |
| 11.5% MTR Second Lien Notes | 560,664 | — |
| Unamortized premium | 50,163 | — |
| Total MTR Gaming | 610,827 | — |
| Total Long-Term Debt | 778,827 | 170,500 |
| Less—Current portion | — | 2,500 |
| | $ 778,827 | $ 168,000 |

Scheduled maturities of long-term debt are $728.7 million in 2019.

***Resorts' Debt Obligations.*** On June 1, 2011, Resorts and Capital completed the issuance of $180 million of 8.625% Resorts Senior Secured Notes due June 15, 2019 (the "Resorts Senior Secured Notes"). Interest on the Resorts Senior Secured Notes is payable semiannually each June 15 and December 15 to holders of record on the preceding June 1 or December 1, respectively.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**9. Long-Term Debt (Continued)**

The indenture relating to the Resorts Senior Secured Notes contains various restrictive covenants, including limitations on the payment of dividends and other restricted payments, making additional investments, additional liens, transactions with affiliates, covenants imposing limitations on additional debt, dispositions of property, mergers and similar transactions. As of December 31, 2014, the Company was in compliance with all of the covenants under the indenture relating to the Resorts Senior Secured Notes.

The Resorts Senior Secured Notes are unconditionally guaranteed, jointly and severally, by all of Resorts' current and future domestic restricted subsidiaries other than Eldorado Capital Corp., an entity that was formed for the exclusive purpose of acting as co-issuer of debt issued by Resorts (collectively, the "Guarantors"). The Silver Legacy Joint Venture is not a subsidiary and did not guarantee the Resorts Senior Secured Notes. The Resorts Senior Secured Notes are secured by a first priority security interest on substantially all of Resorts' current and future assets (other than certain excluded assets, including gaming licenses and Resorts' interests the Silver Legacy Joint Venture). Such security interests are junior to the security interests with respect to obligations of Resorts and the Guarantors under the Resorts Secured Credit Facility. In addition, all of the membership interests in Resorts and equity interests in the Guarantors are subject to a pledge for the benefit of the holders of the Resorts Senior Secured Notes.

Resorts may redeem some or all of the Resorts Senior Secured Notes prior to June 15, 2015 at a redemption price of 100% of the principal amount thereof plus a "make whole premium" together with accrued and unpaid interest thereon. On or after June 15, 2015, Resorts may redeem the Resorts Senior Secured Notes at the following redemption prices (expressed as a percentage of principal amount) plus any accrued and unpaid interest thereon:

| Year beginning June 15, | Percentage |
|---|---|
| 2015 | 104.313% |
| 2016 | 102.156% |
| 2017 and thereafter | 100.000% |

On June 1, 2011, Resorts entered into a new $30 million senior secured revolving credit facility (the "Resorts Secured Credit Facility") available until May 30, 2014 consisting of a $15 million term loan requiring principal payments of $1.25 million each quarter beginning September 30, 2011 (the "Term Loan") and a $15 million revolving credit facility. The Term Loan was repaid during the second quarter of 2014. At December 31, 2013, the outstanding principal amount under on the Term Loan was $2.5 million. Resorts did not renew the Resorts Secured Credit Facility when it matured on May 30, 2014.

***MTR Gaming's Debt Obligations.*** On August 1, 2011, MTR Gaming completed the offering of $565.0 in aggregate principal amount of senior secured second lien notes (the "MTR Second Lien Notes") due August 1, 2019 at an issue price equal to 97% of the aggregate principal amount of the MTR Second Lien Notes. The MTR Second Lien Notes mature on August 1, 2019, with interest payable semi-annually in arrears on February 1 and August 1 of each year.

The MTR Second Lien Notes and the guarantees are senior secured obligations and are jointly and severally, fully, and unconditionally guaranteed by MTR Gaming's current and future domestic

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**9. Long-Term Debt (Continued)**

restricted subsidiaries, other than MTR Gaming's immaterial subsidiaries. The MTR Second Lien Notes are secured by a second priority lien on substantially all of the assets of MTR Gaming and the guarantors, other than excluded property, as defined in the Senior Secured Second Lien Indenture. The MTR Second Lien Notes and the guarantees are effectively junior to any of MTR Gaming's and the guarantors' existing and future debt that is secured by senior or prior liens on the collateral to the extent of the value of the collateral securing such obligations.

The indenture governing the MTR Second Lien Notes contains a number of customary covenants, including limitations on the payment of distributions and other restricted payments, making additional investments, additional liens, transactions with affiliates, additional debt, dispositions of property, mergers and similar transactions, and events of default. In addition, if the consolidated total debt ratio of MTR Gaming is equal to or greater than 4.0 to 1.0 and such offer is permitted pursuant to the terms of MTR Gaming's credit facilities, MTR Gaming is required to repay debt under its credit facility or make an offer to purchase MTR Second Lien Notes with the excess cash flow amounts (as such term is defined in the indenture governing the MTR Second Lien Notes). As of December 31, 2014, MTR Gaming was in compliance with the covenants under the indenture relating to the MTR Second Lien Notes.

MTR Gaming may redeem some or all of the MTR Second Lien Notes prior to August 1, 2015 at a redemption price of 100% of the principal amount thereof plus a "make whole premium" together with accrued and unpaid interest thereon. On or after August 1, 2015, MTR Gaming may redeem the MTR Second Lien Notes at the following redemption prices (expressed as a percentage of principal amount) plus any accrued and unpaid interest thereon:

| Year beginning August 1, | Percentage |
|---|---|
| 2015 | 106.00% |
| 2016 | 103.00% |
| 2017 and thereafter | 100.00% |

In October 2014, MTR Gaming repurchased $10 million in aggregate principal amount of its 11.25% MTR Second Lien Notes, at a price of $110.25 per $100 in principal amount of the purchased notes. The repurchase resulted in a $1.2 million annual savings in interest expense. After giving effect to the repurchase of the bonds in October 2014, the annual interest expense on the MTR Second Lien Notes approximates $64.5 million. Additionally, annual amortization of the premium on the MTR Second Lien Notes is approximately $10.9 million.

On August 1, 2011, MTR Gaming entered into a senior secured revolving credit facility (the "MTR Credit Facility") with a borrowing availability of $20.0 million and a maturity date of August 1, 2016. On December 5, 2014, MTR Gaming terminated the MTR Credit Facility. There were no borrowings outstanding under the Credit Facility at the time of its termination. MTR Gaming terminated the Credit Facility because it determined that it had sufficient capital resources to meet its expected liquidity needs without incurring borrowings under the Credit Facility. MTR Gaming did not incur any fees or penalties in connection with the termination of the Credit Facility.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

## 10. Income Taxes

The components of the Company's provision for income taxes for the year ended December 31, 2014 are presented below (amounts in thousands). For the years ended December 31, 2013 and 2012, the Company was treated as a partnership for income tax purposes.

| | |
|---|---|
| Current: | |
| Federal | $ 10 |
| State | 120 |
| Local | 55 |
| Total current | 185 |
| Deferred: | |
| Federal | 846 |
| State | 711 |
| Local | 26 |
| Total deferred | 1,583 |
| Income tax expense | $ 1,768 |

The following is a reconciliation of the statutory federal income tax rate (benefit) to the Company's effective tax rate for the year ended December 31, 2014:

| | |
|---|---|
| Federal statutory rate | (35.0)% |
| State and local taxes | (4.4)% |
| Permanent items | 3.6% |
| Valuation allowance | 77.3% |
| Minority interest | 1.2% |
| Change in tax status | (28.0)% |
| Other | (0.6)% |
| Provision for income taxes | 14.1% |

The difference between the effective rate and the statutory rate is attributed primarily to the federal and state valuation allowances on our deferred tax assets and the change in tax status described below. As a result of our net operating losses and the state deferred tax asset position, after exclusion of certain deferred tax liabilities that generally cannot be offset against deferred tax assets, known as "Naked Credits," the Company expects to continue to provide for a full valuation allowance against all of our net federal and state deferred tax assets.

For income tax purposes the Company amortizes or depreciates certain assets that have been assigned an indefinite life for book purposes result in an increase in certain deferred tax liabilities that cannot be used as a source of future taxable income for purposes of measuring our need for a valuation allowance against the net deferred tax assets. Therefore, the Company expects to record non cash deferred tax expense as the Company amortizes these assets for tax purposes.

Prior to September 19, 2014, HoldCo was taxed as a partnership under the Internal Revenue Code pursuant to which income taxes were primarily the responsibility of the partners. The Company is a

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**10. Income Taxes (Continued)**

C Corporation subject to the federal and state corporate-level income taxes at prevailing corporate tax rates. As a result of this change in status, a state tax expense of $0.7 million was recognized by the Company during 2014.

During the year ended December 31, 2014, the Company's tax expense was $1.8 million and reflects the recording of additional naked credit amortization in the amount of $1.1 million and a state and local income tax provision of $0.7 million.

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, 2014 are as follows (amounts in thousands):

| | |
|---|---|
| Deferred tax assets: | |
| Loss and credit carryforwards | $ 43,505 |
| Accrued expenses | 6,431 |
| Fixed assets | 10,956 |
| Investment in partnerships | 5,845 |
| Debt | 23,826 |
| Stock-based compensation | 179 |
| Other | 35 |
| | 90,777 |
| Deferred tax liabilities: | |
| Identified intangibles | (146,715) |
| Prepaid expenses | (2,042) |
| | (148,757) |
| Valuation allowance | (89,067) |
| Net deferred tax liabilities | $ (147,047) |

At December 31, 2014, management determined it was not more-likely-than-not that the Company will realize its federal and state deferred tax assets, with the exception of Louisiana and Columbus, Ohio. Therefore, a full valuation allowance has been recognized against these deferred tax assets, excluding deferred tax liabilities related to indefinite-lived assets. These indefinite-lived assets primarily related to gaming licenses in various jurisdictions. These gaming licenses are not being amortized for book purposes, and will only reverse upon ultimate sale or book impairment. Due to the uncertain timing of such reversal, the temporary differences associated with indefinite-lived intangibles and certain land improvements cannot be considered a source of future taxable income for purposes of determining the valuation allowance.

As of December 31, 2014, the Company had federal and state net operating loss carryforwards of approximately $116.9 million and $28.6 million, respectively. The federal and state net operating losses begin to expire in 2027 and 2018, respectively. As of December 31, 2014, the Company had Alternative Minimum Tax credit carryforwards of $0.6 million, which can be carried forward indefinitely. As of December 31, 2014, the Company had federal jobs credit carryforwards of $0.6 million, which begin to expire in 2026.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**10. Income Taxes (Continued)**

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% shareholders 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 MTR Gaming Group to offset future taxable income. The "change in ownership" event occurred on September 19, 2014 in connection with the merger with MTR Gaming Group. 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, 2014, there are 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.

The Company files a US federal and various state and local income tax returns.

**11. Employee Benefit Plans**

***Resorts' Plans.*** Resorts participates in a multi-employer savings plan (the "401(k) Plan") qualified under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan in which Resorts participates functions as an aggregation of several single-employer plans in order to enable the participating employers to pool plan assets for investment purposes and to reduce the costs of plan administration. The 401(k) Plan maintains separate accounts for each employer so that each employer's contributions provide benefits only for its employees. Generally, all employees of Resorts who are 21 years of age or older, who have completed six months and 1,000 hours of service and who are not covered by collective bargaining agreements, including the named executive officers, are eligible to participate in the 401(k) Plan. Employees who elect to participate in the 401(k) Plan may defer up to 100% but not less than 1% of their annual compensation, subject to statutory and certain other limits. Effective February 15, 2009, Resorts ceased making matching contributions to the 401(k) Plan. Effective February 1, 2014, Eldorado Reno reinstated an employer matching contribution up to 25 percent of the first four percent of each participating employee's compensation. Employees of the Eldorado Shreveport also participate in Resorts' 401(k) Plan. The plan covering Eldorado Shreveport's employees allows for an employer contribution up to 50 percent of the first six percent of each participating employee's contribution, subject to statutory and certain other limits. Resorts' matching contributions were $0.4 million, $0.2 million and $0.3 million, respectively, for the years ended December 31, 2014, 2013 and 2012.

***MTR Gaming's Plans.*** In December 2008, MTR Gaming established the MTR Gaming Group, Inc. Retirement Plan (the "MTR Retirement Plan"). At that time, the Mountaineer qualified defined contribution plan and the Scioto Downs' 401(k) plan were merged into the MTR Retirement Plan. Additionally, the Retirement Plan provides 401(k) participation to Presque Isle Downs' employees. Matching contributions by MTR Gaming were $0.1 million for the 2014 period subsequent to the Merger Date.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**11. Employee Benefit Plans (Continued)**

Mountaineer's qualified defined contribution plan (established by West Virginia legislation) covers substantially all of its employees and was merged as a component of the MTR Retirement Plan as previously discussed. 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 MTR Retirement Plan for the benefit of Mountaineer employees were $0.4 million for the 2014 period subsequent to the Merger Date.

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. Scioto Downs' pension income during the 2014 period subsequent to the Merger Date was $39,000. As of December 31, 2014, the fair value of the plan assets was approximately $1.2 million and the fair value of the benefit obligations was approximately $0.9 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 the 2014 period subsequent to the Merger Date.

**12. Common Stock and Incentive Awards**

***Common Stock & Stock-Based Awards***

The Company has authorized common stock of 100,000,000 shares, par value $0.00001 per share.

On September 19, 2014, as a result of the Merger, all MTR Gaming common stock, par value $0.00001 per share ("MTR Stock"), all options and rights to receive MTR Gaming Stock (each, a "Stock Option") granted under the MTR Gaming 2010 Long Term Incentive Plan (the "Plan"), and all restricted stock units in respect of shares of MTR Gaming Stock (each, an "MTR RSU") that were outstanding immediately prior to the Effective Time were converted into a right to receive shares of ERI Stock, or options to acquire ERI Stock, as follows:

- 5,785,123 shares of MTR Stock converted into a right to receive $6.05 in cash per each share of MTR Stock, and the remaining 22,600,961 shares of MTR Stock converted into the right to receive one share of ERI Common Stock per each share of MTR Stock.

- All outstanding MTR Gaming Stock Options vested (to the extent not already vested) and converted into an option or right to purchase the same number of shares of ERI Common Stock (at the same exercise price per share as in effect prior to such conversion). All other terms, except vesting requirements, applicable to such stock options remain the same.

- Each MTR RSU that was outstanding under the Plan (including any such MTR RSUs held in participant accounts under any employee benefit or compensation plan or arrangement of MTR Gaming) were settled in the same number of shares of ERI stock as the number of shares of MTR Stock that were subject to such MTR RSU immediately prior to the Effective Time. No further vesting, lapse, or other restrictions under the terms of the prior award agreement applicable to such MTR RSU will apply.

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**12. Common Stock and Incentive Awards (Continued)**

Upon consummation of the Mergers, the Company assumed the Plan from MTR Gaming in accordance with the Plan's terms.

Due to the MTR Gaming Stock Options being fully vested immediately prior to the Mergers and no additional equity awards being issued by the Company subsequent to the Merger, the Company did not record any stock-based compensation expense during the year ended December 31, 2014.

A summary of the Stock Option activity from the date of the Merger Date is as follows:

| | Options | Range of Exercise Prices | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|---|
| Outstanding as of Merger Date | 474,833 | $2.44 - $16.27 | $ 7.13 | | |
| Granted | | | | | |
| Exercised | (76,633) | $2.44 - $3.94 | $ 3.22 | | |
| Expired | — | — | — | | |
| Forfeited | — | — | — | | |
| Outstanding and Exercisable— December 31, 2014 | 398,200 | $2.44 - $16.27 | $ 7.88 | 4.54 | $ 0.2 |

Cash received from the exercise of stock options was $0.2 million for the year ended December 31, 2014. The Company did not recognize a tax benefit from the stock option exercises as the Company is in a net operating loss carryforward position.

In January 2015, the Company's Board of Directors approved the 2015 Long-Term Incentive Plan subject to shareholder approval.

**13. 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, 2014, 2013 and 2012 (dollars in thousands, except per share amounts):

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net loss available to common stockholders | $ (14,425) | $ 18,897 | $ (991) |
| Shares outstanding: | | | |
| Weighted average shares outstanding | 29,901,405 | 23,311,492 | 23,311,492 |
| Effect of dilutive securities | — | — | — |
| Diluted shares outstanding | 29,901,405 | 23,311,492 | 23,311,492 |
| Basic and diluted net (loss) income per common share | $ (0.48) | $ 0.81 | $ (0.04) |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**13. Earnings per Share (Continued)**

As the accounting acquirer in the Merger and in accordance with the applicable accounting guidance in ASC 805, for purposes of computing comparative earnings per share, the Company has presented the historical weighted average number of common shares outstanding multiplied by the exchange ratio established in the Merger Agreement (see Note 3) for the years ended December 31, 2013 and 2012. At the Merger Date, there were no dilutive securities outstanding.

**14. Accumulated Other Comprehensive (Loss) Income**

The Company's accumulated other comprehensive loss is related to the Scioto Downs defined benefit pension plan and Silver Legacy's supplemental executive retirement plan. A summary of the change in accumulated other comprehensive income during the year ended December 31, 2014 is as follows (in thousands):

| | |
|---|---|
| Balance as of December 31, 2013 | $ 1,772 |
| Other comprehensive income before reclassifications, net of tax of $50 | 87 |
| Amounts reclassified from accumulated other comprehensive income | (1,772) |
| Net current-period other comprehensive loss | (1,685) |
| Balance as of December 31, 2014 | $ 87 |

Amounts reclassified from accumulated other comprehensive loss are limited to the amortization of actuarial losses, which are a component of net periodic benefit cost. These reclassifications are included as a component of general and administrative expense in the accompanying consolidated statement of operations. Silver Legacy's supplemental executive retirement plan was terminated and liquidated in 2014.

**15. Commitments and Contingencies**

***Capital Leases.*** MTR and Resorts lease certain equipment under agreements classified as capital leases. In 2013, the Company entered into two lease agreements in the original amounts of $0.1 million and $25,000 with third party lessors to acquire network equipment and maintenance equipment at Eldorado Reno at 2.799% per annum and 8.453% per annum, respectively. The first lease has an original term of three annual payments of $24,000 per year and the second lease has an original term of 36 months with monthly payments of $714. In 2010, Eldorado Reno entered into a lease agreement in the original amount of $0.6 million with a third party lessor to acquire a hotel video on demand system at Eldorado Reno at 6.132% per annum. The lease has an original term of 48 months with monthly payments of $12,875. During 2006, Eldorado Reno entered into a lease agreement in the original amount of $0.7 million with a third party lessor to acquire mini-bars for hotel rooms at Eldorado Reno at 9.875% per annum with a 96 month term. The leases are treated as capital leases for financial reporting purposes. The future minimum lease payments, including interest, at December 31, 2014 are $32,000 in 2015 and $4,000 in 2016. After reducing these amounts for interest of $1,000, the present value of the minimum lease payments at December 31, 2014 is $36,000.

***Operating Leases.*** MTR and Resorts lease land and certain equipment, including some of our slot machines, timing and photo finish equipment, videotape and closed circuit television equipment, and

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**15. Commitments and Contingencies (Continued)**

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, 2014 (in thousands):

| | Shreveport Ground Lease | Other Leases |
|---|---|---|
| 2015 | $ 404 | $ 1,884 |
| 2016 | 463 | 1,075 |
| 2017 | 463 | 602 |
| 2018 | 463 | 534 |
| 2019 | 463 | 470 |
| Thereafter | 20,249 | 3,200 |
| | $ 22,505 | $ 7,765 |

Total rental expense under operating leases (exclusive of the Shreveport ground lease described below) was $2.3 million, $1.6 million and $1.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Additional rent for land upon which the Eldorado Hotel Casino resides of $0.6 million in each of the years ended December 31, 2014, 2013 and 2012 was paid to C. S. & Y. Associates, a general partnership of which Carano is a general partner. This rental agreement expires June 30, 2027 and the rental payments are more fully described in Note 16, Related Parties.

Eldorado Shreveport is party to a ground lease with the City of Shreveport for the land on which the casino was built. The lease had an initial term which ended December 20, 2010 with subsequent renewals for up to an additional 40 years. The base rental amount during the initial ten-year lease term was $0.5 million per year. The Louisiana Partnership has extended the lease for the first five-year renewal term during which the base annual rental is $0.4 million. The annual base rental payment will increase by 15% during each of the second, third, fourth and fifth five-year renewal terms with no further increases. The base rental portion of the ground lease is being amortized on a straight-line basis. In addition to the base rent, the lease requires percentage rent based on adjusted gross receipts to the City of Shreveport and payments in lieu of admission fees to the City of Shreveport and the Bossier Parish School Board. Expenses under the terms of the ground lease are as follows (in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Ground lease: | | | |
| Base rent | $ 585 | $ 585 | $ 585 |
| Percentage rent | 1,336 | 1,400 | 1,483 |
| | 1,921 | 1,985 | 2,068 |
| Payment in lieu of admissions fees and school taxes | $ 5,908 | $ 6,154 | $ 6,490 |

Eldorado Shreveport previously leased retail space located across the street from the casino/hotel complex to unrelated retail tenants. Rental revenue for the year ended December 31, 2012 amounted

**15. Commitments and Contingencies (Continued)**

to $0.1 million and is included in other operating revenues on the accompanying consolidated statement of operations and comprehensive income. During the third quarter of 2012, Eldorado Shreveport donated this property to the City of Shreveport and recorded a charge of $0.8 million, which represented the net book value of the property as of the donation date.

***Bond Requirements.*** Mountaineer is required to maintain bonds in the aggregate amount of $1.1 million for the benefit of the West Virginia Lottery Commission, Presque Isle Downs is required to maintain a slot machine payment bond for the benefit of the Commonwealth of Pennsylvania in the amount of $1.0 million and Scioto Downs is required to maintain a VLT license bond for the benefit of the Ohio Lottery Commission in the amount of $1.0 million. The bonding requirements have been satisfied via the issuance of surety bonds.

***Litigation.*** We are a party to various lawsuits, which have arisen in the normal course of our business. Estimated losses are accrued for these lawsuits and claims when the loss is probable and can be estimated. The current liability for the estimated losses associated with those lawsuits is not material to our consolidated financial condition and those estimated losses are not expected to have a material impact on our results of operations.

***Ohio Gaming Referendum Challenge.*** On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As interveners, we, along with four of the other racinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the Court of Common Pleas dismissed the case; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013 in the 10$^{th}$ District Court of Appeals. In March 2013, the Court of Appeals upheld the ruling. The decision of the Appeals Court was appealed to the Ohio Supreme Court by the plaintiffs on April 30, 2013 and the Ohio Supreme Court has elected to accept the appeal. The Ohio Supreme Court temporarily stayed the appeal until it first ruled on a matter with similar procedural issues. A decision was issued on that case on June 10, 2014. Accordingly, along with the State Appellees, a *motion to dismiss as improvidently granted* was filed which was partially granted. The remaining propositions of law have been briefed by both parties and oral argument is scheduled for June 23, 2015.

***Environmental Remediation.*** In October 2004, MTR Gaming acquired 229 acres of real property, known as the International Paper site, as an alternative site to build Presque Isle Downs. In connection with our acquisition of the International Paper site, MTR Gaming entered into a consent order and decree (the "Consent Order") with the PaDEP and International Paper insulating it from liability for certain pre-existing contamination, subject to compliance with the Consent Order, which included a proposed environmental remediation plan for the site, which was tied specifically to the use of the property as a racetrack. The proposed environmental remediation plan in the Consent Order was based upon a "baseline environmental report" and management estimated that such remediation would be subsumed within the cost of developing the property as a racetrack. The racetrack was never developed at this site. In October 2005, MTR Gaming sold approximately 205 acres to GEIDC which assumed primary responsibility for the remediation obligations under the Consent Order relating to the property

**15. Commitments and Contingencies (Continued)**

they acquired. However, MTR Gaming was advised by the PaDEP that it was not released from its liability and responsibility under the Consent Order. MTR Gaming also purchased an Environmental Risk Insurance Policy in the amount of $10.0 million with respect to the property, which expires in October 2015. Management believes the insurance coverage is in excess of any exposure that it may have in this matter.

***Regulatory Gaming Assessments.*** The Pennsylvania Gaming Control Board (the "PGCB"), the Pennsylvania Department of Revenue and the Pennsylvania State Police (collectively "the Borrowers"), were required to fund the costs they incurred in connection with the initial development of the infrastructure to support gaming operations in Pennsylvania as well as the initial ongoing costs of the Borrowers. The initial funding of these costs was provided from a loan from the Pennsylvania General Fund in the amount of approximately $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of approximately $63.8 million.

The Pennsylvania Department of Revenue will assess all licensees, including Presque Isle Downs, their proportionate share of amounts represented by the borrowings, which are in the aggregate amount of $99.9 million, once the designated number of Pennsylvania's slot machine licensees is operational. On July 11, 2011, the PGCB issued an administrative order which established that payments associated with the $63.8 million that was borrowed from the Property Tax Reserve Fund would commence on January 1, 2012. The repayment allocation between all current licensees is based upon equal weighting of (1) cumulative gross slot revenue since inception in relation to the combined cumulative gross slot revenue for all licensees and (2) single year gross slot revenue (during the state's fiscal year ending June 30) in relation to the combined single year gross slot revenue for all licensees; and amounts paid each year will be adjusted annually based upon changes in the licensee's proportionate share of gross slot revenue. MTR Gaming has estimated that its total proportionate share of the aggregate $63.8 million to be assessed to the gaming facilities will be approximately $4.2 million and will be paid quarterly over a ten-year period, which began effective January 1, 2012. For the $36.1 million that was borrowed from the General Fund, payment is scheduled to begin after all fourteen licensees are operational. Although MTR Gaming cannot determine when payment will begin, it has considered a similar repayment model for the General Fund borrowings and estimated that its total proportionate share of the aggregate $36.1 million to all fourteen gaming facilities will approximate $2.2 million, which has been accrued in the accompanying consolidated balance sheet at December 31, 2014.

The recorded estimate is subject to revision based upon future changes in the revenue assumptions utilized to develop the estimate. The estimated total obligation at December 31, 2014 was $0.5 million and is accrued in the accompanying unaudited consolidated balance sheet. MTR Gaming paid approximately $0.1million during the 2014 period subsequent to the Merger Date.

***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

**15. Commitments and Contingencies (Continued)**

majority of the horse owners and trainers and with a representative of a majority of the pari-mutuel clerks. In Pennsylvania and Ohio, we must have an agreement with the representative of the horse owners. We have the requisite agreements in place with the horsemen at Mountaineer until December 31, 2015. With respect to the Mountaineer pari-mutuel clerks, we have a labor agreement in force until November 30, 2015 and a proceeds agreement until April 14, 2015. 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. Scioto Downs has the requisite agreement in place with the OHHA until December 31, 2023, with automatic two-year renewals unless either party requests re-negotiation pursuant to its terms. Presque Isle Downs has the requisite agreement in place with the Pennsylvania Horsemen's Benevolent and Protective Association until May 1, 2019. With the exception of the respective Mountaineer, Presque Isle Downs and Scioto Downs horsemen's agreements and the agreement between Mountaineer and the pari-mutuel clerks' union described above, each of the agreements referred to in this paragraph may be terminated upon written notice by either party.

*Presque Isle Downs, Inc. v Dwayne Cooper Enterprises, Inc. et al; Civil Action No. 10493-2009; Court of Common Pleas of Erie County, Pennsylvania.* On April 17, 2010, Presque Isle Downs, Inc. initiated legal action in the Court of Common Pleas of Erie County, Pennsylvania, against defendants Dwayne Cooper Enterprises, Inc. ("DCE"), Turner Construction Company ("Turner"), and Rectenwald Buehler Architects, Inc. f/k/a Weborg Rectenwald Buehler Architects, Inc. ("RB") to recover damages arising out of failures of the surveillance system installed during the original construction of the casino facilities at Presque Isle Downs. DCE supplied and installed the surveillance system, RB acted as the project architect, and Turner served as the construction manager on the project. Shortly after Presque Isle Downs opened on February 28, 2007, it discovered that certain components of the surveillance system were defective, malfunctioning or missing. After efforts to remediate the deficiencies in the system were unsuccessful, it became necessary to replace certain components of the surveillance system at a cost of $1.9 million, and to write-off approximately $1.5 million related to the net book value of the equipment that was replaced. On April 5, 2011, Presque Isle Downs obtained a default judgment against DCE in the amount of $2.7 million. Efforts to enforce the judgment against DCE are ongoing but the assets of DCE appear to be modest and materially insufficient to pay the judgment. Any proceeds that may be received will be recorded as the amounts are realized. Defendant RB joined five additional vendors/subcontractors as additional defendants in the case. Each of the defendants and all but one of the additional defendants filed motions or objections requesting that the Court dismiss the claims against it. After these motions and objections were denied and the parties engaged in limited discovery, the parties agreed to submit the case to mediation. The mediation occurred on February 10, 2015, and resulted in an agreement under which the sum of $705,000.00 would be paid to Presque Isle Downs, Inc. in exchange for a general release of the defendants (except DCE) and the additional defendants. A draft settlement agreement has been prepared and is currently under review by all parties. It is anticipated that the settlement will be concluded and the case voluntarily dismissed by June 30, 2015.

State ex rel. Walgate v. Kasich; Case No. 11 CV-10-13126; Court of Common Pleas Franklin County, Ohio. On October 21, 2011, the Ohio Roundtable filed a complaint in the Court of Common

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**15. Commitments and Contingencies (Continued)**

Pleas in Franklin County, Ohio against a number of defendants, including the Governor, the Ohio Lottery Commission and the Ohio Casino Control Commission. The complaint alleges a variety of substantive and procedural defects relative to the approval and implementation of video lottery terminals as well as several counts dealing with the taxation of standalone casinos. As interveners, we, along with four of the other racinos in Ohio, filed motions for judgment on the pleadings to supplement the position of the Racing Commission. In May 2012, the Court of Common Pleas dismissed the case; however, the plaintiffs filed an appeal and oral arguments were held on January 17, 2013 in the 10$^{th}$ District Court of Appeals. In March 2013, the Court of Appeals upheld the ruling. The decision of the Appeals Court was appealed to the Ohio Supreme Court by the plaintiffs on April 30, 2013 and the Ohio Supreme Court has elected to accept the appeal. The Ohio Supreme Court temporarily stayed the appeal until it first ruled on a matter with similar procedural issues. A decision was issued on that case on June 10, 2014. Accordingly, along with the State Appellees, a *motion to dismiss as improvidently granted* was filed which was partially granted. The remaining propositions of law have been briefed by both parties and oral argument is scheduled for June 23, 2015.

**16. Related Parties**

Prior to the consummation of the Merger Resorts was party to a management agreement (the "Eldorado Management Agreement") with REI and HCM, pursuant to which REI and HCM (collectively, the "Managers") agreed to (a) develop strategic plans for Resorts' business, including preparing annual budgets and capital expenditure plans, (b) provide advice and oversight with respect to financial matters of Resorts, (c) establish and oversee the operation of financial accounting systems and controls and regularly review Resorts' financial reports, (d) provide planning, design and architectural services to Resorts and (e) furnish advice and recommendations with respect to certain other aspects of Resorts' operations. In consideration for such services, Resorts agreed to pay the Managers a management fee not to exceed 1.5% of Resorts' annual net revenues, not to exceed $600,000 per year. The current term of the Eldorado Management Agreement continues in effect until July 1, 2017, and the term will continue to be automatically extended for additional three-year periods until it is terminated by one of the parties. During each of the years 2014, 2013 and 2012, the Company paid management fees to REI and HCM in the aggregate amount of $0.5 million, $0.6 million, and $0.6 million, respectively. REI is beneficially owned by members of the Carano family and HCM is beneficially owned by members of the Poncia family. The Carano family and Poncia family hold significant ownership interests in ERI. Management fees were not paid subsequent to the consummation of the Merger. Subsequent to the consummation of the Merger, Donald L. Carano and Raymond J. Poncia received remuneration in the amount of $0.3 million and $0.2 million, respectively, for their services as consultants to ERI and its subsidiaries in lieu of the management fees previously paid under the terms of the Resorts' management agreement.

As of December 31, 2014 and 2013, the Company's receivables from related parties amounted to $0.4 million $0.4 million, respectively. As of December 31, 2014 and 2013, the Company's payables to related parties amounted to $0.2 million and $0.2 million, respectively.

In connection with the Merger, the Company advanced $5.0 million to MTR Gaming which was used to repurchase MTR Gaming common stock. The advance is included in investment in and advances to unconsolidated affiliates on the accompanying consolidated balance sheet at December 31,

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**16. Related Parties (Continued)**

2014. Additionally, MTR Gaming reimbursed the Company $1.5 million in December 2014 for allocated corporate general and administrative costs incurred subsequent to the consummation of the Merger through December 31, 2014.

Subsequent the Merger, the MTR Gaming properties began purchasing Eldorado Reno homemade pasta and other products for use in their restaurants. During the year ended December 31, 2014, MTR Gaming paid Eldorado Reno $29,000 for these products. Additionally, several Eldorado Reno restaurant chefs traveled to the MTR Gaming properties to provide services. Payroll and costs associated with these services were charged to the MTR Gaming properties and totaled $0.1 million during the period from the Merger Date through December 31, 2014. Additional reimbursements, in the ordinary course of business, were also charged between Eldorado Reno and MTR Gaming as a result of the Merger.

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, a general partnership of which Carano is a general partner (the "CSY Lease"). The CSY Lease expires on June 30, 2027. Annual rent is equal to the greater of (1) $0.4 million or (2) an amount based on a decreasing percentage of the Eldorado's gross gaming revenues ranging from 3% of the first $6.5 million of gross gaming revenues to 0.1% of gross gaming revenues in excess of $75.0 million. Rent pursuant to the CSY Lease amounted to approximately $0.6 million in each of the years ended December 31, 2014, 2013 and 2012. On May 30, 2011, the Company and C. S. & Y Associates entered into a fourth amendment to the CSY Lease. C. S & Y Associates agreed to execute and deliver the deeds of trust encumbering the approximately 30,000 square feet leased from C. S. & Y Associates on which a portion of Eldorado Reno is located as security for the Senior Secured Notes and the Secured Credit Facility. In exchange for this subordination, a fee of $0.1 million will be paid annually during the term of the Indenture. In each of the years 2014, 2013 and 2012, the Company paid $0.1 million to C. S. & Y Associates for this subordination.

The Company from time to time leases an aircraft owned by REI, which indirectly owns 47% of Resorts, for use in operating the Company's business. In 2014, 2013 and 2012, lease payments for the aircraft totaled $0.6 million, $0.8 million and $0.8 million, respectively.

The Company from time to time leases a yacht owned by Sierra Adventure Equipment, Inc., a limited liability company beneficially owned by REI, for use in operating the Company's business. In 2014, 2013 and 2012, lease payments for the yacht totaled approximately $2,500, $13,000 and $8,000, respectively.

The Company occasionally purchases wine directly from the Ferrari Carano Winery, which is owned by REI and Carano. Wine purchases are sent directly to customers in appreciation of their patronage. In 2014, 2013 and 2012, the Company spent approximately $35,000, $1,000 and $23,000, respectively, for these products.

Resorts owns the skywalk that connects the Silver Legacy with Eldorado Reno. The charges from the service provider for the utilities associated with this skywalk are billed to the Silver Legacy together with the charges for the utilities associated with the Silver Legacy. Such charges are paid to the service provider by Silver Legacy, and the Silver Legacy is reimbursed by Eldorado Reno for the portion of the

**16. Related Parties (Continued)**

charges allocable to the utilities provided to the skywalk. The charges for the utilities provided to the skywalk during each year ended December 31, 2014, 2013 and 2012 totaled $0.1 million.

In October 2005, the Silver Legacy began providing on-site laundry services for Eldorado Reno related to the cleaning of certain types of linens. Although there is no agreement obligating Eldorado Reno to utilize this service, it is anticipated that the Silver Legacy will continue to provide these laundry services in the future. The Silver Legacy charges Eldorado Reno for labor and laundry supplies on a per unit basis which totaled $0.2 million, $0.1 million and $0.1 million, respectively, during the years ended December 31, 2014, 2013 and 2012.

Since 1998, the Silver Legacy has purchased from Eldorado Reno homemade pasta and other products for use in the restaurants at Silver Legacy and it is anticipated that Silver Legacy will continue to make similar purchases in the future. For purchases of these products during each year ended December 31, 2014, 2013 and 2012, which are billed to Silver Legacy at cost plus associated labor, the Silver Legacy paid Eldorado Reno $0.1 million.

In April 2008, the Silver Legacy and Eldorado Reno began combining certain back-of-the-house and administrative departmental operations, including purchasing, advertising, information systems, surveillance, retail and engineering, of Eldorado Reno and Silver Legacy in an effort to achieve payroll cost savings synergies at both properties. Payroll costs associated with the combined operations are shared equally and are billed at cost plus an estimated allocation for related benefits and taxes. During 2014, 2013 and 2012, the Silver Legacy reimbursed Eldorado Reno $0.5 million, $0.6 million and $0.7 million, respectively, for Silver Legacy's allocable portion of the shared administrative services costs associated with the operations performed at Eldorado Reno and Eldorado Reno reimbursed the Silver Legacy $0.3 million in each year for Eldorado Reno's allocable portion of the shared administrative services costs associated with the operations performed at Silver Legacy.

## 17. Segment Information

The following table sets forth, for the period indicated, certain operating data for our reportable segments. 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. The Company's principal operating activities occur in three geographic regions: Reno, Shreveport and the eastern states. The Company has aggregated its operating segments into three reportable segments: Eldorado Reno, Eldorado Shreveport and MTR Gaming (Merger Date through December 31, 2014).

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (in thousands) | |
| **Revenues and expenses** | | | |
| *Eldorado Reno:* | | | |
| Net operating revenues(a) | $ 105,945 | $ 109,691 | $ 109,090 |
| Expenses, excluding depreciation and corporate | (95,542) | (96,685) | (96,485) |
| Corporate expense | (1,659) | — | — |
| (Loss) gain on sale or disposal of property | — | (14) | 4 |
| Equity in income (losses) of unconsolidated affiliates | 2,705 | 3,355 | (8,952) |
| Acquisition charges | (6,348) | (3,173) | — |
| Depreciation | (7,951) | (8,318) | (9,215) |
| Operating (loss) income—Eldorado Reno | $ (2,850) | $ 4,856 | $ (5,558) |
| *Eldorado Shreveport:* | | | |
| Net operating revenues | $ 133,960 | $ 140,495 | $ 148,650 |
| Expenses, excluding depreciation, amortization(a) | (112,068) | (113,844) | (118,613) |
| Loss on sale or disposal of property | (84) | (212) | (202) |
| Depreciation and amortization | (8,403) | (8,713) | (8,436) |
| Operating income—Eldorado Shreveport | $ 13,405 | $ 17,726 | $ 21,399 |
| *MTR Gaming:* | | | |
| Net operating revenues | $ 124,168 | $ — | $ — |
| Expenses, excluding depreciation, amortization and corporate | (103,816) | — | — |
| Loss on sale or disposal of property | — | — | — |
| Acquisition charges | (1,063) | — | — |
| Depreciation and amortization | (12,289) | — | — |
| Operating income—MTR Gaming | $ 7,000 | $ — | $ — |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**17. Segment Information (Continued)**

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (in thousands) | |
| *Total Reportable Segments* | | | |
| Net operating revenues(a) | $ 364,073 | $ 250,186 | $ 257,740 |
| Expenses, excluding depreciation, amortization(a) | (313,085) | (210,529) | (215,098) |
| Loss on sale or disposal of property | (84) | (226) | (198) |
| Equity in income (losses) of unconsolidated affiliates | 2,705 | 3,355 | (8,952) |
| Acquisition charges | (7,411) | (3,173) | — |
| Depreciation and amortization | (28,643) | (17,031) | (17,651) |
| Operating income—Total Reportable Segments | $ 17,555 | $ 22,582 | $ 15,841 |
| Reconciliations to Consolidated Net Income (Loss): | | | |
| Operating Income—Total Reportable Segments | $ 17,555 | $ 22,582 | $ 15,841 |
| Unallocated income and expenses: | | | |
| Interest income | 18 | 16 | 14 |
| Interest expense | (30,752) | (15,681) | (16,069) |
| Gain on extinguishment of debt of unconsolidated affiliate | | 11,980 | — |
| Gain on termination of supplemental executive retirement plan assets of unconsolidated affiliate | 715 | — | — |
| Loss on early retirement of debt | (90) | — | (22) |
| Loss on property donation | — | — | (755) |
| Non-controlling interest | (103) | — | — |
| Provision for income taxes | (1,768) | — | — |
| Net (loss) income | $ (14,425) | $ 18,897 | $ (991) |

(a) Before the elimination of $2.3 million, $3.0 million and $3.0 million of management and incentive fees received by Eldorado Reno and paid by Eldorado Shreveport for 2014, 2013 and 2012, respectively.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (in thousands) | |
| **Capital Expenditures** | | | |
| Eldorado Reno | $ 3,475 | $ 3,520 | $ 3,177 |
| Eldorado Shreveport | 3,273 | 3,893 | 6,004 |
| MTR Gaming | 3,816 | — | — |
| Total | $ 10,564 | $ 7,413 | $ 9,181 |

**ELDORADO RESORTS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2014**

**17. Segment Information (Continued)**

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| **Total Assets(a)** | | |
| Eldorado Reno | $ 236,330 | $ 252,066 |
| Eldorado Shreveport | 143,928 | 150,766 |
| MTR Gaming | 921,726 | — |
| Eliminating entries(b) | (126,654) | (132,650) |
| Total | $ 1,174,869 | $ 270,182 |

(a) Total assets presented in this table are considered restricted under the Company's debt indenture agreements described in Note 9.

(b) Reflects the following eliminations for the periods indicated:

| | | |
|---|---|---|
| Proceeds from Resorts Senior Secured Notes loaned to Eldorado Shreveport | $ 116,308 | $ 118,038 |
| Accrued interest on the above intercompany loan | 418 | 418 |
| Intercompany receivables/payables | 130 | 91 |
| Net investment in and advances to MTR Gaming | 5,000 | — |
| Net investment in and advances to Eldorado Shreveport | 4,798 | 14,103 |
| | $ 126,654 | $ 132,650 |

ELDORADO RESORTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

## 18. Quarterly Data (Unaudited)

The following table sets forth certain consolidated quarterly financial information for the years ended December 31, 2014 and 2013. The quarterly information only includes the operations of MTR Gaming from the Merger Date through December 31, 2014.

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| | (Dollars in thousands, except per share amounts) | | | |
| **2014:** | | | | |
| Revenues | $ 67,083 | $ 72,725 | $ 90,528 | $ 179,936 |
| Less—promotional allowances | (10,053) | (10,976) | (11,579) | (15,841) |
| Net revenues | 57,030 | 61,749 | 78,949 | 164,095 |
| Operating expenses | 53,726 | 56,054 | 72,943 | 156,755 |
| Operating income | 1,552 | 6,775 | 2,778 | 6,450 |
| Net (loss) income | $ (2,333) | $ 2,909 | $ (4,064) | $ (10,834) |
| Basic and diluted net income per common share | $ (0.10) | $ 0.12 | $ (0.16) | $ (0.23) |
| Weighted average shares outstanding—basic and diluted | 23,311,492 | 23,311,492 | 26,075,022 | 46,441,249 |
| | | | | |
| **2013:** | | | | |
| Revenues | $ 72,607 | $ 76,864 | $ 74,950 | $ 65,832 |
| Less—promotional allowances | (10,428) | (11,036) | (11,319) | (10,284) |
| Net revenues | 62,179 | 65,828 | 63,631 | 55,548 |
| Operating expenses | 55,448 | 57,301 | 57,283 | 54,528 |
| Operating income | 6,025 | 10,500 | 7,092 | 1,035 |
| Net income | $ 2,087 | $ 6,548 | $ 3,184 | $ 7,078 |
| Basic and diluted net income per common share | $ 0.09 | $ 0.28 | $ 0.14 | $ 0.30 |
| Weighted average shares outstanding—basic and diluted | 23,311,492 | 23,311,492 | 23,311,492 | 23,311,492 |

**ELDORADO RESORTS, INC.**

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**

| Column A | Column B Balance at Beginning of Period | Column C Additions(1) | Column D Deductions(2) | Column E Balance at End of Period |
|---|---|---|---|---|
| Year ended December 31, 2014: | | | | |
| Allowance for doubtful accounts | $ 1,379 | $ 1,266 | $ 56 | $ 2,589 |
| Year ended December 31, 2013: | | | | |
| Allowance for doubtful accounts | $ 1,605 | $ 847 | $ 1,073 | $ 1,379 |
| Year ended December 31, 2012: | | | | |
| Allowance for doubtful accounts | $ 2,373 | $ 271 | $ 1,039 | $ 1,605 |

(1) Amounts charged to costs and expenses, net of recoveries.

(2) Uncollectible accounts written off, net of recoveries of $200,000, $28,000 and $48,000 in 2014, 2013 and 2012, respectively.

**Exhibit 10.2**

**FIRST SUPPLEMENTAL INDENTURE**

THIS FIRST SUPPLEMENTAL INDENTURE (the "Supplemental Indenture") is executed as of September 17, 2014, by and among MTR Gaming Group, Inc. (the "Issuer"), Mountaineer Park, Inc. ("Mountaineer"), Presque Isle Downs, Inc. ("Presque Isle"), and Scioto Downs, Inc. ("Scioto", and collectively with Mountaineer and Presque Isle, the "Guarantors") and Wilmington Trust, National Association, as Trustee and Collateral Agent (the "Trustee").

WHEREAS, the Issuer and the Guarantors have heretofore entered into an Indenture, dated as of August 1, 2011 (the "Original Indenture"), with the Trustee pursuant to which the Trustee acts as trustee for the Holders of the Issuer's 11.50% Senior Secured Second Lien Notes due 2019 (the "Notes");

WHEREAS, Section 9.02 of the Original Indenture provides that the Issuer, the Guarantors and the Trustee may amend or supplement the Original Indenture with the consent of the Holders of at least a majority in principal amount of the Notes outstanding (the "Requisite Holders"); and

WHEREAS, pursuant to a consent solicitation commenced by the Issuer on December 4, 2013 and expired on January 8, 2014, the Requisite Holders have executed and delivered written consents to the amendments to the Original Indenture provided for in this Supplemental Indenture;

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used in this Supplemental Indenture not defined herein shall have the meanings ascribed to them in the Original Indenture.

Section 2. Change of Control. The definition of "Change of Control" contained in Section 1.01 of the Original Indenture is amended and restated to read in its entirety as follows (the new language is provided in bold face and double underline):

"'*Change of Control*' means the occurrence of any of the following: (i) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any 'person' (as such term is used in Section 13(d) of the Exchange Act); (ii) the adoption of a plan relating to the liquidation or dissolution of the Issuer; or (iii) the consummation of any transaction (including, without limitation, any merger), the result of which is that any 'person' (as defined above) becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer measured by voting power rather than number of shares**; *provided, however*, that the occurrence of a "*Change of Control*" shall not include the consequences of the closing of the transactions contemplated by the Merger Agreement. For the avoidance of any doubt, the Issuer shall not be obligated to comply with Section 4.14 in connection with the closing of the transactions contemplated by the Merger Agreement**."

Section 3. Merger Agreement. Section 1.01 of the Original Indenture is amended to add the following definition:

"'*Merger Agreement*' means the Agreement and Plan of Merger, dated as of September 9, 2013, between the Issuer, Eclair Holdings Company, a Nevada corporation, Ridgeline Acquisition Corp., a Delaware corporation, Eclair Acquisition Company, LLC, a Nevada limited liability company, Eldorado HoldCo, LLC, a Nevada limited liability company, and Thomas Reeg, Robert Jones, and



Gary Carano, each an adult individual and as the Member Representative, as may be amended from time to time."

Section 4. Effective Date. This First Supplemental Indenture shall become effective on the date on which the mergers contemplated by the Merger Agreement become effective.

Section 5. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. Any party to this Supplemental Indenture may deliver an executed counterpart hereof by facsimile or portable document file (PDF) transmission to another party hereto, and any such delivery shall have the same force and effect as any other delivery of a manually signed counterpart of this Agreement.

Section 6. Governing Law. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles of conflict of laws.

IN WITNESS WHEREOF, MTR Gaming Group, Inc. has caused this Supplemental Indenture to be duly executed all as of the date and year first above written.

MTR GAMING GROUP, INC.

By: /s/ Joseph L. Billhimer, Jr.
Name: Joseph L. Billhimer, Jr.
Title: President and Chief Operating Officer

By: /s/ Thomas Diehl
Name: Thomas Diehl
Title: Secretary

MOUNTAINEER PARK, INC.

By: /s/ Joseph L. Billhimer, Jr.
Name: Joseph L. Billhimer, Jr.
Title: President

By: /s/ Thomas Diehl
Name: Thomas Diehl
Title: Secretary



PRESQUE ISLE DOWNS, INC.

By: /s/ Joseph L. Billhimer, Jr.
Name: Joseph L. Billhimer, Jr.
Title: President

By: /s/ Thomas Diehl
Name: Thomas Diehl
Title: Secretary

SCIOTO DOWNS, INC.

By: /s/ Joseph L. Billhimer, Jr.
Name: Joseph L. Billhimer, Jr.
Title: President

By: /s/ Thomas Diehl
Name: Thomas Diehl
Title: Secretary

This First Supplemental Indenture is hereby acknowledged and accepted this 17th day of September, 2014 by Wilmington Trust, National Association, as Trustee

By: /s/ Jane Schweiger
Name: Jane Schweiger
Title: Vice President

**Exhibit 10.3**

ELDORADO RESORTS LLC

ELDORADO CAPITAL CORP.

AND EACH OF THE GUARANTORS PARTY HERETO

$180,000,000

8.625% SENIOR SECURED NOTES DUE 2019

---

INDENTURE

Dated as of June 1, 2011

---

U.S. Bank National Association

as Trustee

and

Capital One, N.A.

as Collateral Trustee

---

TABLE OF CONTENTS

EXHIBITS





INDENTURE dated as of June 1, 2011 among Eldorado Resorts LLC, a Nevada limited liability company ("*Eldorado*"), and Eldorado Capital Corp. ("*Eldorado Capital*" and together with Eldorado, the "*Issuers*"), a Nevada corporation, the Guarantors (as defined), U.S. Bank National Association, as trustee and Capital One, N.A., as collateral trustee.

The Issuers, the Guarantors, the Trustee and the Collateral Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the 8.625% Senior Secured Notes due 2019 (the "*Notes*"):

## ARTICLE 1
## DEFINITIONS

Section 1.01 *Definitions.*

"*144A Global Note*" means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Act of Required Secured Parties*" means, as to any matter at any time:

(1) prior to the Discharge of Priority Lien Obligations, a direction in writing delivered to the Collateral Trustee by or with the written consent of, either the holders of, or the Priority Lien Representatives representing the holders of, in each case, more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Priority Lien Debt (including the face amount of outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Priority Lien Debt; provided, however, that if at any time prior to the Discharge of Priority Lien Obligations the only remaining Priority Lien Obligations are Hedging Obligations, then the term "Act of Required Secured Parties" will mean the holders of a majority of the aggregate "settlement amount" (or similar term) as defined in (and as calculated pursuant to the terms of) the Hedge Agreements (or, with respect to any Hedge Agreement that has been terminated in accordance with its terms, the amount, if any, then due and payable by the Issuers or any grantor party to the Collateral Trust Agreement (exclusive of expenses and similar payments but including any early termination payments then due) under such Hedge Agreement) under all Hedge Agreements; provided further, that any Hedge Agreement with a "settlement amount" (or similar term) or termination payment that is a



negative number shall be disregarded for purposes of all calculations required by the term "Act of Required Secured Parties"; and

(2) at any time after the Discharge of Priority Lien Obligations, a direction in writing delivered to the Collateral Trustee by or with the written consent of either the holders of, or the Parity Lien Representatives representing the holders of, in each case, Parity Lien Debt representing the Required Parity Lien Debtholders.

For purposes of this definition, (a) Secured Debt registered in the name of, or beneficially owned by, Eldorado or any Affiliate of Eldorado will be deemed not to be outstanding, and (b) votes will be determined in accordance with Section 7.2 of the Collateral Trust Agreement.

"*Additional Notes*" means additional notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "*controlling*," "*controlled by*" and "*under common control with*" have correlative meanings.

"*Agent*" means any Registrar, co-registrar, Paying Agent or additional paying agent.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of: (a) the present value at such redemption date of (i) the redemption price of the Note at June 15, 2015 (such redemption price being set forth in the table appearing in Section 3.07 hereof), plus (ii) all required interest payments due on the Note through June 15, 2015 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the principal amount of the Note.

"*Applicable Procedures*" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights by Eldorado or any of Eldorado's Restricted Subsidiaries; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of Eldorado and its Restricted Subsidiaries taken as a whole will be governed by Section 4.15 and/or Section 5.01 hereof and not by Section 4.10 hereof; and

(2) the issuance of Equity Interests by any of Eldorado's Restricted Subsidiaries or the sale by Eldorado or any of Eldorado's Restricted Subsidiaries of Equity Interests in any of Eldorado's Subsidiaries.



Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $1.0 million;

(2) a transfer of assets constituting Collateral between or among the Issuers and the Guarantors;

(3) a transfer of assets that are not Collateral between or among Eldorado and its Restricted Subsidiaries;

(4) an issuance of Equity Interests by a Restricted Subsidiary of Eldorado to Eldorado or to a Restricted Subsidiary of Eldorado;

(5) the sale, lease or other transfer of inventory, products, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of Eldorado, no longer economically practicable to maintain or useful in the conduct of the business of Eldorado and its Restricted Subsidiaries taken as a whole);

(6) licenses and sublicenses by Eldorado or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(7) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(8) the granting of Liens not prohibited by Section 4.12 hereof;

(9) the sale or other disposition of cash or Cash Equivalents;

(10) a Restricted Payment that does not violate Section 4.07 hereof or a Permitted Investment;

(11) any exchange of property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, for use in a Related Business; and

(12) the donation or other disposition of the Red River Entertainment District to the City of Shreveport, Caddo Parish or any government instrumentality related thereto.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value will be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided*, *however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Bankruptcy Code*" means Title 11 of the United States Code.



"*Bank Product Obligations*" means all obligations and liabilities (whether direct or indirect, absolute or contingent, due or to become due or now existing or hereafter incurred) of the Issuers or any Guarantor, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise, which may arise under, out of, or in connection with any treasury, investment, depository, clearing house, wire transfer, cash management or automated clearing house transfers of funds services or any related services, to any person, in each case which are designated by Eldorado to

the Collateral Trustee and each Priority Lien Representative as Bank Product Obligations by written notice in accordance with the Collateral Trust Agreement.

"*Bank Product Provider*" means any Person to whom Bank Product Obligations are owing.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the board of managers of such limited liability company or any committee thereof duly authorized to act on behalf of such board or the managing member or members or any controlling committee of managing members thereof, as applicable; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means any day other than a Legal Holiday.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would, at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;



(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person;

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition;

(3) money market deposits, certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within six months after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*Casualty Event*" means, with respect to any asset, any (1) loss, destruction or damage to such asset, (2) condemnation, seizure or taking by exercise of the power of eminent domain or otherwise of such asset or confiscation of such asset or the requisition of such asset or the requisition of the use of such asset or (3) settlement in lieu of clause (2) above; *provided* that, notwithstanding the foregoing, any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $1.0 million will not be deemed to be a Casualty Event.

"*Casualty Event Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by Eldorado or any of its Restricted Subsidiaries in respect of any Casualty Event (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in respect of any Casualty Event but excluding any business interruption or delay in completion insurance proceeds), net of (i) the direct costs relating to such Casualty Event, including, without limitation, legal, accounting and appraisal fees, insurance adjuster fees and any relocation expenses incurred as a result of the Casualty Event, (ii) taxes or Tax Distributions paid or payable as a result of the Casualty Event, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (iii) amounts required to be applied to the repayment of Indebtedness, other than Indebtedness under a Credit Facility, secured by a Lien on the asset or assets that were the



subject of such Casualty Event and (iv) any reserve for adjustment or indemnification obligations in respect of the value of such asset or assets established in accordance with GAAP.

"*CFC*" means a Person that is a controlled foreign corporation under Section 957 of the Internal Revenue Code.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Eldorado and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of Eldorado;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person") (as defined above), other than the Principals and their Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of Eldorado, measured by voting power rather than number of shares;

(4) Eldorado consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, Eldorado, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of Eldorado or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of Eldorado outstanding immediately prior to such transaction constitutes or is converted into or exchanged for a majority of the outstanding shares of the Voting Stock of such surviving or transferee Person (immediately after giving effect to such transaction);

(5) the first day on which a majority of the members of the Board of Directors of Eldorado are not Continuing Directors;

(6) the first day on which Eldorado Holdco ceases to own 100% of the outstanding Equity Interests of Eldorado; or

(7) the first day on which Eldorado Capital ceases to be a wholly-owned subsidiary of Eldorado.

"*Class*" means (1) in the case of Parity Lien Obligations, every Series of Parity Lien Debt and all other Parity Lien Obligations, taken together, and (2) in the case of Priority Lien Obligations, every Series of Priority Lien Debt and all other Priority Lien Obligations taken together.

"*Clearstream*" means Clearstream Banking, S.A.

"*Code*" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that, if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interests in any Collateral is governed by the Uniform Commercial Code as in effect in any jurisdiction other than the State of New York, "Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection.



"*Collateral*" means all properties and assets at any time owned or acquired by the Issuers and any Guarantor except:

(1) Excluded Assets;

(2) any properties and assets in which the Collateral Trustee is required to release its Liens pursuant to Section 4.1 of the Collateral Trust Agreement; and

(3) any properties and assets that no longer secure the Notes or any Obligations in respect thereof pursuant to Section 4.4 of the Collateral Trust Agreement.

"*Collateral Account*" shall mean any account established by the Collateral Trustee.

"*Collateral Trust Agreement*" means that certain collateral trust agreement, dated the date of this Indenture, among Eldorado, Eldorado Capital, Eldorado Holdco, the Guarantors, the Trustee, Capital One, N.A., as the collateral trustee and Bank of America, N.A., as administrative agent under the Credit Agreement, as amended, supplemented, restated, modified, renewed or replaced (whether upon or after termination or otherwise), in whole or in part from time to time, or any other successor agreement and whether among the same or any other parties.

"*Collateral Trustee*" means Capital One, N.A., in its capacity as Collateral Trustee under the Collateral Trust Agreement, together with its successors in such capacity.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes (including, if such Person is a pass-through entity for tax purposes, any provision for distributions relating to taxes) based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) the Transaction Costs for such period, to the extent that such Transaction Costs were deducted in computing such Consolidated Net Income; *plus*

(5) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; *plus*



(6) preopening expenses paid or accrued during such period; *plus*

(7) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties, including Affiliates, in any non-Wholly Owned Restricted Subsidiary deducted (and not added back) in such period in calculating Consolidated Net Income; *minus*

(8) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period,

(1) on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with GAAP and without any reduction in respect of preferred stock dividends; *provided*, that:

(A) all extraordinary gains (or losses) and all gains (or losses) realized in connection with any Asset Sale or the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;

(B) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included in an aggregate amount equal to the amount of cash and the Fair Market Value of Property actually distributed during such period to the specified Person or a Restricted Subsidiary of the specified Person;

(C) the net income (but not loss) of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(D) the cumulative effect of a change in accounting principles will be excluded;

(E) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations in accordance with GAAP will be excluded; and

(F) non-cash items classified as non-recurring will be excluded; *less*

(2) if such person is a Pass-through entity for tax purposes, any provision for distribution relating to taxes.



"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of Eldorado who:

(1) was a member of such Board of Directors on the date of this Indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of the Principals or a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Corporate Trust Office of the Trustee*" will be at the address of the Trustee specified in Section 13.01 hereof or such other address as to which the Trustee may give notice to Eldorado.

"*Credit Agreement*" means that certain Credit Agreement, dated on or about the date of this Indenture, by and among Eldorado, the several lenders from time to time party thereto and Bank of America, N.A., as administrative agent, providing for up to $15.0 million of revolving credit borrowings and up to $15.0 million of term loan borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Credit Agreement Agent*" means, at any time, the Person serving at such time as the "Agent" or "Administrative Agent" under the Credit Agreement or any other representative then most recently designated in accordance with the applicable provisions of the Credit Agreement, together with its successors in such capacity.

"*Credit Facility,*" or "*Credit Facilities*" means, one or more debt facilities (including, without limitation, the Credit Agreement), indentures or commercial paper facilities, in each case, with banks or other institutional lenders or accredited investors or institutional investors providing for revolving credit loans, term loans, term debt, debt securities, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, extended, increased, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors)in whole or in part from time to time.

"*Custodian*" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Definitive Note*" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A1 hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.



"*Depositary*" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"*Discharge of Priority Lien Obligations*" means the occurrence of all of the following:

(1) termination or expiration of all commitments to extend credit that would constitute Priority Lien Debt;

(2) with respect to each Series of Priority Lien Debt, either (x) payment in full in cash of the principal of and interest and premium (if any) on all Priority Lien Debt of such series (other than any undrawn letters of credit) or (y) there has been a legal defeasance or covenant defeasance pursuant to the terms of the applicable Secured Debt Documents for such Series of Secured Debt;

(3) with respect to any undrawn letters of credit constituting Priority Lien Debt, either (x) discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of liens under the terms of the applicable Priority Lien Document) of all outstanding letters of credit constituting Priority Lien Debt or (y) the issuer of each such letter of credit has notified the Collateral Trustee in writing that alternative arrangements satisfactory to such issuer and to the holders of the related Series of Secured Debt that has reimbursement obligations with respect thereto have been made; and

(4) payment in full in cash of all other Priority Lien Obligations that are outstanding and unpaid at the time the Priority Lien Debt is paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time);

*provided, however*, that if, at any time after the Discharge of Priority Lien Obligations has occurred, Eldorado thereafter enters into any Priority Lien Document evidencing a Priority Lien Debt which incurrence is not prohibited by all applicable Secured Debt Documents, then such Discharge of Priority Lien Obligations shall automatically be deemed not to have occurred for all purposes of the Collateral Trust Agreement with respect to such new Priority Lien Debt (other than with respect to any actions taken as a result of the occurrence of such first Discharge of Priority Lien Obligations), and, from and after the date on which Eldorado designates such Indebtedness as Priority Lien Debt in accordance with the Collateral Trust Agreement, the obligations under such Priority Lien Document shall automatically and without any further action be treated as Priority Lien Obligations for all purposes of the Collateral Trust Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth in the Collateral Trust Agreement and any Parity Lien Obligations shall be deemed to have been at all times Parity Lien Obligations and at no time Priority Lien Obligations.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require Eldorado to repurchase such Capital Stock upon the occurrence of a Change of Control, an Asset Sale or an event of loss will not



constitute Disqualified Stock if the terms of such Capital Stock provide that Eldorado may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof. The amount of Disqualified Stock deemed to be outstanding at any time

for purposes of this Indenture will be the maximum amount that Eldorado and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends. Disqualified Stock shall not include any shares of Capital Stock, which, after the issuance thereof, becomes subject to mandatory redemption due to the actions or requirements of any Gaming Authority, to the extent that such issuance was made in compliance with applicable laws and, at the time of such issuance, such Capital Stock did not constitute Disqualified Stock.

"*Domestic Subsidiary*" means any Restricted Subsidiary of Eldorado (a) that was formed under the laws of the United States or any state of the United States or the District of Columbia and does not constitute an Immaterial Subsidiary or (b) that (i) directly or indirectly, guarantees, or pledges any property or assets to secure, any Indebtedness of Eldorado or any Guarantor or (ii) owns any assets that constitute Collateral.

"*Eldorado Holdco*" means Eldorado Holdco LLC, the immediate parent company of Eldorado.

"e*qually and ratably*" means, in reference to sharing of Liens or proceeds thereof as among holders of Secured Obligations within the same Class, that such Liens or proceeds:

(1) will be allocated and distributed first to the Secured Debt Representative for each outstanding Series of Secured Debt within that Class, for the account of the holders of such Series of Secured Debt, ratably in proportion to the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made under such letters of credit) on each outstanding Series of Secured Debt within that Class when the allocation or distribution is made, and thereafter

(2) will be allocated and distributed (if any remain after payment in full of all of the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made on such letters of credit) on all outstanding Secured Obligations within that Class) to the Secured Debt Representative for each outstanding Series of Secured Debt within that Class, for the account of the holders of any remaining Secured Obligations within that Class, ratably in proportion to the aggregate unpaid amount of such remaining Secured Obligations within that Class due and demanded (with written notice to the applicable Secured Debt Representative and the Collateral Trustee) prior to the date such distribution is made.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means a public or private sale either (1) of Equity Interests of Eldorado by Eldorado (other than Disqualified Stock and other than to a Subsidiary of Eldorado) or (2) of Equity Interests of a direct or indirect parent entity of Eldorado (other than to Eldorado or a Subsidiary of Eldorado) to the extent that the net proceeds therefrom are contributed to the equity capital of Eldorado.

"*Euroclear*" means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.



"*Excluded Assets*" means (a) any license, permit, or authorization issued by any of the Gaming Authorities or any other governmental authority or any other Collateral, but solely to the extent a security interest in such license, permit, authorization, or other Collateral is prohibited under Gaming Laws or other applicable law, or under the terms of any such license, permit, or authorization, or which would require a finding of suitability or other similar approval or procedure by any of the Gaming Authorities or any other governmental authority prior to being pledged, hypothecated, or given as collateral security (in each case, to the extent such finding or approval has not been obtained) (whether the Excluded Collateral is held by the Eldorado, or any grantor, or any trustee or conservator appointed by state or local officials or any other person or entity, whether it be governmental, judicially appointed or private), provided that the Proceeds of any such license, permit or authorization shall constitute Collateral except to the extent prohibited by any applicable law, rule or regulation or the terms of any such license, permit or authorization, (b) any lease, license, contract or agreement that is pursuant to mandatory provisions of applicable law, prohibited from being pledged as security (unless such applicable law would be rendered ineffective with respect to the creation of the security interest hereunder pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Code (or any successor provision or provisions)); provided that, with respect to this clause, upon the termination of such prohibitions for any reason whatsoever or in the event such prohibitions are or become unenforceable under applicable law, such foregoing property shall automatically become Collateral hereunder; provided further, that upon request of the Collateral Trustee, each grantor will in good faith use reasonable efforts to obtain consent for the creation of a security interest in favor of the Collateral Trustee in such grantor's rights under such lease, license, contract or agreement; and provided further that the foregoing exclusions shall not include any Proceeds of any such excluded Collateral; (c) any "intent-to-use" application for registration of a Trademark filed pursuant to Section 1(b) of the Lanham Act, 15 U.S.C. § 1051, prior to the filing of a "Statement of Use" pursuant to Section 1(d) of the Lanham Act or an "Amendment to Allege Use" pursuant to Section 1(c) of the Lanham Act with respect thereto, solely to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of any registration that issues from such intent-to-use application under applicable federal law; (d) any Equity Interests in and of a Subsidiary of a CFC and any Equity Interests in excess of 65% of the Equity Interests in and of any Subsidiary that is either (1) a First Tier Controlled Foreign Corporation or (2) a Foreign Subsidiary Holding Company; (e) any Equity Interests in the Eldorado Limited Liability Company owned by Eldorado; (f) any motor vehicles subject to a certificate of title; or (g) any Equity Interests in Tamarack owned by the Eldorado; or (h) the aircraft (including without limitation, any aircraft, helicopters or any interest therein) owned, leased or otherwise operated by any Grantor.

"*Existing Indebtedness*" means all Indebtedness of Eldorado and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of this Indenture, until such amounts are repaid.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of Eldorado (unless otherwise provided in this Indenture).

"*First Tier Controlled Foreign Corporation*" means any CFC directly owned by Eldorado or by a Domestic Subsidiary.

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases, or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues,

repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or



prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (in accordance with Regulation S-X under the Securities Act) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance, or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date ,or that are to be made on the Calculation Date, will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*



(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of Eldorado (other than Disqualified Stock) or to Eldorado or a Restricted Subsidiary of Eldorado, times (b) a fraction, the numerator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis and in accordance with GAAP.

"*Foreign Subsidiary*" means any Subsidiary that is not a Domestic Subsidiary.

"*Foreign Subsidiary Holding Company*" means any Domestic Subsidiary that is (i) a direct parent of one or more Foreign Subsidiaries that are CFCs and holds, directly or indirectly, no other assets other than Equity Interests of such Foreign Subsidiaries and other de minimis assets related thereto, or (ii) an entity treated as disregarded for United States federal income tax purposes that owns more than 65% of the Voting Stock of a Subsidiary (x) described in clause (i) of this definition or (y) that is a CFC.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of this Indenture.

"*Gaming Authorities*" means, in any jurisdiction in which Eldorado or any of its Restricted Subsidiaries manages or conducts any racing, riverboat and/or casino gaming operations or activities, the applicable gaming board, commission or other governmental authority responsible for interpreting, administering and enforcing the Gaming Laws including the Nevada Gaming Commission, the Nevada State Gaming Control Board, the Louisiana Gaming Control Board and/or the Louisiana State Racing Commission.

"*Gaming Facilities*" means the gaming facilities located in (i) Louisiana, currently named "Eldorado Shreveport Hotel and Casino" and (ii) Nevada, currently named "Eldorado Hotel and Casino."

"*Gaming Laws*" means all laws, rules, regulations, orders, resolutions and other enactments applicable to racing, riverboat and/or casino gaming operations or activities, as in effect from time to time, including the policies, interpretations and administration thereof by any Gaming Authorities, including the Nevada Gaming Control Act (NRS 463.010, et. seq.), the Louisiana Gaming Control Law and/or the Louisiana Pari-mutuel Live Racing Facility Economic Redevelopment Gaming Control Act, in each case, together with any rules or regulations promulgated thereunder or related thereto.

"*Gaming License*" means any licenses, waivers, exemptions, findings, permits, franchises or other authorizations from any Gaming Authority or other Governmental Authority required at any time to own, lease, operate or otherwise conduct the gaming business of Eldorado and/or any of its Restricted Subsidiaries, including all licenses granted under Gaming Laws or any other applicable Law.



"*Global Note Legend*" means the legend set forth in Section 2.06(f)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

"*Global Notes*" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A1 hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(d)(3) hereof.

"*Government Securities*" means securities that are direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means any Subsidiary of Eldorado that executes a Note Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Hedge Agreement*" means any Interest Rate Agreement; *provided* that the counterparty thereto has delivered a joinder to the Collateral Trust Agreement and the other requirements of the Collateral Trust Agreement have been complied with. As used herein, "Hedge Agreement" shall include any Interest Rate Agreement constituting a "master agreement" and any related Swap Transaction; *provided*, *however*, that a joinder to the Collateral Trust Agreement shall only be required once for each master agreement and shall not be required for each individual Swap Transaction thereunder.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under any Hedge Agreement.

"*Hedge Provider*" means the counterparty to Eldorado or any Affiliate of Eldorado under any Hedge Agreement.

"*Holder*" means a Person in whose name a Note is registered.

"*Immaterial Subsidiary*" means any Restricted Subsidiary that that is designated by Eldorado as an "Immaterial Subsidiary" if and for so long as such Restricted Subsidiary, together with all other Immaterial Subsidiaries, has (i) total assets at such time not exceeding 2% of Eldorado's consolidated assets as of the last day of the most recently ended fiscal quarter for which internal financial statements are available and (ii) total revenues and operating income not exceeding 2% of Eldorado's consolidated revenues and operating income, in each case, as of the most recently ended fiscal quarter for which internal financial statements are available; *provided* that such Restricted Subsidiary will be deemed to be an Immaterial Subsidiary only to the extent that, and for so long as, all of the above requirements are satisfied.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:



(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services (other than accounts payable or trade payables and other accrued liabilities arising in the ordinary course of business); or

(6) representing any Hedging Obligations or Bank Product Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by

a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person. Indebtedness shall be calculated without giving effect to the effects of Statement of Financial Accounting Standards No. 133 and related interpretations, as amended from time to time, to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under this Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Indirect Participant*" means a Person who holds a beneficial interest in a Global Note through a Participant.

"*Initial Purchasers*" means Merrill Lynch, Pierce, Fenner & Smith Incorporated and Capital One Southcoast, Inc.

"*Initial Notes*" means the first $180,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

"*Insolvency or LiquidationPproceeding*" means:

(1) any case commenced by or against any Issuer or any other grantor under Title 11, U.S. Code or any similar federal or state law for the relief of debtors, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of Eldorado or any other grantor, any receivership or assignment for the benefit of creditors relating to Eldorado or any other grantor or any similar case or proceeding relative to Eldorado or any other grantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to Eldorado or any other grantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or



(3) any other proceeding of any type or nature in which substantially all claims of creditors of Eldorado or any other grantor are determined and any payment or distribution is or may be made on account of such claims.

"*Institutional Accredited Investor*" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who are not also QIBs.

"*Interest Rate Agreement*" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect Eldorado or any of its Affiliates against fluctuations in interest rates and is not for speculative purposes.

"*Internal Revenue Code*" means the Internal Revenue Code of 1986, as amended.

"*Investment Accounts*" shall mean the Collateral Account, Securities Accounts (as defined in the Code), Commodity Accounts (as defined in the Code) and Deposit Accounts (as defined in the Code).

"*Investment Related Property*" means (i) all "investment property" (as such term is defined in Article 9 of the Code) and (ii) all of the following (regardless of whether classified as investment property under the Code): all Pledged Equity Interests, Pledged Debt, all Investment Accounts and certificates of deposit.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If Eldorado or any Restricted Subsidiary of Eldorado sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of Eldorado such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of Eldorado, Eldorado will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of Eldorado's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07 hereof. The acquisition by Eldorado or any Restricted Subsidiary of Eldorado of a Person that holds an Investment in a third Person will be deemed to be an Investment by Eldorado or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07 hereof. Except as otherwise provided in this Indenture, the amount of an Investment will be the original cost of such Investment, plus the cost of all additions thereto and minus the amount of any portion of such Investment repaid to the Person making such Investment in cash as a repayment of principal or return of capital, as the case may be, but without giving effect to subsequent changes in value.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the



nature thereof, or any lien purportedly securing any of the Priority Lien Obligations or Parity Lien Obligations, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Lien Sharing and Priority Confirmation*" means:

(1) as to any Series of Priority Lien Debt, the written agreement of the holders of such Series of Priority Lien Debt for the enforceable benefit of all holders of each existing and future Series of Secured Debt and each existing and future Secured Debt Representative:

(a) that all Priority Lien Obligations will be and are secured equally and ratably by all Priority Liens at any time granted by the Issuers or any grantor to secure any Obligations in respect of such Series of Priority Lien Debt, whether or not upon property otherwise constituting Collateral, and that all such Priority Liens will be enforceable by the Collateral Trustee for the benefit of all holders of Priority Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Priority Lien Debt are bound by the provisions of the Collateral Trust Agreement, including the provisions relating to the ranking of Priority Liens and the order of application of proceeds from enforcement of Priority Liens; and

(c) consenting to the terms of the Collateral Trust Agreement and the Collateral Trustee's performance of, and directing the Collateral Trustee to perform, its obligations under the Collateral Trust Agreement and the other Security Documents;

(2) as to any Series of Parity Lien Debt, the written agreement of the holders of such Series of Parity Lien Debt, as set forth in this Indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Secured Debt and each existing and future Secured Debt Representative:

(a) that all Parity Lien Obligations will be and are secured equally and ratably by all Parity Liens at any time granted by the Issuers or any grantor to secure any Obligations in respect of such Series of Parity Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Parity Lien Debt, and that all such Parity Liens will be enforceable by the collateral trustee for the benefit of all holders of Parity Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Parity Lien Debt are bound by the provisions of the Collateral Trust Agreement, including the provisions relating to the ranking of Parity Liens and the order of application of proceeds from the enforcement of Parity Liens; and

(c) consenting to the terms of the Collateral Trust Agreement and the Collateral Trustee's performance of, and directing the Collateral Trustee to perform, its obligations under the Collateral Trust Agreement and the other Security Documents.

"*Moody's*" means Moody's Investors Service, Inc.



"*Mortgages*" means deeds of trust, trust deeds, deeds to secure debt, mortgages, ship mortgages, leasehold mortgages and leasehold deeds of trust, for the benefit of the Collateral Trustee and pertaining to or covering the Gaming Facilities and/or the real property upon which such Gaming Facilities are located.

"*Net Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by Eldorado or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (ii) taxes or Tax Distributions paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (iii) amounts required to be applied to the repayment of Indebtedness, other than Indebtedness under a Credit Facility, secured by a Lien on the asset or assets that were the subject of such Asset Sale and (iv) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness as to which neither Eldorado nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise.

"*Non-U.S. Person*" means a Person who is not a U.S. Person.

"*Note Documents*" means the Indenture, the Notes, the Note Guarantees and the Security Documents.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuers' obligations under this Indenture and the Notes, and the notation thereof executed pursuant to the provisions of this Indenture.

"*Notes*" has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness (including, without limitation, interest accruing at the then applicable rate provided in such documentation after the maturity of such Indebtedness and interest accruing at the then applicable rate provided in such documentation after the filing of a petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any debtor under such documentation, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding).

"*Offering Memorandum*" means the final Offering Memorandum related to the Notes offered hereby.

"*Officer*" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Senior Vice President, any Vice President or any Assistant Vice President of such Person.

"*Officer's Certificate*" means a certificate signed on behalf of Eldorado by an Officer of Eldorado.

"*Opinion of Counsel"* means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 13.03 hereof. The counsel may be an employee of or counsel to Eldorado, any Subsidiary of Eldorado or the Trustee.

"*Parity Lien*" means a Lien granted or purported to be granted by a Security Document to the Collateral Trustee, at any time, upon any property of the Issuers or any grantor to secure Parity Lien Obligations.

"*Parity Lien Debt*" means:

(1) the Notes issued on the date of this Indenture and the Note Guarantees thereof;

(2) any other Indebtedness of Eldorado and guarantees thereof by the Guarantors (including Additional Notes issued under this Indenture or under one or more additional indentures, or any borrowings under Credit Facilities (other than the Credit Agreement)), other than Hedging Obligations, that is secured by a Parity Lien and that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided* that:

(a) such Indebtedness was incurred pursuant to Section 4.09(b)(4) or 4.09(b)(12) hereof;

(b) the net proceeds are used to refund, refinance, replace, defease, discharge or otherwise acquire or retire Priority Lien Debt or other Parity Lien Debt; or

(c) on the date of incurrence of such Indebtedness, after giving pro forma effect to the incurrence thereof and the application of the proceeds therefrom, the Parity Secured Leverage Ratio would not be greater than 4.0 to 1.0;

*provided that*, in the case of any Indebtedness referred to in this clause (2):

(a) on or before the date on which such Indebtedness is incurred by Eldorado or one of its Restricted Subsidiaries, such Indebtedness is designated by Eldorado as "Parity Lien Debt" for the purposes of the Secured Debt Documents and the Collateral Trust Agreement pursuant to the procedures set forth therein; *provided* that no Obligation or Indebtedness may be designated as both Parity Lien Debt and Priority Lien Debt; and

(b) all requirements set forth in the Collateral Trust Agreement as to the confirmation, grant or perfection of the Collateral Trustee's Liens to secure such Additional Notes or such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (b) will be conclusively established if Eldorado delivers to the Collateral Trustee an Officer's Certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Parity Lien Debt").

"*Parity Lien Documents*" means, collectively, the Note Documents and any credit agreement or other agreement governing each other Series of Parity Lien Debt and the Security Documents related thereto (other than any Security Documents that do not secure Parity Lien Obligations).



"*Parity Lien Obligations*" means Parity Lien Debt and all other Obligations in respect thereof.

"*Parity Lien Representative*" means, (1) the Trustee, in the case of the Notes, and (2) in the case of any other Series of Parity Lien Debt, the trustee, agent or representative of the holders of such Series of Parity Lien Debt who maintains the transfer register for such Series of Parity Lien Debt and (a) is appointed as a Parity Lien Representative (for purposes related to the administration of the Security Documents) pursuant to the indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, together with its successors in such capacity, and (b) has become a party to the Collateral Trust Agreement by executing a joinder in the form required under the Collateral Trust Agreement.

"*Parity Secured Leverage Ratio*" means, on any date, the ratio of:

(1) the sum, without duplication, of (a) the aggregate principal amount of Priority Lien Debt outstanding on such date *plus* (b) the aggregate principal amount of Parity Lien Debt (including the Notes) outstanding on such date *plus* (c) the aggregate principal amount of Indebtedness outstanding on such date pursuant to Section 4.09(b)(4) hereof and secured with a Lien *plus* (d) the aggregate principal amount of Indebtedness outstanding on such date pursuant to Section 4.09(b)(12) hereof and secured with a Lien *plus* (e) the maximum amount of additional Indebtedness permitted to be incurred on such date (notwithstanding the fact that such Indebtedness is not outstanding on such date) pursuant to Sections 4.09(b)(1), 4.09(b)(4) and 4.09(b)(12) hereof *plus* (f) the aggregate amounts outstanding on such date under any Existing Indebtedness or under any Permitted Refinancing Indebtedness related thereto, in each case to the extent such Indebtedness is secured by Liens, to:

(2) the aggregate amount of Eldorado's Consolidated EBITDA for the most recently ended fiscal period for which internal financial statements are available.

In addition, for purposes of calculating the Parity Secured Leverage Ratio:

(1) letters of credit which have not been fully cash collateralized will be deemed to have a principal amount equal to the face amount thereof, whether or not drawn, letters of credit which have been fully cash collateralized will be deemed to have a principal amount of zero and all Hedging Obligations will be valued at zero;

(2) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations or acquisitions of assets, or any Person or any of its Restricted Subsidiaries acquired by merger, consolidation or the acquisition of all or substantially all of its assets by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the applicable reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Parity Secured Leverage Ratio is made (the "*Parity Secured Leverage Calculation Date*") will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the applicable reference period;

(3) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Parity Secured Leverage Calculation Date will be excluded;



(4) any Person that is a Restricted Subsidiary on the Parity Secured Leverage Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such period;

(5) any Person that is not a Restricted Subsidiary on the Parity Secured Leverage Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such period;

(6) if, since the beginning of such period, any Person that subsequently became a Restricted Subsidiary of Eldorado or was merged with or into Eldorado or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed of any operation, or classified as operation as discontinued, in any case, that would have required adjustment pursuant to this definition, then Parity Secured Leverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposition or classification of such operation as discontinued had occurred at the beginning of the applicable period; and

(7) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Parity Secured Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Parity Secured Leverage Calculation Date in excess of 12 months).

"*Participant*" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"*Permitted Business*" means any business that is the same as, or reasonably related, ancillary or complementary to, any of the businesses in which Eldorado and its Restricted Subsidiaries are engaged on the date of this Indenture, including any gaming business and other business or activity that is incidental, related or complementary thereto, including without limitation any related hotel, hospitality, food, beverage, entertainment or transportation activities.

"*Permitted C-Corp. Reorganization*" means a transaction resulting in Eldorado or any of its Restricted Subsidiaries becoming a subchapter "C" corporation under the Code; *provided* that in connection with such transaction:

(1) the subchapter "C" corporation resulting from such transaction is a corporation organized and existing under the laws of any state of the United States or the District of Columbia and the Beneficial Owners of the Equity Interests of the subchapter "C" corporation will be the same, and will be in the same percentages, as the Beneficial Owners of Equity Interests of the applicable entity immediately prior to such transaction;

(2) the subchapter "C" corporation resulting from such transaction assumes in writing all of the obligations, if any, of the applicable entity under (a) this Indenture, the Notes, the Note Guarantees by the Guarantors and the Security Documents and (b) all other documents and instruments to which such Person is a party (other than, in the case of clause (a) only, any documents and instruments that, individually or in the aggregate, are not material to the subchapter "C" corporation);



(3) the Trustee is given not less than 15 days' advance written notice of such transaction and evidence satisfactory to the Trustee (including, without limitation, title insurance and a satisfactory Opinion of Counsel) regarding the maintenance of the perfection and priority of liens granted, or intended to be granted, in favor of the Collateral Trustee in the Collateral following such transaction;

(4) such transaction would not cause or result in a Default or an Event of Default;

(5) such transaction would not result in the loss or suspension or material impairment of any Gaming Licenses, unless a comparable Gaming License is effective prior to or simultaneously with such loss, suspension or material impairment;

(6) Eldorado or the applicable Restricted Subsidiary will have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (a) neither Issuer, nor any Restricted Subsidiaries, nor any Guarantor nor any of the Holders of the Notes will recognize income, gain or loss for the U.S. federal or state income tax purposes as a result of such Permitted C-Corp. Reorganization and (b) the Holders of the Notes will be subject to U.S. federal and state income tax on the same amounts, in the same manner and at the same times as would have been the case if such Permitted C-Corp. Reorganization had not occurred; and

(7) Eldorado will have delivered to the Trustee a certificate of the chief financial officer of Eldorado that the conditions in clauses (1) through (6) have been satisfied.

"*Permitted Investments*" means:

(1) any Investment in Eldorado or in a Restricted Subsidiary of Eldorado;

(2) any Investment in Cash Equivalents;

(3) any Investment by Eldorado or any Restricted Subsidiary of Eldorado in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of Eldorado; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Eldorado or a Restricted Subsidiary of Eldorado;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of Eldorado;

(6) receivables owing to Eldorado or its Restricted Subsidiaries, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms, including without limitation credit extended to customers;

(7) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of Eldorado or any of



its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or (b) litigation, arbitration or other disputes;

(8) Investments represented by Hedging Obligations;

(9) loans or advances to employees made in the ordinary course of business of Eldorado or any Restricted Subsidiary of Eldorado in an aggregate principal amount not to exceed $500,000 at any one time outstanding;

(10) repurchases of the Notes;

(11) any guarantee of Indebtedness permitted to be incurred by Section 4.09 hereof other than a guarantee of Indebtedness of an Affiliate of Eldorado that is not a Restricted Subsidiary of Eldorado;

(12) any Investment existing on, or made pursuant to binding commitments existing on, the date of this Indenture and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of this Indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of this Indenture or (b) as otherwise permitted under this Indenture;

(13) Investments acquired after the date of this Indenture as a result of the acquisition by Eldorado or any Restricted Subsidiary of Eldorado of another Person, including by way of a merger, amalgamation or consolidation with or into Eldorado or any of its Restricted Subsidiaries in a transaction that is not prohibited by Section 5.01 hereof after the date of this Indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(14) Investments resulting from the acquisition of a Restricted Subsidiary that was otherwise permitted by this Indenture, which Investments were held by such Restricted Subsidiary at the time of such acquisition and were not acquired in contemplation of such acquisition; and

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed $5.0 million.

"*Permitted Liens*" means:

(1) Priority Liens securing (a) Priority Lien Debt in an aggregate principal amount (as of the date of incurrence of any Priority Lien Debt and after giving *pro forma* effect to the application of the net proceeds therefrom and with letters of credit issued under any Priority Lien Documents being deemed to have a principal amount equal to the face amount thereof), not exceeding the Priority Lien Cap, and (b) all other Priority Lien Obligations;



(2) Parity Liens securing (a) the Notes and the Note Guarantees, (b) any additional Parity Lien Debt that was permitted to be incurred and secured pursuant to the terms of this Indenture (including the definition of Parity Lien Debt) and (c) all other Parity Lien Obligations;

(3) Liens in favor of Eldorado or the Guarantors;

(4) Liens on property or assets (including Capital Stock) existing at the time of acquisition of the property or assets by Eldorado or any Restricted Subsidiary of Eldorado; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such

acquisition;

(5) Liens to secure the performance of statutory obligations, insurance, surety or appeal bonds, workers compensation obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(b)(4) hereof covering only the assets acquired with or financed by such Indebtedness;

(7) Liens existing on the date of this Indenture;

(8) Liens for taxes, assessments or governmental charges, levies or claims that are not yet due and payable or delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements, encroachments, subdivisions or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture (other than Priority Lien Debt); *provided, however,* that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to



pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(14) filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases;

(15) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(17) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(18) grants of software and other technology licenses in the ordinary course of business;

(19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(20) other Liens incidental to the conduct of the business of Eldorado and its Subsidiaries or the ownership of their Properties which were not created in connection with the incurrence of Indebtedness and do not in the aggregate materially detract from the value of such Properties or materially impair the use thereof, including leases, subleases, licenses and sublicenses;

(21) Liens securing obligations to the trustee pursuant to the compensation and indemnity provisions of this Indenture;

(22) pledges or deposits made in connection with any letter of intent or purchase agreement; and

(23) Liens to secure Indebtedness permitted by Section 4.09(b)(12) hereof.

"*Permitted Prior Liens*" means:

(1) Liens described in clauses (1), (4), (6), (7) and (16) of the definition of "Permitted Liens"; and

(2) Permitted Liens that arise by operation of law and are not voluntarily granted, to the extent entitled by law to priority over the Liens created by the Security Documents.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of Eldorado or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of Eldorado or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided*, that:



(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity that is (a) equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (b) more than 90 days after the final maturity date of the Notes;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is unsecured or secured by a Lien junior to the Lien securing the Notes, such Permitted Refinancing Indebtedness is unsecured or secured by a Lien junior to the Lien securing the Notes;

*provided, however*, that Permitted Refinancing Indebtedness shall not include Indebtedness of a Subsidiary of Eldorado that is not a Guarantor that refinances debt of an Issuer or a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pledged Debt*" means all indebtedness for borrowed money owed to such grantor, whether or not evidenced by any instrument, including, without limitation, all indebtedness described on Exhibit E to the Priority Lien Security Agreement, dated as of June 1, 2011, among the guarantors party thereto and the Collateral Trustee (the "*Priority Lien Security Agreement*"), under the heading "Pledged Debt" (as such exhibit may be amended or supplemented from time to time), issued by the obligors named therein, the instruments, if any, evidencing such any of the foregoing, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing.

"*Pledged Equity Interests*" means shall mean all Pledged Stock, Pledged LLC Interests, Pledged Partnership Interests and any other participation or interests in any equity or profits of any business entity including, without limitation, any trust and all management rights relating to any entity whose Equity Interests are included as Pledged Equity Interests.

"*Pledged LLC Interests*" shall mean all interests in any limited liability company and each series thereof including, without limitation, all limited liability company interests listed on Exhibit E to the Priority Lien Security Agreement, among the guarantors party thereto and the Collateral Trustee, under the heading "Pledged LLC Interests" (as such exhibit may be amended or supplemented from time to time) and the certificates, if any, representing such limited liability company interests and any interest of such grantor on the books and records of such limited liability company or on the books and records of any securities intermediary pertaining to such interest and all dividends, distributions, cash, warrants,



rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such limited liability company interests and all rights as a member of the related limited liability company including all of grantor's aggregate rights in any limited liability company and each series thereof howsoever characterized or arising, including, without limitation, (i) the right to a share of the profits and losses of the limited liability company, (ii) the right to receive distributions from the limited liability company, and (iii) the right to vote and participate in the management of the limited liability company.

"*Pledged Partnership Interests*" means all interests in any general partnership, limited partnership, limited liability partnership or other partnership including, without limitation, all partnership interests listed on Exhibit E to the Priority Lien Security Agreement, among the guarantors party thereto and the Collateral Trustee, under the heading "Pledged Partnership Interests" (as such exhibit may be amended or supplemented from time to time) and the certificates, if any, representing such partnership interests and any interest of such Grantor on the books and records of such partnership or on the books and records of any securities intermediary pertaining to such interest and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such partnership interests and all rights as a partner of the related partnership.

"*Pledged Stock*" shall mean all shares of capital stock owned by such grantor, including, without limitation, all shares of capital stock described on Exhibit E to the Priority Lien Security Agreement, among the guarantors party thereto and the Collateral Trustee, under the heading "Pledged Stock" (as such exhibit may be amended or supplemented from time to time), and the certificates, if any, representing such shares and any interest of such Grantor in the entries on the books of the issuer of such shares or on the books of any securities intermediary pertaining to such shares, and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares.

"*Proceeds*" means (i) all "proceeds" as defined in Article 9 of the Code; and (ii) shall include all dividends, payments or distributions made with respect to any Investment Related Property and whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise

disposed of, whether such disposition is voluntary or involuntary (in each case, regardless of whether characterized as proceeds under the Code).

"*Principals*" means (a) Donald L. Carano, Gene R. Carano, Gregg R. Carano, Gary L. Carano, Cindy L. Carano and Glenn T. Carano, (b) Raymond. J. Poncia, Cathy L. Poncia Vigen, Linda R. Poncia Ybarra, Michelle L. Poncia Saunton and Tammy R. Poncia, (c) Newport Global Opportunities Fund, L.P. and NGA Voteco, LLC, (d) their respective spouses, (e) their respective descendants and any member of their respective immediate families, including in each case stepchildren and family members by adoption, (f) their heirs at law and their estates and the beneficiaries thereof, (g) any charitable foundation created by any of them, and (h) any trust, corporation, limited liability company, partnership or other entity, the beneficiaries, stockholders, members, general partners, owners or Persons Beneficially Owning a majority of the interests of which consist of any one or more of the Persons referred to in the immediately preceding clauses (a) through (g).

"*Priority Lien*" means a Lien granted or purported to be granted by a Security Document to the Collateral Trustee, at any time, upon any property of an Issuer or any grantor to secure Priority Lien Obligations.



"*Priority Lien Cap*" means, as of any date, the principal amount of Indebtedness that constitutes Priority Lien Debt outstanding under the Credit Agreement and/or the Indebtedness outstanding under any other Credit Facility, in an aggregate principal amount not to exceed the greater of:

(1) the sum of (a) Indebtedness permitted to be incurred on such date (whether or not any such Indebtedness is actually outstanding on such date) under Section 4.09(b)(1) hereof and (b) Indebtedness permitted to be incurred on such date (whether or not any such Indebtedness is actually outstanding on such date) under Section 4.09(b)(4) hereof; and

(2) an amount of Indebtedness that, on the date of incurrence of such Indebtedness, after giving pro forma effect to the incurrence thereof and the application of the proceeds therefrom, would not cause the Priority Secured Leverage Ratio to be greater than 1.50 to 1.0, as of such date.

In addition, for purposes of calculating the Priority Lien Cap, letters of credit will be deemed to have a principal amount equal to the face amount thereof, whether or not drawn and all Hedging Obligations will be valued at zero.

"*Priority Lien Debt*" means

(1) Indebtedness (including letters of credit and reimbursement obligations with respect thereto) of Eldorado incurred from time to time under the Credit Agreement and the guarantees thereof by the Guarantors; and

(2) additional Indebtedness (including letters of credit and reimbursement obligations with respect thereto) of Eldorado under any other Credit Facility and guarantees thereof by the Guarantors that is secured equally and ratably with the Indebtedness described in clause (1) of this definition by Liens on the Collateral that were permitted to be incurred and so secured under each applicable Secured Debt Document; provided, in the case of any Indebtedness referred to in this clause (2), that:

(a) on or before the date on which such Indebtedness is incurred by an Issuer or a Guarantor, such Indebtedness is designated by Eldorado as "Priority Lien Debt" for the purposes of the Secured Debt Documents and the Collateral Trust Agreement pursuant to the procedures set forth in the Collateral Trust Agreement; *provided* that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt; and

(b) all requirements set forth in the Collateral Trust Agreement as to the confirmation, grant or perfection of the Collateral Trustee's Lien to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (b) will be conclusively established if Eldorado delivers to the Collateral Trustee an Officer's Certificate stating that such requirements and other provisions have been satisfied and that such notes or such Indebtedness is "Priority Lien Debt").

"*Priority Lien Documents*" means the Credit Agreement and any additional indenture, credit facility or other agreement pursuant to which any Priority Lien Debt is incurred and the Security Documents related thereto (other than any Security Documents that do not secure Priority Lien Obligations).



"*Priority Lien Obligations*" means the Priority Lien Debt and all other Obligations in respect of Priority Lien Debt, together with all Hedging Obligations and Bank Product Obligations.

"*Priority Lien Representative*" means (1) the Credit Agreement Agent or (2) in the case of any other Series of Priority Lien Debt, the trustee, agent or representative of the holders of such Series of Priority Lien Debt who maintains the transfer register for such Series of Priority Lien Debt and is appointed as a representative of the Priority Lien Debt (for purposes related to the administration of the Security Documents) pursuant to the credit agreement or other agreement governing such Series of Priority Lien Debt and who has executed a joinder to the Collateral Trust Agreement.

"*Priority Secured Leverage Ratio*" means, on any date, the ratio of:

(1) the sum, without duplication, of (a) the aggregate principal amount of Priority Lien Debt outstanding on such date plus (b) the aggregate principal amount of Indebtedness outstanding on such date pursuant to Section 4.09(b)(4) hereof and secured with a Lien *plus* (c) the maximum amount of additional Indebtedness permitted to be incurred and secured by Priority Liens on such date (whether or not any such Indebtedness is actually outstanding on such date) pursuant to Sections 4.09(b)(1) and 4.09(b)(4) hereof *plus* (d) the aggregate amounts outstanding on such date under any Existing Indebtedness or under any Permitted Refinancing Indebtedness related thereto, in each case to the extent such Indebtedness is secured by Liens, to:

(2) the aggregate amount of Eldorado's Consolidated EBITDA for the most recently ended fiscal period for which internal financial statements are available.

In addition, for purposes of calculating the Priority Secured Leverage Ratio:

(1) letters of credit will be deemed to have a principal amount equal to the face amount thereof, whether or not drawn and all Hedging Obligations will be valued at zero;

(2) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations or acquisitions of assets, or any Person or any of its Restricted Subsidiaries acquired by merger, consolidation or the acquisition of all or substantially all of its assets by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the applicable reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Priority Secured Leverage Ratio is made (the "*Priority Secured Leverage Calculation Date*") will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the applicable reference period;

(3) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Priority Secured Leverage Calculation Date will be excluded;

(4) any Person that is a Restricted Subsidiary on the Priority Secured Leverage Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such period;

(5) any Person that is not a Restricted Subsidiary on the Priority Secured Leverage Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such period;



(6) if, since the beginning of such period, any Person that subsequently became a Restricted Subsidiary of Eldorado or was merged with or into Eldorado or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed of any operation, or classified as operation as discontinued, in any case, that would have required adjustment pursuant to this definition, then the Priority Secured Leverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposition or classification of such operation as discontinued had occurred at the beginning of the applicable period; and

(7) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Priority Secured Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Priority Secured Leverage Calculation Date in excess of 12 months).

"*Private Placement Legend*" means the legend set forth in Section 2.06(f)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"*Property*" means, with respect to any Person, any interest of such Person in any land, property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, Capital Stock in any other Person.

"*QIB*" means a "qualified institutional buyer" as defined in Rule 144A.

"*Qualifying Equity Interests*" means Equity Interests of Eldorado other than (1) Disqualified Stock; and (2) Equity Interests sold in an Equity Offering prior to the third anniversary of the date of this Indenture that are eligible to be used to support an optional redemption of Notes pursuant to Section 3.07 hereof.

"*Red River Entertainment District*" means the 22,000 square foot retail space located on the south side of the Texas Street Bridge and a 15,000 square foot portion of the approximately 522,000 square foot building/parking garage located on the north side of the Texas Street Bridge, in Shreveport, Louisiana.

"*Regulation S*" means Regulation S promulgated under the Securities Act.

"*Regulation S Global Note*" means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"*Regulation S Permanent Global Note*" means a permanent Global Note in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"*Regulation S Temporary Global Note*" means a temporary Global Note in the form of Exhibit A2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.



"*Related Party*" means:

(1) any controlling stockholder, majority owned Subsidiary, or immediate family member, including, without limitation, present, former and future spouses, sons-in-law and daughters-in-law (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of any one or more Principals and/or such other Persons

referred to in the immediately preceding clause (1).

"*Required Parity Lien Debtholders*" means, at any time, the holders of more than 50% of the sum of:

(1) the aggregate outstanding principal amount of Parity Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(2) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Parity Lien Debt.

For purposes of this definition, (a) Parity Lien Debt registered in the name of, or beneficially owned by, Eldorado or any Affiliate of Eldorado will be deemed not to be outstanding, and (b) votes will be determined in accordance with Section 7.2 of the Collateral Trust Agreement.

"*Responsible Officer*" means, when used with respect to the Trustee, any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers who shall have direct responsibility for the administration of this Indenture at the Corporate Trust Office, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*Restricted Definitive Note*" means a Definitive Note bearing the Private Placement Legend.

"*Restricted Global Note*" means a Global Note bearing the Private Placement Legend.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Period*" means the 40-day distribution compliance period as defined in Regulation S.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*Rule 144*" means Rule 144 promulgated under the Securities Act.

"*Rule 144A*" means Rule 144A promulgated under the Securities Act.

"*Rule 903*" means Rule 903 promulgated under the Securities Act.

"*Rule 904*" means Rule 904 promulgated under the Securities Act.

"*S&P*" means Standard & Poor's Ratings Group.



"*Sale Proceeds*" means (i) the proceeds from the sale of either of the Issuers or one or more of the Guarantors as a going concern or from the sale of either of the Gaming Facilities as a going concern, (ii) the proceeds from another sale or disposition of any assets of the Issuers or the Guarantors that includes any Gaming License, or benefits from any Gaming License or where the assets sold have the benefit of any Gaming License, or (iii) any other economic value (whether in the form of cash or otherwise) received or distributed that is associated with the Gaming Licenses.

"*SEC*" means the Securities and Exchange Commission.

"*Secured Debt*" means Parity Lien Debt and Priority Lien Debt.

"*Secured Debt Documents*" means the Priority Lien Documents and the Parity Lien Documents.

"*Secured Debt Representative*" means each Parity Lien Representative and each Priority Lien Representative.

"*Secured Obligations*" means Parity Lien Obligations and Priority Lien Obligations.

"*Secured Parties*" means the holders of Secured Obligations and the Secured Debt Representatives.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Security Documents*" means the Collateral Trust Agreement, each joinder to the Collateral Trust Agreement and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by Eldorado or any other grantor creating (or purporting to create) a Lien upon Collateral in favor of the Collateral Trustee for the benefit of the Secured Parties, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms and the provisions described above under Section 7.1 of the Collateral Trust Agreement.

"*Series of Parity Lien Debt*" means, severally, the Notes and each other issue or series of Parity Lien Debt for which a single transfer register is maintained.

"*Series of Priority Lien Debt*" means Indebtedness under the Credit Agreement and each other issue or series of Priority Lien Debt for which a single transfer register is maintained.

"*Series of Secured Debt*" means, severally, each Series of Parity Lien Debt and each Series of Priority Lien Debt.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture.

"*Silver Legacy Joint Venture*" means Circus and Eldorado Joint Venture, a Nevada general partnership.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of this Indenture, and will not include any



contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Tamarack*" means Tamarack Crossing LLC, a Nevada limited liability company.

"*Tax Distribution*" means a distribution in respect of taxes to equity owners of Eldorado pursuant to Section 4.07(b)(10) hereof.

*"Trademark"* means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a's, Internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, now or hereafter owned, adopted, acquired or used (including, without limitation, all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/as, Internet domain names, trade styles, designs, logos and other source or business identifiers described in Exhibit B to the Priority Lien Security Agreement, among the guarantors party thereto and the Collateral Trustee), all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof), and all reissues, extensions or renewals thereof, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other records relating to the distribution of products and services in connection with which any of such marks are used.

"*Transaction Costs*" mean (a) to the extent such expenses have not been capitalized, all legal fees and expenses, post-closing fees, accounting fees, loan amendment fees, financial advisory fees, and out of pocket expenses incurred by Eldorado directly in connection with and attributable to any existing or future financing, including without limitation the incurrence of or any refinancing of the Notes and the Credit Agreement and (b) to the extent not otherwise excluded from the definition of Consolidated EBITDA, any non-cash or nonrecurring charges associated with any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming, prepaying, repurchasing or retiring any Indebtedness.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most



recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to June 15, 2015; *provided, however*, that if the period from the redemption date to June 15, 2015, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Trustee*" means U.S. Bank National Association, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"*Unrestricted Definitive Note*" means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

"*Unrestricted Global Note*" means a Global Note that does not bear and is not required to bear the Private Placement Legend.

"*Unrestricted Subsidiary*" means any Subsidiary of Eldorado (other than Eldorado Capital) that is designated by the Board of Directors of Eldorado as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is a Person with respect to which neither Eldorado nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(3) such Subsidiary does not own Capital Stock or Indebtedness of or hold any Lien on any Property of Eldorado or any Subsidiary of Eldorado that is not a Subsidiary of the Subsidiary so designated.

"*U.S. Person*" means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one- twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than



directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

Section 1.02 *Other Definitions.*

| Term | Defined in Section |
|---|---|
| "*Affiliate Transaction*" | 4.11 |
| "*Asset Sale Offer*" | 3.10 |
| "*Authentication Order*" | 2.02 |
| "*Change of Control Offer*" | 4.15 |
| "*Change of Control Payment*" | 4.15 |
| "*Change of Control Payment Date*" | 4.15 |
| "*Covenant Defeasance*" | 8.03 |
| "*DTC*" | 2.03 |
| "*Event of Default*" | 6.01 |
| "*Event of Loss Offer*" | 3.11 |
| "*Excess Loss Proceeds*" | 3.11 |
| "*Excess Proceeds*" | 4.10 |
| "*incur*" | 4.09 |
| "*Legal Defeasance*" | 8.02 |
| "*Offer Amount*" | 3.10 |
| "*Offer Period*" | 3.10 |
| "*Paying Agent*" | 2.03 |
| "*Permitted Debt*" | 4.09 |
| "*Payment Default*" | 6.01 |
| "*Purchase Date*" | 3.10 |
| "*Registrar*" | 2.03 |
| "*Restricted Payments*" | 4.07 |

Section 1.03 *Rules of Construction.*

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of or rules under the Securities Act or the Exchange Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

ARTICLE 2
THE NOTES

Section 2.01 *Form and Dating.*

(a) *General*. The Notes and the Trustee's certificate of authentication will be substantially in the form of Exhibits A1 and A2 hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

(b) The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Issuers, the Guarantors, the Trustee and the Collateral Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(c) *Global Notes*. Notes issued in global form will be substantially in the form of Exhibits A1 or A2 hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A1 hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the holder thereof as required by Section 2.06 hereof.

(d) *Temporary Global Notes.* Notes offered and sold in reliance on Regulation S will be issued initially in the form of the Regulation S Temporary Global Note, which will be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, at its Corporate Trust Office, as Custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The Restricted Period will be terminated upon the receipt by the Trustee of:

(1) a written certificate from the Depositary, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or an IAI Global Note bearing a Private Placement Legend, all as contemplated by Section 2.06(b) hereof); and

(2) an Officer's Certificate from Eldorado.

Following the termination of the Restricted Period, beneficial interests in the Regulation S Temporary Global Note will be exchanged for beneficial interests in the Regulation S Permanent Global Note pursuant to the Applicable Procedures. Simultaneously with the authentication of the Regulation S



Permanent Global Note, the Trustee will cancel the Regulation S Temporary Global Note. The aggregate principal amount of the Regulation S Temporary Global Note and the Regulation S Permanent Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(3) *Euroclear and Clearstream Procedures Applicable.* The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream will be applicable to transfers of beneficial interests in the Regulation S Temporary Global Note and the Regulation S Permanent Global Note that are held by Participants through Euroclear or Clearstream.

Section 2.02 *Execution and Authentication.*

At least one Officer must sign the Notes for each Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order signed by an Officer of each Issuer (an "*Authentication Order*"), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Issuers pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of each Issuer.

Section 2.03 *Registrar and Paying Agent.*

The Issuers will maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("*Registrar*") and an office or agency where Notes may be presented for payment ("*Paying Agent*"). The Registrar will keep a register of the Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term

"Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. An Issuer or any of their respective Subsidiaries may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company ("*DTC*") to act as Depositary with respect to the Global Notes.

The Issuers initially appoint the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.



Section 2.04 *Paying Agent to Hold Money in Trust.*

The Issuers will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium on, if any, or interest, if any, on, the Notes, and will notify the Trustee of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than an Issuer or a Subsidiary) will have no further liability for the money. If an Issuer or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuers, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists.*

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Registrar, the Issuers will furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes.

Section 2.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Issuers for Definitive Notes if:

(1) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 120 days after the date of such notice from the Depositary;

(2) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; *provided* that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuers for Definitive Notes prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes and the Depositary or the Issuers specifically request such exchange.

Upon the occurrence of either of the preceding events in (1) or (2) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this



Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) or (c) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, subject to Section 2.06(a), the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above;



*provided* that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any Holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(i) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this Section 2.06(b)(4), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to this Section 2.06(b)(4) at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to this Section 2.06(b)(4).



Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any Holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, subject to Section 2.06(a), upon receipt by the Registrar of the following documentation:

(A) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Issuers or any of their Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Issuers shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Regulation S Temporary Global Note to Definitive Notes.* Notwithstanding Sections 2.06(c)(1)(A) and (C) hereof, a beneficial interest in the Regulation S



Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A Holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note, subject to Section 2.06(a), only if the Registrar receives the following:

(i) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this Section 2.06(c)(3), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof and this Section 2.06(c)(3), the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any Holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, subject to Section 2.06(a) and upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will be registered in such name or names and in such authorized denomination or



denominations as the Holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to Eldorado or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above and the Regulation S Global Note.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(1), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the applicable Restricted Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes



delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this Section 2.06(d)(2), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:



(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this Section 2.06(e)(2), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) *Private Placement Legend*.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:



"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT: (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (a) (i) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (ii) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (iii) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF APPLICABLE) OR (iv) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS IF THE ISSUERS SO REQUEST), (b) TO THE ISSUERS OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN CLAUSE (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2) or (e)(3) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend*. Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE



DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(3) *Regulation S Temporary Global Note Legend.* The Regulation S Temporary Global Note will bear a Legend in substantially the following form:

"THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

(g) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on the Schedule of Exchanges of Interests in such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on the Schedule of Exchanges of Interests in such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(h) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Issuers and Guarantors will execute and the Trustee will authenticate Global Notes, Note Guarantees and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar



governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.10, 3.11, 4.10, 4.15 and 9.04 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers and Guarantors, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(9) Neither the Trustee nor the Registrar shall have any duty to monitor the Issuers' compliance with or have any responsibility with respect to the Issuers' compliance with any federal or state securities laws in connection with registrations of transfers and exchanges of the Notes. Neither the Trustee nor the Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Notes (including any transfers between or among the Depositary's participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation, as is expressly required by, and to do so if and when expressly required by, the terms of this Indenture and to examine the same to determine substantial compliance as to form with the express requirements hereof.



Section 2.07 *Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Issuers and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Guarantors, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuers may charge for their expenses in replacing a Note.

Every replacement Note is an additional obligation of the Issuers and the Guarantors and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note; however, Notes held by an Issuer or a Subsidiary of an Issuer shall not be deemed to be outstanding for purposes of Section 3.07(a) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than an Issuer, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 *Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers or any Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 *Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Issuers consider appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.



Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation.*

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will dispose of canceled Notes in accordance with its standard procedures (subject to the record retention requirement of the Exchange Act). Certification of the cancellation of all canceled Notes will be delivered to the Issuers upon request. The Issuers may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest.*

If either Issuer defaults in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers will fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13 *CUSIP Numbers*

The Issuers in issuing the Notes may use CUSIP, ISIN or other similar numbers, if then generally in use, and thereafter with respect to such series, the Trustee may use such numbers in any notice with respect to the Notes provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice (including any notice of redemption or exchange) and that reliance may be placed only on the other identification numbers printed on the Notes, and any such notice or notice of redemption shall not be affected by any defect in or omission of such numbers. The Issuers will promptly notify the Trustee in writing of any change in the CUSIP, ISIN or other similar numbers.

## ARTICLE 3
## REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee.*

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officer's Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and



(4) the redemption price (or manner of calculation if not then known).

If the redemption price is not known at the time such notice is to be given, the actual redemption price, calculated as described in the terms of the Notes, will be set forth in an Officer's Certificate delivered to the Trustee no later than two Business Days prior to the redemption date.

Section 3.02 *Selection of Notes to Be Redeemed or Purchased.*

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase on a *pro rata* basis (or, in the case of Notes issued in global form pursuant to Article 2 hereof, based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate or by lot in any case subject to the rules and procedures of the applicable Depositary) unless otherwise required by law or applicable stock exchange or depositary requirements.

In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption.*

Subject to the provisions of Sections 3.10 hereof, at least 30 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11 hereof.

The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price (or manner of calculation if not then known);

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless either Issuer defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Issuers' request, the Trustee will give the notice of redemption in each Issuer's name and at its expense; *provided*, *however*, that the Issuers have delivered to the Trustee, at least 45 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph along with a copy of the redemption notice to be delivered to the Holders.

Section 3.04 *Effect of Notice of Redemption.*

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05 *Deposit of Redemption or Purchase Price.*

One Business Day prior to the redemption or purchase date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption or purchase price of and accrued interest, if any, on all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part.*

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.



Section 3.07 *Optional Redemption.*

(a) At any time prior to June 15, 2014, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under this Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 108.625% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest, if any, to the date of redemption (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date) with the net cash proceeds of an Equity Offering by Eldorado or a contribution to Eldorado's common equity capital made with the net cash proceeds of a concurrent Equity Offering by Eldorado's direct or indirect parent; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by Eldorado and Eldorado's subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

(b) In addition, not more than once during each twelve-month period ending on June 15 of 2012, 2013 and 2014, the Issuers may redeem up to $18.0 million in principal amount of the Notes in each such twelve-month period, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date).

(c) At any time prior to June 15, 2015, the Issuers, at their option, may on one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant payment date.

(d) Except pursuant to the three preceding paragraphs, the Notes will not be redeemable at the Issuers' option prior to June 15, 2015.

(e) On or after June 15, 2015, the Issuers may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below (subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date):

| Year | Percentage |
|---|---|
| 2015 | 104.313% |
| 2016 | 102.156% |
| 2017 and thereafter | 100.000% |

Unless the Issuers default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(f) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.



Section 3.08 *Gaming Redemption*

Each holder, by accepting a Note, shall be deemed to have agreed that, if any Gaming Authority requires that a person who is a holder or the beneficial owner of Notes be registered, licensed, qualified or found suitable under applicable Gaming Laws, such Holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability in accordance with such Gaming Laws. If such Person fails to apply or become registered, licensed or qualified or is found unsuitable, the Issuers shall have the right, at their option:

(a) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Issuers' election or such earlier date as may be requested or prescribed by such Gaming Authority; or

(b) to redeem such Notes, upon not less than 30 days' notice (or such earlier date as may be requested or prescribed by such Gaming Authority), at a redemption price equal to;

(1) the lesser of:

(A) the Person's cost for such Notes, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; and

(B) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; or

(2) such other amount as may be required by applicable law or order of the Gaming Authority.

(c) Eldorado shall notify the Trustee in writing of any such disqualified holder status or redemption as soon as practicable. The Issuers shall not be responsible for any costs or expenses any Holder or beneficial owner may incur in connection with its registration, application for a license, qualification or a finding of suitability, or any renewal or continuation of the foregoing or compliance with any other requirement of a Gaming Authority. Those costs and expenses will be the obligations of the Holder or beneficial owner, as applicable.

Section 3.09 *Mandatory Redemption.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.10 *Offer to Purchase by Application of Excess Proceeds.*

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an "*Asset Sale Offer*"), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders (with a copy to the Trustee) and all Holders of other Parity Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase, prepay or redeem with the proceeds of Asset Sales or Casualty Events. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the



"*Offer Period*"). No later than three Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Issuers will apply all Excess Proceeds (the "*Offer Amount*") to the purchase of Notes and such other Parity Lien Debt (on a *pro rata* basis based on the principal amount of Notes and such other Parity Lien Debt surrendered, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Parity Lien Debt tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers will send, by first class mail, a notice to the Trustee and each of the Holders. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern

the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.10 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in denominations of $2,000 or an integral multiple of $1,000 in excess thereof;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Issuers, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other Parity Lien Debt surrendered by Holders thereof exceeds the Offer Amount, the Issuers will select the Notes and other Parity Lien Debt to be purchased on a *pro rata* basis based on the principal amount of Notes and such other Parity Lien Debt surrendered (with such adjustments as may be deemed appropriate by the Issuers so that only Notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be left outstanding); and



(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, Eldorado will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by Eldorado in accordance with the terms of this Section 3.10. Eldorado, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by Eldorado for purchase, and Eldorado will promptly issue a new Note, and the Trustee, upon written request from the Issuers, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by Eldorado to the Holder thereof. Eldorado will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.10, any purchase pursuant to this Section 3.10 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

## ARTICLE 4
## COVENANTS

Section 4.01 *Payment of Notes.*

The Issuers will pay or cause to be paid the principal of, premium on, if any, and interest, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest, if any, will be considered paid on the date due if the Paying Agent, if other than Eldorado or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest, if any, then due.

The Issuers will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue principal at a rate that is 1% per annum higher than the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue installments of interest, if any (without regard to any applicable grace period), at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Section 4.02 *Maintenance of Office or Agency.*

The Issuers will maintain an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers fail to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission will in any manner relieve the Issuers of their obligation to maintain an office or agency for such purposes. The Issuers will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

Section 4.03 *Reports.*

So long as any Notes are outstanding, Eldorado will furnish to the Trustee:

(a) within 90 days after the end of each fiscal year, annual reports of Eldorado containing the information that would have been required to be contained in an Annual Report on Form 10-K under the Exchange Act if Eldorado had been a reporting company under the Exchange Act, including (A) "Management's Discussion and Analysis of Financial Condition and Results of Operations", (B) audited financial statements prepared in accordance with GAAP and (C) a presentation of EBITDA and Adjusted EBITDA of Eldorado and its Subsidiaries consistent with the presentation thereof in the Offering Memorandum and derived from such financial statements;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly reports of Eldorado containing the information that would have been required to be contained in a Quarterly Report on Form 10-Q under the Exchange Act if Eldorado had been a reporting company under the Exchange Act, including (A) "Management's Discussion and Analysis of Financial Condition and Results of Operations," (B) unaudited quarterly financial statements prepared in accordance with GAAP and reviewed pursuant to Statement on Auditing Standards No. 100 (or any successor provision) and (C) a presentation of EBITDA and Adjusted EBITDA of Eldorado and its Subsidiaries consistent with the presentation thereof in the Offering Memorandum and derived from such financial statements; and

(c) within 5 business days after the occurrence of each event that would have been required to be reported in a Current Report on Form 8-K under the Exchange Act if Eldorado had been a reporting company under the Exchange Act, current reports containing substantially all of the information that would have been required to be contained in a Current Report on Form 8-K under the Exchange Act if Eldorado had been a reporting company under the Exchange Act; *provided, however*, that no such current report will be required to be furnished if Eldorado determines in its good faith judgment that such event is not material to noteholders or the business, assets, operations, financial positions or prospects of Eldorado and its Restricted Subsidiaries, taken as a whole;

*provided further*, *however*, that all such reports (A) will not be required to comply with Section 302 or Section 404 of the Sarbanes-Oxley Act of 2002, or related Items 307 and 308 of Regulation S-K promulgated by the SEC, or Item 10(e) of Regulation S-K (with respect to any non-GAAP financial measures contained therein), (B) will not be required to contain the separate financial information for Guarantors or Subsidiaries whose securities are pledged to secure the Notes contemplated by Rule 3-10 or Rule 3-16 of Regulation S-X promulgated by the SEC, (C) disclosure regarding executive compensation will only be required to include a summary compensation table (including any equity awards), a description of employment agreements with officers and a description of any incentive plans and (D) will not be required to include exhibits that would otherwise be required to be filed pursuant to Item 601 of Regulation S-K.



So long as any Notes are outstanding, Eldorado will also:

(a) issue a press release to an internationally recognized wire service no fewer than three business days prior to the first public disclosure of the annual and quarterly reports required by clauses (a) and (b) of the first paragraph of this Section 4.03 announcing the date on which such reports will become publicly available and directing noteholders, prospective investors, broker-dealers and securities analysts to contact the investor relations office of Eldorado to obtain copies of such reports;

(b) within 10 business days after furnishing to the Trustee the annual and quarterly reports required by clauses (a) and (b) of the first paragraph of this Section 4.03, hold a conference call to discuss such reports and the results of operations for the relevant reporting period;

(c) issue a press release to an internationally recognized wire service no fewer than three business days prior to the date of the conference call required to be held in accordance with the foregoing clause (b) of this Section 4.03, announcing the time and date of such conference call and either including all information necessary to access the call or directing noteholders, prospective investors, broker-dealers and securities analysts to contact the appropriate person at Eldorado to obtain such information; and

(d) maintain a website to which noteholders, prospective investors, broker-dealers and securities analysts are given access and to which all of the reports and press releases required by this Section 4.03 are posted.

In addition, Eldorado shall furnish to noteholders, prospective investors, broker-dealers and securities analysts, upon their request, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act.

Section 4.04 *Compliance Certificate.*

(a) The Issuers and each Guarantor shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officer's Certificate that need not comply with Section 13.03 stating that a review of the activities of Eldorado and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Issuers have kept, observed, performed and fulfilled its obligations under this Indenture and the Security Documents, and further stating, as to such Officer signing such certificate, that to the best of his or her knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and the Security Documents and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture or the Security Documents (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, premium on, if any, or interest, if any, on, the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or proposes to take with respect thereto.

(b) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.



Section 4.05 *Taxes.*

Eldorado will pay, and will cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06 *Stay, Extension and Usury Laws.*

The Issuers and each of the Guarantors covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuers and each of the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments.*

(a) Eldorado will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Eldorado's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Eldorado or any of its Restricted Subsidiaries) or to the direct or indirect holders of Eldorado's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of Eldorado and other than dividends or distributions payable to Eldorado or a Restricted Subsidiary of Eldorado);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Eldorado or any Restricted Subsidiary) any Equity Interests of Eldorado or any direct or indirect parent of Eldorado or the Restricted Subsidiary;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of an Issuer or any Guarantor that is unsecured or that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among Eldorado and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof or a purchase, repurchase, or other acquisition of Indebtedness of an Issuer or any Guarantor that is unsecured or subordinated in right of payment to the Notes or any Note Guarantee made in contemplation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such purchase, redemption or other acquisition; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*") unless, at the time of and after giving effect to such Restricted Payment:



(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) Eldorado would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Eldorado and its Restricted Subsidiaries since the date of this Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) and (12) of paragraph (b) of this Section 4.07), is less than the sum, without duplication, of:

(A) 50% of the Consolidated Net Income of Eldorado for the period (taken as one accounting period) from the beginning of the fiscal quarter in which Notes are initially issued to the end of Eldorado's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds received by Eldorado since the date of this Indenture as a contribution to its equity capital or from the issue or sale of Qualifying Equity Interests of Eldorado or from the issue or sale of convertible or exchangeable Disqualified Stock of Eldorado or convertible or exchangeable debt securities of Eldorado, in each case that have been converted into or exchanged for Qualifying Equity Interests of Eldorado (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of Eldorado); *plus*

(C) to the extent that any Restricted Investment that was made after the date of this Indenture is (a) sold or otherwise cancelled, liquidated or repaid for value, or Eldorado or a Restricted Subsidiary otherwise receives a dividend or other distribution in respect thereof, or (b) made in an entity that subsequently becomes a Restricted Subsidiary of Eldorado that is a Guarantor, the amount of

any such cash payment or the Fair Market Value of any such Property so received in a transaction described in clause (a) and the Fair Market Value of such Restricted Investment on the date that such entity is designated as a Restricted Subsidiary; *plus*

(D) to the extent that any Unrestricted Subsidiary of Eldorado designated as such after the date of this Indenture (other than the Eldorado Limited Liability Company or the Silver Legacy Joint Venture) is redesignated as a Restricted Subsidiary after the date of this Indenture, the Fair Market Value of Eldorado's Restricted Investment in such Subsidiary as of the date of such redesignation; *plus*

(E) 100% of any dividends or distributions received in cash and 100% of the Fair Market Value of any Property received in any such dividend or distribution by Eldorado or a Restricted Subsidiary of Eldorado after the date of this Indenture from an Unrestricted Subsidiary of Eldorado (other than the Eldorado Limited Liability Company



or the Silver Legacy Joint Venture), to the extent that such dividends were not otherwise included in the Consolidated Net Income of Eldorado for such period.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable repurchase, redemption, defeasance or other acquisition or retirement within 60 days after the date of declaration of the dividend or giving of the notice of repurchase, redemption, defeasance or other acquisition or retirement, as the case may be, if at the date of declaration or notice, the dividend or repurchase, redemption, defeasance or other acquisition or retirement would have complied with the provisions of this Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of Eldorado) of, Equity Interests of Eldorado (other than Disqualified Stock) or from the substantially concurrent contribution of equity capital to Eldorado; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Qualifying Equity Interests for purposes of Section 4.07(a)(3)(B) and will not be considered to be net cash proceeds from an Equity Offering for purposes of Section 3.07 of this Indenture;

(3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of Eldorado to the holders of its Equity Interests on a *pro rata* basis;

(4) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of an Issuer or any Guarantor that is unsecured or is contractually subordinated to the Notes or to any Note Guarantee or any Disqualified Stock of Eldorado or any Restricted Subsidiary thereof in exchange for, or out of, with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(5) the payment of amounts necessary to repurchase Indebtedness or Equity Interests of Eldorado or any Restricted Subsidiary to the extent required by any Gaming Authority having jurisdiction over Eldorado or any Restricted Subsidiary in order to avoid the suspension, revocation or denial of a Gaming License by that Gaming Authority; *provided* that, in the case of any such repurchase of Equity Interests of Eldorado or any Restricted Subsidiary, if such efforts do not jeopardize any Gaming License, Eldorado or any such Restricted Subsidiary will have previously diligently attempted to find a suitable purchaser for such Equity Interests and no suitable purchaser acceptable to the applicable Gaming Authority was willing to purchase such Equity Interests within a time period acceptable to such Gaming Authority;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of Eldorado or any preferred stock of any Restricted Subsidiary of Eldorado issued on or after the date of this Indenture in accordance with Section 4.09(a);



(8) so long as no Event of Default has occurred and is continuing, the payment of, or a distribution to permit the payment of, any amounts that otherwise would have been payable under clause (8) of Section 4.11(b) hereof in an aggregate amount not to exceed $600,000 per fiscal year;

(9) the repurchase, redemption or other acquisition or retirement for value of any Indebtedness of an Issuer or any Guarantor that is unsecured or is contractually subordinated to the Notes or to any Note Guarantee that is required to be repurchased or redeemed pursuant to Sections 4.10 or 4.15 hereof; *provided* that, prior to such repurchase, a redemption or other acquisition or retirement for value, an Asset Sale Offer or Change of Control Offer shall have been made and all Notes tendered by holders in such Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased;

(10) so long as Eldorado and Eldorado Holdco are each properly treated as a partnership or disregarded entity for U.S. federal, state and local tax purposes, payments from Eldorado to Eldorado Holdco, and from Eldorado Holdco to equity owners of Eldorado Holdco, to enable such equity owners to pay the relevant U.S. federal, state and local tax liability of such equity owners attributable to Eldorado (and any Restricted Subsidiary that is treated as a pass-through entity for U.S. federal, state and local tax purposes) for each taxable year; *provided*, that the aggregate amount of such payments made by Eldorado for each taxable year shall not exceed (i) the United States federal taxable income of Eldorado (assuming Eldorado and such Restricted Subsidiary together were one hypothetical taxpayer) for such taxable year, reduced (but not below zero) by (to the extent not previously taken into account) any U.S. federal taxable loss of Eldorado (or any such Restricted Subsidiary) for any prior period multiplied by (ii) the maximum federal and state combined tax rate for an individual residing in the state of New York; *provided further*, that the computation of such tax liability shall take into account (i) the deductibility of state and local income taxes for U.S. federal income tax purposes,

computed as if the equity owners' only income were that allocated to such equity owners by Eldorado Holdco and (ii) the highest statutory rate applicable to different categories of income (e.g. tax-exempt income or long-term capital gains);

(11) any payments made, or the performance of any transactions, in each case, as described in the Offering Memorandum under the heading "Use of Proceeds," and the repurchase, satisfaction and discharge, redemption or repayment of any of Eldorado Notes (as defined in the Offering Memorandum) that are not purchased in the Eldorado Tender Offer (as defined in the Offering Memorandum); and

(12) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed $15.0 million since the date of this Indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Eldorado or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of Eldorado. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national or regional standing if the Fair Market Value exceeds $10.0 million.



Section 4.08 *Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.*

(a) Eldorado will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to Eldorado or any of its Restricted Subsidiaries or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to Eldorado or any of its Restricted Subsidiaries;

(2) make loans or advances to Eldorado or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to Eldorado or any of its Restricted Subsidiaries.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements in effect on the date of this Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of this Indenture;

(2) this Indenture, the Notes and the Note Guarantees;

(3) agreements governing other Indebtedness permitted to be incurred under Section 4.09 hereof and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially more restrictive, taken as a whole, than those contained in this Indenture, the Notes and the Note Guarantees;

(4) applicable law, rule, regulation or order, including without limitation restrictions imposed by Gaming Authorities;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by Eldorado or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in Section 4.08(a)(3) hereof;



(8) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens; and

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of Eldorado's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements.

Section 4.09 *Incurrence of Indebtedness and Issuance of Preferred Stock.*

(a) Eldorado will not, and will not permit any of its Restricted Subsidiaries to directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and Eldorado will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that Eldorado (or Eldorado and Eldorado Capital, as co-issuers) may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for Eldorado's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four quarter period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by Eldorado of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of Eldorado and its Restricted Subsidiaries thereunder) not to exceed $30.0 million; *less* the aggregate amount of all Net Proceeds of Asset Sales and Casualty Event Proceeds applied by Eldorado or any of its Restricted Subsidiaries since the date of this Indenture to repay any term Indebtedness under a Credit Facility incurred under this clause (1) or to repay any revolving credit Indebtedness under a Credit Facility incurred under this clause (1) and effect a corresponding commitment reduction thereunder pursuant to Section 4.10 hereof; *provided* that in no event shall the aggregate principal amount of Indebtedness permitted to be incurred pursuant to this clause (1), or the aggregate principal amount of such commitments, be required to be reduced to less than $5.0 million;

(2) the incurrence by Eldorado and its Restricted Subsidiaries of the Existing Indebtedness;



(3) the incurrence by the Issuers and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of this indenture;

(4) the incurrence by Eldorado or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of Eldorado or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4) not to exceed $5.0 million at any time outstanding;

(5) the incurrence by Eldorado or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) hereof or clauses (2), (3) or (5) of this Section 4.09(b); *provided* that this clause (5) shall not permit the incurrence of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge (a) any Eldorado Notes (as defined in the Offering Memorandum) or (b) any Shreveport Notes (as defined in the Offering Memorandum);

(6) the incurrence by Eldorado or any of its Restricted Subsidiaries of intercompany Indebtedness between or among Eldorado and any of its Restricted Subsidiaries; *provided*, *however*, that:

(A) if an Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not an Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of an Issuer, or the Note Guarantee, in the case of a Guarantor; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Eldorado or a Restricted Subsidiary of Eldorado and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either Eldorado or a Restricted Subsidiary of Eldorado, will be deemed, in each case, to constitute an incurrence of such Indebtedness by Eldorado or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of Eldorado's Restricted Subsidiaries to Eldorado or to any of its Restricted Subsidiaries of shares of preferred stock; *provided*, *however,* that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than Eldorado or a Restricted Subsidiary of Eldorado; and

(B) (any sale or other transfer of any such preferred stock to a Person that is not either Eldorado or a Restricted Subsidiary of Eldorado, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);



(8) the incurrence by Eldorado or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(9) the guarantee by an Issuer or any of the Guarantors of Indebtedness of Eldorado or a Restricted Subsidiary of Eldorado to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by Eldorado or any of the Guarantors of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by Eldorado or any of the Guarantors of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days; and

(12) the incurrence by Eldorado or any of its Restricted Subsidiaries of Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (12) not to exceed $10.0 million.

Eldorado will not incur, and will not permit Eldorado Capital or any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of Eldorado, Eldorado Capital or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (12) above, or is entitled to be incurred pursuant to Section 4.09(a) hereof, Eldorado will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. Indebtedness under Credit Facilities outstanding on the date on which Notes are first issued and authenticated under this Indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on, or fees with respect to, any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this Section 4.09; *provided*, in each such case, that the amount of any such accrual, accretion or payment shall be included in Fixed Charges of Eldorado as accrued. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other



provision of this Section 4.09, the maximum amount of Indebtedness that Eldorado or any Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness determined on a constant yield to maturity basis over time, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness;

(3) in the case of a Guarantee of Indebtedness, the maximum amount of the Indebtedness guaranteed under such Guarantee; and

(4) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets subject to such Lien at the date of determination; and

(B) the amount of the Indebtedness of the other Person secured by such Lien..

In addition, for the purposes of calculating the amount of Priority Lien Debt outstanding under Section 4.09(b)(1), all Hedging Obligations will be valued at zero.

Section 4.10 *Asset Sales and Casualty Events.*

(a) Eldorado will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) Eldorado (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by Eldorado or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on Eldorado's most recent consolidated balance sheet, of Eldorado or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases Eldorado or such Restricted Subsidiary from, or indemnifies against, further liability;

(B) any securities, Notes or other obligations received by Eldorado or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by Eldorado or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and



(C) any stock or assets of the kind referred to in clauses (4), (5) or (6) of Section 4.10(b).

(b) Within 360 days after the receipt of any Net Proceeds from an Asset Sale or any Casualty Event Proceeds, Eldorado (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds and Casualty Event Proceeds, as applicable:

(1) to repay Priority Lien Debt and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto to the extent required by Section 4.09 hereof;

(2) to repay Parity Lien Debt, so long as Eldorado shall make an offer to use at least a pro rata portion (based on the aggregate principal amounts of outstanding Notes and such other Parity Lien Debt) of such Net Proceeds to repurchase Notes at a price no less than par, plus accrued and unpaid interest, if any, to the applicable date of repurchase (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date);

(3) to repay Indebtedness secured by a Permitted Prior Lien on any Collateral that was sold in such Asset Sale or was the subject of such Casualty Event;

(4) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of Eldorado;

(5) to make a capital expenditure;

(6) to acquire other assets that are used or useful in a Permitted Business; or

(7) any combination of clauses (1) through (6) of this Section 4.10(b);

*provided, however,* that if Eldorado or any Restricted Subsidiary contractually commits within such 360-day period to apply the Net Proceeds within 180 days of entering into such contractual commitment in accordance with any of clauses (4) through (6) of this Section 4.10(b), and such Net Proceeds are subsequently applied as contemplated by such contractual commitment, then the requirement for the application of Net Proceeds set forth in this paragraph shall be considered satisfied.

(c) In addition, Eldorado or the applicable Restricted Subsidiary, as the case may be, will take all necessary action to promptly grant to the Collateral Trustee, on behalf of the holders of Parity Lien Obligations, a junior priority perfected security interest, subject to any Permitted Liens, on such property or assets acquired or constructed with the Net Proceeds of any Asset Sale on the terms set forth in, and to the extent required by, this Indenture and the Security Documents.

(d) Pending the final application of any Net Proceeds, Eldorado (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds from Asset Sales or Casualty Event Proceeds, as applicable, in any manner that is not prohibited by this Indenture and the Security Documents.

(e) Any Net Proceeds from Asset Sales or Casualty Event Proceeds that are not applied or invested as provided in Section 4.10(b) will constitute "*Excess Proceeds*." Within fifteen Business Days after the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers will make an offer (an



"*Asset Sale Offer*") to all holders of Notes and all holders of other Parity Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets or casualty events to purchase, prepay or redeem the maximum principal amount of Notes and such other Parity Lien Debt (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, Eldorado may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other Parity Lien Debt tendered into (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes trustee will select the Notes and such other Parity Lien Debt to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by Eldorado so that only Notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be left outstanding). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(f) The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 4.10 of 4.15 hereof, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Sections 4.10 or 4.15 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) Eldorado will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of Eldorado (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of $500,000 *unless*:

(1) the Affiliate Transaction is on terms that are no less favorable to Eldorado or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Eldorado or such Restricted Subsidiary with an unrelated Person; and

(2) Eldorado delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $2.0 million, a resolution of the Board of Directors of Eldorado set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (1) of this Section 4.11(a) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of Eldorado; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to Eldorado or such Subsidiary of such Affiliate Transaction from a



financial point of view issued by an accounting, appraisal or investment banking firm of national or regional standing.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by Eldorado or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among Eldorado and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of Eldorado) that is an Affiliate of Eldorado solely because Eldorado owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of Eldorado or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of Eldorado to Affiliates of Eldorado;

(6) Restricted Payments that do not violate Section 4.07 hereof;

(7) loans or advances to employees in the ordinary course of business not to exceed $500,000 in the aggregate at any one time outstanding;

(8) so long as no Event of Default has occurred and is continuing, any payment of any amounts due under the terms of Management Agreement described in the Offering Memorandum under the heading "Certain Relationships and Related Party Transactions" (as such agreement may be amended from time to time so long as such agreement, as amended, is not materially less favorable taken as a whole to Eldorado compared to such agreement as in existence on the date of this Indenture), in an aggregate amount not to exceed $600,000 per fiscal year; and;

(9) any transaction pursuant to any contract in existence on the date the Notes are first issued.

Section 4.12 *Liens.*

Eldorado will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables on any asset now owned or hereafter acquired, except Permitted Liens.

Section 4.13 *Business Activities.*

Eldorado will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to Eldorado and its Restricted Subsidiaries taken as a whole.



Section 4.14 *Corporate Existence.*

Subject to Article 5 hereof, Eldorado shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of Eldorado or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of Eldorado and its Subsidiaries; *provided*, *however*, that Eldorado shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board

of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of Eldorado and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15 *Offer to Repurchase Upon Change of Control.*

(a) Upon the occurrence of a Change of Control, the Issuers will make an offer (a "*Change of Control Offer*") to each Holder to repurchase all or any part (equal to an integral multiple of $1,000 in excess thereof) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of purchase *plus* accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date (the "*Change of Control Payment*"). Within ten business days following any Change of Control, Eldorado will mail a notice to each Holder (with copies to the Trustee and Paying Agent) describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "*Change of Control Payment Date*");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Issuers default in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of



the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuers.

(c) The Paying Agent will promptly mail (but in any case not later than five days after the Change of Control Payment Date) to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. Eldorado will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) Notwithstanding anything to the contrary in this Section 4.15, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price.

(e) Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of this Section 4.15, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

Section 4.16 *Limitation on Sale and Leaseback Transactions.*

Eldorado will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that Eldorado or any Restricted Subsidiary may enter into a sale and leaseback transaction with respect to any asset that does not constitute Collateral if:

(1) Eldorado or that Restricted Subsidiary, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in Section 4.09(a) hereof and (b) incurred a Lien to secure such Indebtedness pursuant to Section 4.12 hereof;

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of Eldorado and set forth in an Officer's Certificate delivered to the Trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and Eldorado applies the proceeds of such transaction in compliance with, Section 4.10 hereof.

Section 4.17 *Payments for Consent.*

Eldorado will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.18 *Additional Note Guarantees.*

If Eldorado or any of its Restricted Subsidiaries acquires or creates another Domestic Subsidiary after the date of this Indenture, or any Restricted Subsidiary that is not a Domestic Subsidiary becomes a Domestic Subsidiary, then that Domestic Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the Trustee within fifteen (15) business days after the date on which it was acquired or created (or such longer period of time as may be required to obtain any necessary approvals under applicable Gaming Laws or other regulatory requirements). In addition, such Guarantor shall execute and deliver to the Collateral Trustee supplemental collateral documents granting a lien on substantially all of its assets to secure the Parity Lien Obligations. Eldorado shall use commercially reasonable efforts to obtain all approvals of any Gaming Authority necessary to permit a Domestic Subsidiary to become a Guarantor as promptly as practicable.

Section 4.19 *Designation of Restricted and Unrestricted Subsidiaries.*

The Board of Directors of Eldorado may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by Eldorado and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of Permitted Investments, as determined by Eldorado. *provided* that, for absence of doubt, in the event of an immediate and automatic designation of the Silver Legacy Joint Venture as an Unrestricted Subsidiary



upon the Silver Legacy Joint Venture becoming a Subsidiary of Eldorado, any Investments in the Silver Legacy Joint Venture in existence on the date of this Indenture that remain outstanding on the dates of such designation will not be deemed to be deemed to constitute new Restricted Payments or new Permitted Investments but will continue to constitute Permitted Investments made pursuant to clause (11) of the definition of "Permitted Investments." That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of Eldorado may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of Eldorado as an Unrestricted Subsidiary (other than the immediate and automatic designation of the Silver Legacy Joint Venture as an Unrestricted Subsidiary upon the Silver Legacy Joint Venture becoming a Subsidiary of Eldorado) will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of Eldorado as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, Eldorado will be in default of such covenant. The Board of Directors of Eldorado may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of Eldorado; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of Eldorado of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Section 4.20 *Additional Collateral*

Concurrently with the acquisition by Eldorado or any of its Restricted Subsidiaries of any assets or property with a Fair Market Value (as determined by the Board of Directors of Eldorado) in excess of $1.0 million individually or $2.0 million in the aggregate, to the extent not prohibited by Gaming Authorities or applicable law, Eldorado will, and will cause the applicable Restricted Subsidiary to:

(1) in the case of the acquisition of personal property, execute and deliver to the Collateral Trustee such Uniform Commercial Code financing statements, if any, or take such other actions as are necessary or, in the opinion of the Collateral Trustee, desirable to perfect and protect the Collateral Trustee's security interest in such assets or property;

(2) in the case of the acquisition of real property or ships, execute and deliver to the Collateral Trustee:

(A) a mortgage, a deed of trust, a leasehold mortgage or a leasehold deed of trust, in each case as appropriate, substantially in the form of the mortgages, deeds of trust, leasehold mortgages or leasehold deeds of trust, in each case as appropriate, executed in connection with the Liens on the Gaming Facilities and the real property upon which they are located(with such modifications as are necessary to comply with applicable law and the type of interest in such real property) (under which Eldorado or such Restricted Subsidiary will grant a security interest to the Collateral Trustee in such real property and any related fixtures), and



(B) title and extended coverage insurance covering such real property in an amount at least equal to the Fair Market Value of such real property; and

(3) in the case of the acquisition of personal property (other than personal property in which the Collateral Trustee has a perfected security interest (subject only to Permitted Liens)) or real property subject to clauses (1) and (2) above, as applicable, promptly deliver to the Collateral Trustee such opinions of counsel, if any, as the Collateral Trustee may reasonably require with respect to the foregoing (including opinions as to enforceability and perfection of security interests).

Concurrently with the issuance of Additional Notes, if any, under this Indenture or any additional Priority Lien Debt or Parity Lien Debt, Eldorado will cause the issuer of the real estate title policy to increase the total aggregate coverage amount of insurance under such real estate title policy in an amount equal to the aggregate principal amount of such additional Indebtedness.

Section 4.21 *Restrictions on Activities of Eldorado Capital.*

Other than in connection with or incident to its obligations relating to the Notes under this Indenture and its existence, Eldorado Capital will not hold any assets, become liable for any obligations or engage in any business activities, including, without limitation, any business activities that would be the subject of the covenants set forth in this Indenture; *provided*, *however*, that Eldorado Capital may be a co-obligor (or a guarantor) with respect to Indebtedness permitted to be incurred by this Indenture if Eldorado is the primary obligor of such Indebtedness and the net proceeds of such Indebtedness are received by Eldorado or one or more of Eldorado's Subsidiaries other than Eldorado Capital. At any time after Eldorado or any successor to Eldorado is a corporation, Eldorado Capital may consolidate or merge with or into Eldorado or any Restricted Subsidiary of Eldorado.

Section 4.22 *Insurance*

The Issuers and the Guarantors will:

(1) maintain with financially sound and reputable insurance companies not Affiliates of Eldorado, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons and Eldorado will use reasonable efforts to obtain the agreement of such insurance companies to provide for not less than 30 days' prior notice to the Collateral Trustee of termination, lapse or cancellation (or 10 days' prior notice in the event of termination for non-payment) of such insurance;

(2) within 90 days of closing, obtain American Land Title Association Lender's Extended Coverage title insurance policies, with endorsements and in amounts acceptable to the Collateral Trustee, issued by title insurers acceptable to the Collateral Trustee, insuring the Mortgages to be valid (first, in the case of the Mortgages securing the Priority Lien Obligations and second, in the case of the Mortgages securing the Parity Lien Obligation) and subsisting Liens on the property described therein, free and clear of all defects (including, but not limited to, mechanics' and materialmen's Liens) and encumbrances, excepting only Permitted Encumbrances (as defined in the applicable Mortgages) and Permitted Liens, and providing for such other affirmative insurance (including endorsements for future advances under the Secured Debt Documents, for mechanics' and materialmen's Liens and for zoning of the applicable



property) and such coinsurance and direct access reinsurance as the Collateral Trustee may deem necessary or advisable; and

(3) maintain such other insurance as may be required by the Security Documents.

Section 4.23 *Perfection of Certain Security Interests Post-Closing*

Eldorado will have submitted an application for approval of a pledge of the Eldorado membership interests held by Eldorado Holdco by the Gaming Authorities along with all other information requested by such authorities by the date of this Indenture, and Eldorado shall do or cause to be done all acts and things that may be required, including obtaining required consents from Gaming Authorities, to have the pledge of the Eldorado membership interests held by Eldorado Holdco duly created and enforceable and perfected promptly following the date of this Indenture.

Section 4.24 *Gaming Licenses*

In the event of a foreclosure, deed in lieu of foreclosure or other similar transfer of the Gaming Facilities to the Collateral Trustee or its designee, Eldorado shall, and shall cause its Restricted Subsidiaries to, reasonably cooperate with the Collateral Trustee or its designee in obtaining all Gaming Licenses and other governmental approvals necessary to conduct all gaming operations at the Gaming Facilities and Eldorado shall, and shall cause its Restricted Subsidiaries to, cooperate in good faith with the transition of the gaming operations to any new gaming operator (including, without limitation, the Collateral Trustee or its designee).

Section 4.25 *Title Insurance Post-Closing*

Eldorado shall obtain new title insurance policies in order to insure the priority of each of the Mortgages within 90 days after the date of this Indenture and shall do or cause to be done all acts and things that may be required to have the new title insurance policies within 90 days after the date of this Indenture.

## ARTICLE 5
## SUCCESSORS

Section 5.01 *Merger, Consolidation or Sale of Assets.*

Eldorado will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not Eldorado is the surviving entity); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of Eldorado and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(A) Eldorado is the surviving entity; or

(B) the Person formed by or surviving any such consolidation or merger (if other than Eldorado) or to which such sale, assignment, transfer, conveyance or other disposition has been made (the "*Successor*") is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the Notes is a corporation organized or existing under any such laws;



(2) the Successor (if other than Eldorado), assumes all the obligations of Eldorado under the Notes, the Indenture and the Security Documents pursuant to agreements reasonably satisfactory to the Trustee;

(3) such transaction would not result in the loss or suspension or material impairment of any Gaming Licenses, unless a comparable Gaming License is effective prior to or simultaneously with such loss, suspension or material impairment;

(4) immediately after such transaction, no Default or Event of Default exists; and

(5) Eldorado or the Successor would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a); or (b) have had a Fixed Charge Coverage Ratio equal to or greater than the actual Fixed Charge Coverage Ratio for Eldorado for such four quarter period.

In addition, Eldorado will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This Section 5.01 will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Eldorado and its Restricted Subsidiaries. Clauses (4) and (5) of this Section 5.01 will not apply to (1) any merger or consolidation of Eldorado with or into one of its Restricted Subsidiaries for any purpose or (2) with or into an Affiliate solely for the purpose of reincorporating Eldorado in another jurisdiction

Notwithstanding the foregoing, Eldorado may reorganize into a corporation pursuant to a Permitted C-Corp. Reorganization.

Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuers in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor Person formed by such consolidation or into or with which either Issuer is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Issuer" shall refer instead to the successor Person and not to the Issuer), and may exercise every right and power of such Issuer under this Indenture with the same effect as if such successor Person had been named as the Issuer herein; *provided*, *however*, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of, premium on, if any, and interest, if any, on, the Notes except in the case of a sale of all of such Issuer's assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.



## ARTICLE 6
## DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.*

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on the Notes;

(3) failure by Eldorado or any of its Restricted Subsidiaries to comply with the provisions of Sections 4.15 or 5.01 hereof;

(4) failure by Eldorado or any of its Restricted Subsidiaries for 60 days after notice to Eldorado from the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture or the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Eldorado or any of its Restricted Subsidiaries (or the payment of which is guaranteed by Eldorado or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of this Indenture, if that default:

(A) is caused by a failure to pay principal of, premium on, if any, or interest on, if any, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $15.0 million or more;

(6) failure by Eldorado or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction in an uninsured aggregate amount in excess of $15.0 million, which judgments are not paid, waived, satisfied, discharged or stayed, for a period of 60 days;

(7) (i) any security interest created by the Security Documents ceases to be perfected and in full force and effect (except, in each case, as permitted by the terms of this Indenture or the Security Documents) with respect to Collateral having a Fair Market Value in excess of $5.0 million for a period of more than 30 days, or an assertion by Eldorado or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value in excess of $5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of this Indenture or the Security Documents) for a period of more than 30 days; (ii) Eldorado or any of its Restricted Subsidiaries denies or disaffirms any of its material obligations under the Security



Documents; or (iii) any security document is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, other than in accordance with the terms of the relevant Security Documents and this Indenture;

(8) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;

(9) the revocation, termination, suspension or cessation of effectiveness of any Gaming License following exhaustion of all administrative remedies which results in the cessation or suspension of any gaming operations at either Gaming Facility for a period of more than 90 consecutive days that, during the twelve month period ended on the last day of the most recently ended calendar month, accounted for ten percent or more of the consolidated gross revenues (calculated in accordance with GAAP) of Eldorado and its Restricted Subsidiaries on a consolidated basis related to gaming operations (other than the voluntary relinquishment of a Gaming License if such relinquishment is, in the reasonable, good faith judgment of the Board of Directors of Eldorado both desirable in the conduct of the business of Eldorado and its Restricted Subsidiaries, taken as a whole, and not disadvantageous in any material respect to the holders of Notes or any such revocation, termination, suspension or cessation resulting from a Casualty Event so long as Eldorado and its Restricted Subsidiaries are complying with Section 4.10; and

(10) any Insolvency or Liquidation Proceeding with respect to Eldorado or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

Section 6.02 *Acceleration.*

An Event of Default specified in clauses (5), (6) and (9) of Section 6.01 hereof shall not constitute an Event of Default unless the Trustee or Holders of not less than 25% in aggregate principal amount of Notes notify Eldorado of the Default.

In the case of an Event of Default specified in clause 10 of Section 6.01 hereof, with respect to either Eldorado or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Eldorado that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences hereunder, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in payment of principal of, premium on, if any, or interest, if any on the Notes and all amounts owing to the Trustee under this Indenture have been paid.

Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, premium on, if any, or interest, if any, on, the Notes or to enforce the performance of any provision of the Notes, the Note Guarantees or this Indenture.



The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or

constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults.*

The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (including in connection with an Asset Sale Offer, a Change of Control Offer, or an Event of Loss Offer); *provided*, *however*, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium on, if any, and interest, if any.

Section 6.06 *Limitation on Suits.*

Subject to Section 7.01, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any Holders of Notes unless such Holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder of a Note may pursue any remedy with respect to this Indenture or the Notes unless:

(1) such Holder has previously given to the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy in writing;

(3) such Holders offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;



(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) Holders of a majority in aggregate principal amount of the then outstanding Notes have not give the Trustee a direction inconsistent with such request within such 60-day period.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of, premium on, if any, or interest, if any, on, the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder; provided that a Holder shall not have the right to institute any such suit for the enforcement or payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture upon any property subject to such Lien.

Section 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuers for the whole amount of principal of, premium on, if any, and interest, if any, remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.06 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.06 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and

all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding. The Trustee



may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

Section 6.10 *Priorities.*

After an Event of Default any moneys or properties distributable in respect of the Issuers' or any Guarantor's obligations under this Indenture, or if the Trustee collects any money pursuant to this Article 6, shall be paid out or distributed in the following order:

*First*: to the Trustee, its agents and attorneys for amounts due under Section 7.06 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

*Second*: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, if any, and interest, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, if any, respectively; and

*Third*: to the Issuers or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

## ARTICLE 7
## TRUSTEE

Section 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and



(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but shall not be required to verify any amounts or calculations contained therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request or direction of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) The Trustee shall not be responsible for, and makes no representation as to the existence, genuineness, value of or protection afforded by any Collateral, for the legality, effectiveness or sufficiency of any security document, or for the creation, perfection, priority, sufficiency or protection of any Liens securing the Notes. The Trustee shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Lien or security interest in the Collateral. The Trustee makes no representation as to the Collateral Trustee and shall not be responsible for any act or omission of the Collateral Trustee. The Trustee shall not be responsible for, and makes no representation as to any Gaming Law or any Gaming Authority, whether any holder or beneficial owner of Notes could be licensed, qualified or found suitable under any Gaming Law or by any Gaming Authority, and any consequence to any Holder or beneficial owner of Notes under any Gaming Law or by any Gaming Authority.

Section 7.02 *Rights of Trustee.*

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.



(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuers will be sufficient if signed by an Officer of each Issuer.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to it against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be required to give a note, bond or surety in respect of the trusts and powers under this Indenture.

(h) Delivery of reports, information and documents to the Trustee described in Section 4.03 of this Indenture is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officer's Certificates). The Trustee is under no duty to examine such reports, information or documents to ensure compliance with the provision of this Indenture or to ascertain the correctness or otherwise of the information or the statements contained therein.

(i) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be compensated, reimbursed and indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.



Section 7.03 *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as defined in Section 310(b) of the Trust Indenture Act of 1939, as amended) it must eliminate such conflict within 90 days or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Section 7.09 hereof.

Section 7.04 *Trustee's Disclaimer.*

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes or the Note Guarantees, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction

under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication. The Trustee shall have no responsibility or liability with respect to any information, statement or recital in the Offering Circular or in any other disclosure material prepared or distributed with respect to the Issuance of the Notes.

Section 7.05 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if the Trustee has notice (in accordance with Section 7.02(j)), the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium on, if any, or interest, if any, on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Compensation and Indemnity.*

(a) The Issuers will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Issuers will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents, counsel, accountants and experts.

(b) The Issuers and the Guarantors will indemnify the Trustee against any and all losses, liabilities or expenses (including reasonable attorneys' fees and expenses) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture or the exercise of its rights and powers under this Indenture, the Notes and the Guarantees, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.06) and defending itself against any claim (whether asserted by the Issuers, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, bad faith or willful misconduct. The Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder. Such Issuer or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay



the reasonable fees and expenses of such counsel. Neither any Issuers nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld. References in this paragraph 7.06(b) shall include the Trustee and its officers, directors, employees and agents.

(c) The obligations of the Issuers and the Guarantors under this Section 7.06 will survive the (i) satisfaction and discharge of this Indenture and (ii) resignation or removal of the Trustee.

(d) To secure the Issuers' and the Guarantors' payment obligations in this Section 7.06, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal of, premium on, if any, or interest, if any, on, particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(7) or (8) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under the Bankruptcy Code.

(f) "Trustee" for the purposes of this Section 7.06 shall include any predecessor Trustee and the Trustee in each of its capacities hereunder and each agent, custodian and other person employed to act hereunder; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

Section 7.07 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.09 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under the Bankruptcy Code;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.09 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.06 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Issuers' obligations under Section 7.06 hereof will continue for the benefit of the retiring Trustee.

Section 7.08 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee.

Section 7.09 *Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

## ARTICLE 8
## LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Issuers may at any time, at the option of each of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

Upon the Issuers exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuers and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:



(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium on, if any, or interest, if any, on, such Notes when such payments are due from the trust referred to in Section 8.05 hereof;

(2) the Issuers' obligations with respect to such Notes under Article 2 and Section 4.02 hereof;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' and the Guarantors' obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of such option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance.*

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.17, 4.18, 4.19, 4.20, 4.21, 4.22, 4.23 and 4.24 hereof and clause (4) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Note Guarantees, the Issuers and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3), (4), (5), (6), (7), (8) and (9) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm, or firm of independent public accountants, to pay the principal of, interest and premium, if any, on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuers must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;



(2) in the case of an election under Section 8.02 hereof, Eldorado must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that:

(A) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the date of this Indenture, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, Eldorado must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Issuers or any of the Guarantors is a party or by which the Issuers or any of the Guarantors is bound;

(6) Eldorado must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Notes over the other creditors of the Issuers with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuers or others; and

(7) Eldorado must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including an Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become



due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Issuers will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to Issuers.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium on, if any, or interest, if any, on, any Note and remaining unclaimed for two years after such principal, premium, if any, or interest, if any, has become due and payable shall be paid to the Issuers on their request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to

make any such repayment, may at the expense of the Issuers cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

Section 8.07 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantors' obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided*, *however*, that, if an Issuer makes any payment of principal of, premium on, if any, or interest, if any, on, any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.



## ARTICLE 9
## AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, without the consent of any Holder of Notes, the Issuers, the Guarantors, the Trustee and the Collateral Trustee may amend or supplement any of the Note Documents:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to the Holders of the Notes and Note Guarantees by a successor to such Issuer or such Guarantor pursuant to Article 5 or Article 10 hereof;

(4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any such Holder;

(5) to enter into additional or supplemental Security Documents or Guarantees or a collateral trust agreement with respect thereto, including the amendment of any Security Documents to reflect or permit the incurrence of additional Parity Lien Debt or Priority Lien Debt that is otherwise permitted hereunder;

(6) to conform the text of this Indenture, the Notes, the Note Guarantees or the Security Documents to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes, the Note Guarantees or the Security Documents, which intent may be evidenced by an Officer's Certificate to that effect;

(7) to release Collateral or the Note Guarantee of a Guarantor in accordance with the terms of this Indenture and the Security Documents;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(9) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof;

(10) to make, complete or confirm any grant of Collateral permitted or required by this Indenture or any of the Security Documents or any release, termination, discharge of the Collateral that becomes effective as set forth in this Indenture or any of the Security Documents; or

(11) to amend the Security Documents as required by the Collateral Trust Agreement.

Upon the request of an Issuer accompanied by a resolution of either Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the



Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, the Issuers, the Guarantors, the Trustee and the Collateral Trustee may amend or supplement this Indenture (including, without limitation, Section 3.10, 3.11, 4.10 and 4.15 hereof) and the Notes, the Note Guarantees or the Security Documents with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, if any, or interest, if any, on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or

compliance with any provision of this Indenture, the Notes, the Note Guarantees or the Security Documents may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). Without the consent of at least 66% in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes), no waiver or amendment to this Indenture or any Security Document may make any change that has the effect of releasing all or substantially all of the Collateral from the Liens securing the Notes. Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of either Issuer accompanied by a resolution of either of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee and the Collateral Trustee will join with the Issuers and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's or the Collateral Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee or the Collateral Trustee, as applicable, may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture, the Notes or the Note Guarantees. However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):



(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or the premium payable in connection with the redemption of the Notes;

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, premium on, if any, or interest, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.10, 3.11, 4.10 or 4.15 hereof);

(8) except as expressly permitted by this Indenture, modify the Note Guarantee of any Significant Subsidiary in any manner that is adverse to holders of the Notes; or

(9) make any change in the preceding amendment and waiver provisions.

Section 9.03 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Either of the Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date.

Section 9.04 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall,



upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.05 *Trustee to Sign Amendments, etc.*

Each of the Trustee and the Collateral Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee and the Collateral Trustee. An Issuer may not sign an amended or supplemental indenture until either such Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee and the Collateral Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 13.02 hereof, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture, and an Opinion of Counsel that it will be valid and binding upon the Issuers and Guarantors in accordance with its terms, subject to customary exceptions.

## ARTICLE 10
## NOTE GUARANTEES

*Section 10.01. Guarantee.*

(a) Subject to this Article 10, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(1) the principal of, premium on, if any, and interest, if any, on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium on, if any, and interest, if any, on, the Notes, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing



of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenant that this Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuers or the Guarantors, any amount paid by either to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

*Section 10.02. Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Collateral Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

*Section 10.03. Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 10.01 hereof, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as Exhibit E hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 10.01 hereof will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee will be valid nevertheless.



The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Guarantors.

In the event that Eldorado or any of its Restricted Subsidiaries creates or acquires any Subsidiary after the date of this Indenture, if required by Section 4.18 hereof, Eldorado will cause such Restricted Subsidiary to comply with the provisions of Section 4.18 hereof and this Article 10, to the extent applicable.

*Section 10.04. Guarantors May Consolidate, etc., on Certain Terms.*

Except as otherwise provided in Section 10.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than an Issuer or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists;

(2) either:

(A) subject to Section 10.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under its Note Guarantee and this Indenture, pursuant to a supplemental indenture and the Security Documents (including the Collateral Trust Agreement) pursuant to agreements satisfactory to the Trustee; or

(B) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof;

(3) such transaction would not result in the loss or suspension or material impairment of any of Eldorado's or any of its Restricted Subsidiaries' Gaming Licenses, unless a comparable replacement Gaming License is effective prior to or simultaneously with such loss, suspension or material impairment; and

Notwithstanding the foregoing, Eldorado or any of its Restricted Subsidiaries that is not a subchapter "C" corporation may reorganize into a corporation pursuant to a Permitted C Corp Reorganization.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a



Guarantor with or into an Issuer or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to such Issuer or another Guarantor.

*Section 10.05. Releases.*

Notwithstanding Section 12.04(9) hereof, the Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) Eldorado or a Restricted Subsidiary of Eldorado, if the sale or other disposition does not violate Sections 3.10 or 4.10 hereof;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) Eldorado or a Restricted Subsidiary of Eldorado, if the sale or other disposition does not violate Sections 3.10 or 4.10 hereof and the Guarantor ceases to be a Restricted Subsidiary of Eldorado as a result of the sale or other disposition;

(3) if Eldorado designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.19 hereof;

(4) upon Legal Defeasance or Covenant Defeasance in accordance with Article 8 hereof or Satisfaction and Discharge of this Indenture in accordance with Article 11 hereof; or

(5) upon the dissolution of a Guarantor if its assets are distributed to the Issuers or another Guarantor.

Upon delivery to the Trustee of an Officer's Certificate and Opinion of Counsel to the effect that the conditions set forth in clauses (1) through (5) hereof, as applicable, have been satisfied, the Trustee, at Eldorado's expense, will execute any documents reasonably requested by Eldorado to evidence the release of the applicable Note Guarantee.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 10.05 will remain liable for the full amount of principal of, premium on, if any, and interest, if any, on, the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 10.

## ARTICLE 11
## SATISFACTION AND DISCHARGE

Section 11.01 *Satisfaction and Discharge.*

This Indenture and the Security Documents will be discharged and will cease to be of further effect as to all Notes issued hereunder (and all Liens on the Collateral securing the Notes will be released), when:

(1) either:

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to Eldorado, have been delivered to the Trustee for cancellation; or



(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuers or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal of, premium on if any, and accrued interest, to the date of maturity or redemption;

(2) in respect of subclause (B) of clause (1) of this Section 11.01, no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuers or any Guarantor is a party or by which either of the Issuers or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) any Issuer has or any Guarantor has paid or caused to be paid all sums payable by them under this Indenture; and

(4) the Issuers have delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, Eldorado must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section 11.01, the provisions of Sections 11.02 and 8.06 hereof will survive. In addition, nothing in this Section 11.01 will be deemed to discharge those provisions of Section 7.06 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 11.02 *Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including an Issuer acting as their own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and interest, if any, for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01 hereof; *provided* that



if the Issuers have made any payment of principal of, premium on, if any, or interest, if any, on, any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee

or Paying Agent.

ARTICLE 12.
COLLATERAL AND SECURITY

Section 12.01 *Security Interest.*

The due and punctual payment of the principal of, premium on, if any, and interest, if any, on, the Notes when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal of, premium on, if any, and interest, if any (to the extent permitted by law), on the Notes and performance of all other obligations of the Issuers to the Holders of Notes or the Trustee under this Indenture and the Notes (including, without limitation, the Note Guarantees), according to the terms hereunder or thereunder, are secured as provided in the Security Documents.

Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of the Security Documents including, without limitation, the provisions providing for foreclosure and release of Collateral as the same may be in effect or may be amended from time to time in accordance with its terms and authorizes and appoints U.S. Bank National Association as the Trustee and Capital One, N.A. as the Collateral Trustee to enter into the Security Documents, to bind the Holders and make the agreements on the terms set forth therein, to perform their respective obligations and exercise their respective rights thereunder in accordance therewith. The Issuers will deliver to the Trustee copies of all documents delivered to the Collateral Trustee pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Security Documents, to assure and confirm to the Trustee and the Collateral Trustee the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. The Issuers will take, and will cause its Subsidiaries to take, and upon request of the Trustee will take, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the Obligations of the Issuers hereunder, a valid and enforceable perfected junior priority security interest in the Collateral for the benefit of the Holders of the Notes and any future Parity Lien Obligations.

Section 12.02 *Collateral Trust Agreement.*

This Article 12 and the provisions of each other Security Document are subject to the terms, conditions and benefits set forth in the Collateral Trust Agreement. The Issuers and each Guarantor consent to, and agree to be bound by, the terms of the Collateral Trust Agreement, as the same may be in effect from time to time, and to perform their respective obligations thereunder in accordance therewith.

Section 12.03 *Collateral Trustee.*

(1) Capital One, N.A. will initially act as the Collateral Trustee for the benefit of the Holders of:

(A) the Notes;

(B) all other Parity Lien Obligations outstanding from time to time; and



(C) all Priority Lien Obligations outstanding from time to time, including Obligations under the Credit Agreement.

(2) Neither Issuer, nor any of its Affiliates and no Parity Lien Representative may serve as Collateral Trustee.

(3) The Collateral Trustee shall hold (directly or through co-trustees or agents), and will be entitled to enforce, all Liens on the Collateral created by the Security Documents.

(4) Except as provided in the Collateral Trust Agreement or as directed by an Act of Required Secured Parties in accordance with the Collateral Trust Agreement, the Collateral Trustee shall not be obligated:

(A) to act upon directions purported to be delivered to it by any Person;

(B) to foreclose upon or otherwise enforce any Lien; or

(C) to take any other action whatsoever with regard to any or all of the Security Documents, the Liens created thereby or the Collateral.

(5) The Issuers and the Guarantors will indemnify the Collateral Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including defending itself against any claim (whether asserted by the Issuers, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its gross negligence, bad faith or willful misconduct. The Collateral Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Collateral Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder. Such Issuer or such Guarantor will defend the claim and the Collateral Trustee will cooperate in the defense. The Collateral Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. Neither any Issuers nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld. References to “Collateral Trustee” in this paragraph 12.03(5) shall include the Collateral Trustee and its officers, directors, employees and agents.

(6) A resignation or removal of the Collateral Trustee and appointment of a successor Collateral Trustee will become effective pursuant to the terms set forth in Article 6 of the Collateral Trust Agreement.

Eldorado will deliver to each Secured Debt Representative copies of all Security Documents delivered to the Collateral Trustee.

Section 12.04 *Release of Liens in Respect of Notes.*

The Collateral Trustee's Parity Liens on the Collateral will no longer secure the Notes outstanding under this Indenture or any other Obligations under this Indenture, and the right of the Holders of the Notes and such Obligations to the benefits and proceeds of the Collateral Trustee's Parity Liens on the Collateral will terminate and be discharged:



(1) upon satisfaction and discharge of this Indenture, in accordance with Article 11 hereof;

(2) upon a Legal Defeasance or Covenant Defeasance of all outstanding Notes in accordance with Article 8 hereof;

(3) upon payment in full and discharge of all Notes outstanding under this Indenture and all Obligations that are outstanding, due and payable under this Indenture at the time the Notes are paid in full and discharged; or

(4) in whole or in part, with the consent of the Holders of the requisite percentage of Notes in accordance with Article 9 hereof.

(5) in whole, upon (a) payment in full and discharge of all outstanding Secured Debt and all other Secured Obligations that are outstanding, due and payable at the time all of the Secured Debt is paid in full and discharged and (b) termination or expiration of all commitments to extend credit under all Secured Debt Documents and the cancellation or termination or cash collateralization (at the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Secured Debt Documents) of all outstanding letters of credit issued pursuant to any Secured Debt Documents;

(6) as to any Collateral that is sold, transferred or otherwise disposed of by Eldorado or any other grantor to a Person that is not (either before or after such sale, transfer or disposition) Eldorado or a Restricted Subsidiary of Eldorado in a transaction or other circumstance that complies with Sections 3.10 and 4.10 hereof and is permitted by all of the other Secured Debt Documents, at the time of such sale, transfer or other disposition or to the extent of the interest sold, transferred or otherwise disposed of; *provided* that the Collateral Trustee's Liens upon the Collateral will not be released if the sale or disposition is subject to Section 5.01 hereof.

(7) as to a release of less than all or substantially all of the Collateral, if (A) consent to the release of all Priority Liens (or, at any time after the Discharge of Priority Lien Obligations, the Parity Liens) on such Collateral has been given by an Act of Required Secured Parties or (B) the Priority Liens (or, at any time after the Discharge of Priority Lien Obligations, the Parity Liens) have been automatically released pursuant to the Priority Lien Documents; *provided*, that this clause (7) shall not apply to (i) Discharge of Priority Lien Obligations upon payment in full thereof or (ii) sales or dispositions subject to Section 5.01 hereof.

(8) as to a release of all or substantially all of the Collateral, if (a) consent to the release of that Collateral has been given by the requisite percentage or number of holders of each Series of Secured Debt at the time outstanding as provided for in the applicable Secured Debt Documents, and (b) Eldorado has delivered an Officer's Certificate to the Collateral Trustee certifying that all such necessary consents have been obtained;

(9) if any Guarantor is released from its obligations under each of the Priority Lien Documents, then the Parity Liens on the Collateral pledged by such Guarantor and the obligations of such Guarantor under its Guarantee of the Parity Lien Obligations, shall be automatically, unconditionally and simultaneously released; and

(10) notwithstanding any of the foregoing, if the Collateral Trustee is exercising its rights or remedies with respect to the Collateral under the Priority Lien Documents pursuant to an Act of Required Secured Parties, and the Collateral Trustee releases any of the Priority Liens on



any part of the Collateral or any Guarantor is released from its obligations under its Guarantee of the Priority Lien Obligations in connection therewith, then the Parity Liens on such Collateral and the obligations of such Guarantor under its Guarantee of the Parity Lien Obligations, shall be automatically, unconditionally and simultaneously released. If in connection with any exercise of rights and remedies by the Collateral Trustee under the Priority Lien Documents pursuant to an Act of Required Secured Parties, the equity interests of any Person are foreclosed upon or otherwise disposed of and the Collateral Trustee releases the Priority Lien on the property or assets of such Person then the Parity Liens with respect to the property or assets of such Person will be concurrently and automatically released to the same extent as the Priority Liens on such property or assets are released.

Section 12.05 *Equal and Ratable Sharing of Collateral by Holders of Parity Lien Debt.*

Notwithstanding:

(1) anything to the contrary contained in the Security Documents;

(2) the time of incurrence of any Series of Parity Lien Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Parity Lien Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Parity Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Lien securing Parity Lien Debt may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens;

(a) all Parity Liens granted at any time by an Issuer or any Guarantor will secure, equally and ratably, all present and future Parity Lien Obligations; and

(b) all proceeds of all Parity Liens granted at any time by an Issuer or any Guarantor will be allocated and distributed equally and ratably on account of the Parity Lien Debt and other Parity Lien Obligations as and to the extent set forth in the Collateral Trust Agreement.

This Section 12.05 is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Parity Lien Obligations, each present and future Parity Lien Representative and the Collateral Trustee as holder of Parity Liens. The Parity Lien Representative of each future Series of Parity Lien Debt will be required to execute a Lien Sharing and Priority Confirmation to the Collateral Trustee and the Trustee which the Issuers (or either of them) shall cause to be delivered at the time of incurrence of such Series of Parity Lien Debt (it being understood that any failure in the execution or delivery of any Lien Sharing and Priority Confirmation will not affect the validity and effect of such Lien Sharing and Priority Confirmation in connection with any future Series of Parity Lien Debt).



Section 12.06 *Ranking of Parity Liens.*

Notwithstanding:

(1) anything to the contrary contained in the Security Documents;

(2) the time of incurrence of any Series of Secured Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Secured Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Priority Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens,

all Parity Liens at any time granted by an Issuer or any Guarantor will be subject and subordinate to all Priority Liens securing Priority Lien Obligations.

This Section 12.06 is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Priority Lien Obligations, each present and future Priority Lien Representatives and the Collateral Trustee as holder of Priority Liens. No other Person shall be entitled to rely on, have the benefit of or enforce this Section 12.06.

The Parity Lien Representative of each future Series of Parity Lien Debt shall be required to execute a Lien Sharing and Priority Confirmation which the Issuers or either of them shall cause to be delivered to the Collateral Trustee, the Trustee, any other Parity Lien Representative and each Priority Lien Representative for the benefit of the Holders of Priority Lien Obligations at the time of incurrence of such Series of Parity Lien Debt(it being understood that any failure in the execution or delivery of any Lien Sharing and Priority Confirmation will not affect the validity and effect of such Lien Sharing and Priority Confirmation in connection with any future Series of Parity Lien Debt).

This Section 12.06 is intended solely to set forth the relative ranking, as Liens, of the Liens securing Parity Lien Debt as against the Priority Liens. Neither the Notes nor any other Parity Lien Obligations nor the exercise or enforcement of any right or remedy for the payment or collection thereof are intended to be, or will ever be by reason of the foregoing provision, in any respect subordinated, deferred, postponed, restricted or prejudiced; *provided*, that (i) no holder of Parity Lien Obligations shall request or obtain pre-judgment attachment or a judgment lien or judicial lien upon any of the gaming licenses or approvals of the Issuers or the Guarantors and (ii) in the event that any holder of Parity Lien Obligations obtains a judgment lien or judicial lien on any asset of the Issuers or Guarantors, such lien shall be subject and subordinate to the Priority Liens on such assets in accordance with the terms of the Collateral Trust Agreement.



Section 12.07 *Relative Rights.*

Nothing in the Security Documents will:

(1) impair, as between an Issuer and the Holders of the Notes, the obligation of the Issuers to pay principal of, premium and interest, if any, on the Notes in accordance with their terms or any other obligation of an Issuer or any Guarantor;

(2) affect the relative rights of Holders of Notes as against any other creditors of the Issuers or any Guarantor (other than holders of Priority Liens, Permitted Prior Liens or other Parity Liens);

(3) restrict the right of any Holder of Notes to sue for payments that are then due and owing (but not enforce any judgment in respect thereof, against any Collateral to the extent specifically prohibited by Section 2.4 or 2.8 of the Collateral Trust Agreement;

(4) restrict or prevent any Holder of Notes or other Parity Lien Obligations, the Collateral Trustee or any Parity Lien Representative from exercising any of its rights or remedies upon a Default or Event of Default not specifically restricted or prohibited by Section 2.4 or 2.8 of the Collateral Trust Agreement; or

(5) restrict or prevent any Holder of Notes or other Parity Lien Obligations, the Collateral Trustee or any Parity Lien Representative from taking any lawful action in an Insolvency or Liquidation Proceeding not specifically restricted or prohibited by Section 2.4, 2.8 or 3.3 of the Collateral Trust Agreement.

Section 12.08 *Further Assurances; Insurance.*

The Issuers and each of the Guarantors will do or cause to be done all acts and things that may be required by applicable law, or that the Collateral Trustee from time to time may reasonably request, to assure and confirm that the Collateral Trustee holds, for the benefit of the holders of Secured Obligations, duly created and enforceable and perfected Liens upon the Collateral (including any property or assets that are acquired or otherwise become Collateral after the Notes are issued), in each case, as contemplated by, and with the Lien priority required under, the Secured Debt Documents.

Upon the reasonable request of the Collateral Trustee or any Secured Debt Representative at any time and from time to time, the Issuers and each of the Guarantors will promptly execute, acknowledge and deliver such Security Documents, instruments, certificates, notices and other documents, and take such other actions as may be reasonably required, or that the Collateral Trustee may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case as contemplated by the Secured Debt Documents for the benefit of the holders of Secured Obligations.

The Issuers and the Guarantors will maintain insurance in accordance with Section 4.22 hereof. Upon reasonable request of the Collateral Trustee, the Issuers and the Guarantors will furnish to the Collateral Trustee full information as to their property and liability insurance carriers.

Section 12.09 *Gaming Law Limitations on Foreclosure.*

The Collateral Trustee's or any Holder's ability to foreclose upon the Collateral comprising our gaming business will be subject to and limited by Gaming Laws of the States of Nevada and Louisiana. No person, including the Collateral Trustee or any Holder, is permitted to own, operate or manage a



gaming business or own, lease, operate or possess gaming assets or equipment (including certain of the Collateral) unless such person has been found suitable and holds the appropriate Gaming License issued by the applicable Gaming Authorities. During any foreclosure proceeding, the Collateral Trustee could seek the appointment of a receiver through a petition to the appropriate Nevada or Louisiana state court, as applicable, to take possession of the Collateral. Prior to taking control of the gaming operation or possession of any gaming assets or equipment or instituting a foreclosure sale, approval of the applicable Gaming Authorities would be required and the Collateral Trustee and/or the receiver may be required to be found suitable and to obtain the requisite Gaming License from the applicable Gaming Authorities. If the Nevada Gaming Commission or the Louisiana Gaming Control Board, as applicable, does not find the Collateral Trustee or such receiver suitable for licensure, we would not be permitted to do any of the following: (1) make any payment of any kind to the person found unsuitable, (2) recognize the exercise by any unsuitable person of any ownership or control over us or (3) pay to any unsuitable person any remuneration in any form for services rendered. Applicable Gaming Laws could substantially delay, restrict, condition or prevent the ability of the holders of the Notes to realize on the Collateral or receive any payments from Eldorado or any of the Guarantors, including payments pursuant to the Notes. In addition, before the Collateral Trustee or any such receiver, as applicable, could acquire and operate the Eldorado Shreveport Hotel and Casino and Eldorado Hotel and Casino, the Collateral Trustee or any such receiver, as applicable and the Holders of the Notes would be required to comply with the suitability and licensing requirements under the Gaming Laws of the states of Nevada and/or Louisiana, as applicable. In any foreclosure sale, licensing requirements under Gaming Laws may limit the number of potential bidders and may delay the sale of the Collateral, either of which could adversely affect the sale price of the Collateral.

In the event that the Nevada Gaming Commission or the Louisiana Gaming Control Board revokes, suspends or does not renew our Gaming License, the Nevada Gaming Commission or the Louisiana Gaming Control Board, pursuant to the Gaming Laws, has the authority to appoint a trustee to, among other things, maintain and operate the Eldorado Shreveport Hotel and Casino and Eldorado Hotel and Casino, as applicable, or seek to sell or otherwise convey the assets of Eldorado, subject to Nevada Gaming Commission or the Louisiana Gaming Control Board approval.

Section 12.10 *Limitation on Duty of Trustee in Respect of Collateral.*

(a) Beyond the exercise of reasonable care in the custody thereof, the Trustee shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Trustee shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any security interest in the Collateral. The Trustee shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property and shall not be liable or responsible for any loss or diminution in the value of any of the Collateral, by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Trustee in good faith.

(b) The Trustee shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence, bad faith or willful misconduct on the part of the Trustee, for the validity or sufficiency of the Collateral or any agreement or assignment contained therein, for the validity of the title of the Issuers to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

ARTICLE 13
MISCELLANEOUS

Section 13.01 *Notices.*

Any notice or communication by an Issuer, any Guarantor, the Trustee or the Collateral Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers and/or any Guarantor:

Eldorado Resorts LLC / Eldorado Capital Corp.
345 N. Virginia Street
Reno, NV 89501
Facsimile:
Attention: Robert M. Jones

With a copy to:
Milbank, Tweed, Hadley & McCloy LLP
601 S. Figueroa Street, 30th Floor
Los Angeles, California 90017
Facsimile: (213) 629-5063
Attention: Deborah Ruosch

If to the Trustee:
U.S. Bank National Association
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Facsimile No.: (866) 640-1284
Attention: Michael M. Hopkins

With a copy to:
Shipman & Goodwin LLP
One Constitution Plaza
Hartford, CT 06103
Facsimile No. (860) 251-5212
Attention: Leslie L. Davenport, Esq.

If to the Collateral Trustee:
Capital One, N.A.
Collateral Services
333 Travis Street, 3rd Floor
Shreveport, Louisiana 71101
Facsimile No. (318) 374-3758

The Issuers, any Guarantor, the Trustee or the Collateral Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.



All notices and communications (other than those sent to Holders of Notes) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuers mail a notice or communication to Holders of Notes, it will mail a copy to the Trustee and each Agent at the same time.

Section 13.02 *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(1) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.03 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.03 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.03 *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 13.04 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.



Section 13.05 *No Personal Liability of Directors, Partners, Members, Officers, Employees and Stockholders.*

No director, partner, member officer, employee, incorporator or stockholder of either of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the Notes, this Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 13.06 *Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.07 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuers or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.08 *Successors.*

All agreements of the Issuers in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 10.05 hereof.

Section 13.09 *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 13.10 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement.

Section 13.11 *Table of Contents, Headings, etc.*

The Table of Contents and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

Section 13.12 *Waiver of Jury Trial.*

EACH OF THE ISSUERS, THE GUARANTORS, THE TRUSTEE AND THE COLLATERAL TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY



APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 13.13 *Force Majeure.*

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and

hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

[Signatures on following page]



SIGNATURES

Dated as of the date first written above.

ELDORADO RESORTS LLC

By: /s/ GARY L. CARANO
Name: Gary L. Carano
Title: President

ELDORADO CAPITAL CORP.

By: /s/ GENE CARANO
Name: Gene Carano
Title: Manager

ELDORADO SHREVEPORT #1, LLC

By: /s/ GARY L. CARANO
Name: GARY L. CARANO
Title: MANAGER

ELDORADO SHREVEPORT #2, LLC

By: /s/ GARY L. CARANO
Name: GARY L. CARANO
Title: MANAGER

ELDORADO CASINO SHREVEPORT JOINT VENTURE

By: Eldorado Shreveport #1, LLC,
its managing partner

By: /s/ GARY L. CARANO
Name: Gary L. Carano
Title: Manager

SHREVEPORT CAPITAL CORPORATION

By: /s/ GARY L. CARANO
Name: Gary L. Carano
Title: President

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ MICHAEL M. HOPKINS
Name: Michael M. Hopkins
Title: Vice President

CAPITAL ONE, N.A.
as Collateral Trustee

By: /s/ KACY KENT
Name: Kacy Kent
Title: Vice President

Face of Note

CUSIP:
ISIN:

**8.625% Senior Secured Notes due 2019**

No. $

ELDORADO RESORTS LLC.
ELDORADO CAPITAL CORP.

promises to pay to CEDE & CO. or registered assigns,

the principal sum of DOLLARS* on June 15, 2019.

Interest Payment Dates: June15 and December 15

Record Dates: June 1 and December1

Dated: , 201

**ELDORADO RESORTS LLC**

By: _____
Name:
Title:

**ELDORADO CAPITAL CORP.**

By: _____
Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

**U.S. BANK NATIONAL ASSOCIATION**
as Trustee

By: _____
Authorized Signatory



**Back of Note**
**8.625% Senior Secured Notes due 2019**

*[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]*

*[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]*

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. Eldorado Resorts LLC, a Nevada limited liability company, and Eldorado Capital Corp., a Nevada corporation (together, the "*Issuers*"), promises to pay or cause to be paid interest on the principal amount of this Note at 8.625% per annum from , 201 until maturity. The Issuers will pay interest, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that, if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be , 201 . The Issuers will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue principal at a rate that is 1% per annum higher than the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue installments of interest, if any (without regard to any applicable grace period), at the same rate to the extent lawful.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Notes (except defaulted interest), if any, to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest, if any, at the office or agency of the Paying Agent and Registrar, or, at the option of the Issuers, payment of interest, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of, premium on, if any, and interest, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts;

(3) *PAYING AGENT AND REGISTRAR*. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change the Paying Agent or Registrar without prior notice to the Holders of the Notes. The Issuers or any of its Subsidiaries may act as Paying Agent or Registrar.



(4) *INDENTURE AND SECURITY DOCUMENTS*. The Issuers issued the Notes under an Indenture dated as of June 1, 2011 (the "*Indenture*") among the Issuers, the Guarantors, the Trustee and the Collateral Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. The Notes are secured obligations of the Issuers. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are secured by substantially all the assets of the Issuers and the Guarantors pursuant to the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION.*

(b) At any time prior to June 15, 2014, the Issuers may on any one or more ocasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 108.625% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest, if any, to the date of redemption (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date) with the net cash proceeds of one or more Equity Offerings by Eldorado or a contribution to Eldorado's common equity capital made with the net cash proceeds of a concurrent Equity Offering by Eldorado's direct or indirect parent; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by Eldorado and Eldorado's subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

(c) In addition, not more than once during each twelve-month period ending on June 15 of 2012, 2013 and 2014, the Issuers may redeem up to $18.0 million in principal amount of the Notes in each such twelve-month period, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date).

(d) At any time prior to June 15, 2015, the Issuers, at their option, may on one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date.

(e) Except pursuant to the three preceding paragraphs, the Notes will not be redeemable at the Issuers' option prior to June15, 2015.

(f) On or after June15, 2015, the Issuers may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below,



plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on June 15 of the years indicated below (subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date):

| Year | Percentage |
|---|---|
| 2015 | 104.313% |
| 2016 | 102.156% |
| 2017 and thereafter | 100.000% |

Unless the Issuers default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(6) *GAMING REDEMPTION*. Each Holder, by accepting a Note, shall be deemed to have agreed that, if any Gaming Authority requires that a Person who is a Holder or the beneficial owner of Notes be registered, licensed, qualified or found suitable under applicable Gaming Laws, such Holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability in accordance with such

Gaming Laws. If such Person fails to apply or become registered, licensed or qualified or is found unsuitable, the Issuers shall have the right, at their option:

(a) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Issuers' election or such earlier date as may be requested or prescribed by such Gaming Authority; or

to redeem such Notes, upon not less than 30 days' notice (or such earlier date as may be requested or prescribed by such Gaming Authority), at a redemption price equal to:

(1) the lesser of:

(A) the Person's cost for such Notes, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; and

(B) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; or

(2) such other amount as may be required by applicable law or order of the Gaming Authority.

(b) Eldorado shall notify the Trustee in writing of any such disqualified Holder status or redemption as soon as practicable. The Issuers shall not be responsible for any costs or expenses any Holder or beneficial owner may incur in connection with its registration, application for a license, qualification or a finding of suitability, or any renewal or continuation of the foregoing or compliance with any other requirement of a Gaming Authority. Those costs and expenses will be the obligations of the Holder or beneficial owner, as applicable.

(7) *MANDATORY REDEMPTION*. The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.



(8) *REPURCHASE AT THE OPTION OF HOLDER.*

(A) If there is a Change of Control, the Issuers will be required to make an offer (a "*Change of Control Offer*") to each Holder to repurchase all or any part (equal to an integral multiple of $1,000) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, thereon to the date of purchase subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date (the "*Change of Control Payment*"). Within ten business days following any Change of Control, the Issuers will mail a notice to each Holder and setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(B) If Eldorado or a Restricted Subsidiary of Eldorado consummates any Asset Sales or receives any Casualty Event Proceeds, within fifteen days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers will make an Asset Sale Offer to all Holders of Notes and all holders of other Parity Lien Debt containing provisions similar to those set forth in the Indenture with respect to offers to purchase, prepay or redeem with the proceeds of Asset Sales or Casualty Events in accordance with the Indenture to purchase, prepay or redeem the maximum principal amount of Notes and such other Parity Lien Debt (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, Eldorado may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other Parity Lien Debt tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other Parity Lien Debt to be purchased on a *pro rata* basis, amounts tendered into or required to be redeemed or prepaid (with such adjustments as may be deemed appropriate by Eldorado so that only Notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be left outstanding). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from Eldorado prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

(9) *NOTICE OF REDEMPTION*. At least 30 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to Articles 8 or 11 thereof. Notes and portions of Notes selected will be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder shall be redeemed or purchased

(10) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and



transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the next succeeding Interest Payment Date.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as the owner of it for all purposes. Only registered Holders have rights under the Indenture.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of Notes, the Indenture, the Notes, the Note Guarantees or the Security Documents may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees by a successor to either Issuer or such Guarantor pursuant to the Indenture, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture hereunder of any Holder, to enter into additional or supplemental Security Documents or guarantees or a collateral trust agreement with respect thereto, including the amendment of any security document to reflect or permit the incurrence of additional Parity Lien Debt or Priority Lien Debt that is otherwise permitted under the Indenture, to conform the text of the Indenture, the Notes, the Note Guarantees or the Security Documents to any provision of the "Description of Notes" section of the Offering Memorandum to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Note Guarantees or the Security Documents, which intent may be evidenced by an Officer's Certificate to that effect, to release Collateral in accordance with the terms of the Indenture and the Security Documents, to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture, to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes, to make, complete or confirm any grant of Collateral permitted or required by the Indenture or any of the Security Documents or any release, termination, discharge of the Collateral that becomes effective as set forth in the Indenture or any of the Security Documents; or to amend the Security Documents as required by the Collateral Trust Agreement.

(13) *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest, if any, on, the Notes; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium on, if any, the Notes, (iii) failure by Eldorado or any of its Restricted Subsidiaries to comply with the provisions (including, without limitation, obligations as to the timing or amount of payments made in accordance with such provisions) of Sections 4.15 or 5.01 of the Indenture; (iv) failure by Eldorado or any of its Restricted Subsidiaries for 60 days after notice to Eldorado from the Trustee or to Eldorado and the Trustee from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or in the Security Documents; (v) default under any mortgage, indenture or instrument under



which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Eldorado or any of its Restricted Subsidiaries (or the payment of which is guaranteed by Eldorado or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, if that default: (A) is caused by a failure to pay principal of, premium on, if any, or interest on, if any, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or (B) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $15.0 million or more; (vi) failure by Eldorado or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $15.0 million, which judgments are not paid, waived, satisfied discharged or stayed, for a period of 60 days; (vii) (A) any security interest created by the Security Documents ceases to be in perfected and in full force and effect (except, in each case, as permitted by the terms of the Indenture or the Security Documents) with respect to Collateral having a Fair Market Value in excess of $5.0 million for a period of more than 30 days, or an assertion by Eldorado or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value in excess of $5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of this Indenture or the Security Documents) for a period of more than 30 days; (B) Eldorado or any of its Restricted Subsidiaries denies or disaffirms any of its material obligations under the Security Documents; or (C) any Security Document is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, other than in accordance with the terms of the relevant Security Documents and this Indenture; (viii) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; (ix) the revocation, termination, suspension or cessation of effectiveness of any Gaming License following exhaustion of all administrative remedies which results in the cessation or suspension of any gaming operations at either Gaming Facility for a period of more than 90 consecutive days that, during the twelve month period ended on the last day of the most recently ended calendar month, accounted for ten percent or more of the consolidated gross revenues (calculated in accordance with GAAP) of Eldorado and its Restricted Subsidiaries on a consolidated basis related to gaming operations (other than the voluntary relinquishment of a Gaming License if such relinquishment is, in the reasonable, good faith judgment of the Board of Directors of Eldorado both desirable in the conduct of the business of Eldorado and its Restricted Subsidiaries, taken as a whole, and not disadvantageous in any material respect to the holders of Notes or any such revocation, termination, suspension or cessation resulting from a Casualty Event so long as Eldorado and its Restricted Subsidiaries are complying with Section 4.10 of the Indenture; (x) certain events of bankruptcy or insolvency described in this Indenture with respect to Eldorado or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to Eldorado, any Restricted Subsidiary of Eldorado that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Eldorado that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in

aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, premium, if any, or interest, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of all the Holders, rescind an acceleration or waive an existing Default or Event of Default and its respective consequences under the Indenture except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (including in connection with an offer to purchase). The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. No director, partner, member, officer, employee, incorporator or stockholder of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the Notes, the Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

(16) *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(19) *GOVERNING LAW.* THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Eldorado will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:



Eldorado Resorts LLC / Eldorado Capital Corp.
345 N. Virginia Street
Reno, NV 89501
Facsimile:
Attention: Robert M. Jones



**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee's legal name)

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Issuers.
The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).



**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

o Section 4.10 o Section 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).



**SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE ***

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount at maturity of this Global Note | Amount of increase in Principal Amount at maturity of this Global Note | Principal Amount at maturity of this Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |
| | | | | |

* *This schedule should be included only if the Note is issued in global form.*



**Face of Regulation S Temporary Global Note**

CUSIP:
ISIN:

**8.625% Senior Secured Notes due 2019**

No. **$**

ELDORADO RESORTS LLC.
ELDORADO CAPITAL CORP.

promises to pay to CEDE & CO. or registered assigns,

the principal sum of DOLLARS* on June 15, 2019.

Interest Payment Dates: June 15 and December15

Record Dates: June 1 and December 1

Dated: , 201

**ELDORADO RESORTS LLC**

By: _____
Name:
Title:

**ELDORADO CAPITAL CORP.**

By: _____
Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

**U.S. BANK NATIONAL ASSOCIATION**
as Trustee

By: _____
Authorized Signatory



**Back of Regulation S Temporary Global Note**
**8.625% Senior Secured Notes due 2019**

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN

THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (V) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(A)(1), (2), (3), (4) OR (7) OF REGULATION D UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. *INTEREST*. Eldorado Resorts LLC, a Nevada limited liability company, and Eldorado Capital Corp., a Nevada corporation (together, the "*Issuers*"), promises to pay or cause to be paid interest on the principal amount of this Note at 8.625% per annum from , 20 until maturity. The Issuers will pay interest, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that, if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be , 20 . The Issuers will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue principal at a rate that is 1% per annum higher than the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under the Bankruptcy Code) on overdue installments of interest, if any (without regard to any applicable grace period), at the same rate to the extent lawful.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

2. *METHOD OF PAYMENT*. The Issuers will pay interest on the Notes (except defaulted interest), if any, to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest, if any, at the office or agency of the Paying Agent and Registrar, or, at the option of the Issuers, payment of interest, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of, premium on, if any, and interest, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts;



3. *PAYING AGENT AND REGISTRAR*. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change the Paying Agent or Registrar without prior notice to the Holders of the Notes. The Issuers or any of its Subsidiaries may act as Paying Agent or Registrar.

4. *INDENTURE AND SECURITY DOCUMENTS*. The Issuers issued the Notes under an Indenture dated as of June 1, 2011 (the "*Indenture*") among the Issuers, the Guarantors, the Trustee and the Collateral Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. The Notes are secured obligations of the Issuers. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are secured by substantially all the assets of the Issuers and the Guarantors pursuant to the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

5. Optional Redemption.

(a) At any time prior to June 15, 2014, the Issuers may on any one or more ocasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 108.625% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date) with the net cash proceeds of one or more Equity Offerings by Eldorado or a contribution to Eldorado's common equity capital made with the net cash proceeds of a concurrent Equity Offering by Eldorado's direct or indirect parent; provided that:

(A) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by Eldorado and Eldorado's subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(B) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

(b) In addition, not more than once during each twelve-month period ending on June 15 of 2012, 2013 and 2014, the Issuers may redeem up to $18.0 million in principal amount of the Notes in each such twelve-month period, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date).

(c) At any time prior to June 15, 2015, the Issuers, at their option, may on one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date.

(d) Except pursuant to the three preceding paragraphs, the Notes will not be redeemable at the Issuers' option prior to June 15, 2015.

(e) On or after June 15, 2015, the Issuers may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period



beginning on June 15 of the years indicated below (subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date):

| Year | Percentage |
|---|---|
| 2015 | 104.313% |
| 2016 | 102.156% |
| 2017 and thereafter | 100.000% |

Unless the Issuers default in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

6. *GAMING REDEMPTION*. Each Holder, by accepting a Note, shall be deemed to have agreed that, if any Gaming Authority requires that a Person who is a Holder or the beneficial owner of Notes be registered, licensed, qualified or found suitable under applicable Gaming Laws, such Holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability in accordance with such Gaming Laws. If such Person fails to apply or become registered, licensed or qualified or is found unsuitable, the Issuers shall have the right, at their option:

(a) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Issuers' election or such earlier date as may be requested or prescribed by such Gaming Authority; or

to redeem such Notes, upon not less than 30 days' notice (or such earlier date as may be requested or prescribed by such Gaming Authority), at a redemption price equal to:

(A) the lesser of:

(i) the Person's cost for such Notes, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; and

(ii) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the date of redemption or the date of the finding of unsuitability or failure to comply; or

(B) such other amount as may be required by applicable law or order of the Gaming Authority.

(b) Eldorado shall notify the Trustee in writing of any such disqualified Holder status or redemption as soon as practicable. The Issuers shall not be responsible for any costs or expenses any Holder or beneficial owner may incur in connection with its registration, application for a license, qualification or a finding of suitability, or any renewal or continuation of the foregoing or compliance with any other requirement of a Gaming Authority. Those costs and expenses will be the obligations of the Holder or beneficial owner, as applicable.

7. *MANDATORY REDEMPTION.* The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

*8. REPURCHASE AT THE OPTION OF HOLDER.*

(a) If there is a Change of Control, the Issuers will be required to make an offer (a "*Change of Control Offer*") to each Holder to repurchase all or any part (equal to an integral multiple of $1,000) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, thereon to the date of purchase subject to the rights of Holders of



Notes on the relevant record date to receive interest due on the relevant interest payment date (the "*Change of Control Payment*"). Within ten business days following any Change of Control, the Issuers will mail a notice to each Holder and setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If Eldorado or a Restricted Subsidiary of Eldorado consummates any Asset Sales or receives any Casualty Event Proceeds, within fifteen days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Issuers will make an Asset Sale Offer to all Holders of Notes and all holders of other Parity Lien Debt containing provisions similar to those set forth in the Indenture with respect to offers to purchase, prepay or redeem with the proceeds of Asset Sales or Casualty Events in accordance with the Indenture to purchase, prepay or redeem the maximum principal amount of Notes and such other Parity Lien Debt (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, Eldorado may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other Parity Lien Debt tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other Parity Lien Debt to be purchased on a *pro rata* basis, amounts tendered into or required to be redeemed or prepaid (with such adjustments as may be deemed appropriate by Eldorado so that only Notes in denominations of $2,000, or an integral multiple of $1,000 in excess thereof, will be left outstanding). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be

reset at zero. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from Eldorado prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

9. *NOTICE OF REDEMPTION*. At least 30 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to Articles 8 or 11 thereof. Notes and portions of Notes selected will be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder shall be redeemed or purchased

10. *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the next succeeding Interest Payment Date.

11. *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as the owner of it for all purposes. Only registered Holders have rights under the Indenture.



12. *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of Notes, the Indenture, the Notes, the Note Guarantees or the Security Documents may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees by a successor to either Issuer or such Guarantor pursuant to the Indenture, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture hereunder of any Holder, to enter into additional or supplemental Security Documents or guarantees or a collateral trust agreement with respect thereto, including the amendment of any security document to reflect or permit the incurrence of additional Parity Lien Debt or Priority Lien Debt that is otherwise permitted under the Indenture, to conform the text of the Indenture, the Notes, the Note Guarantees or the Security Documents to any provision of the "Description of Notes" section of the Offering Memorandum to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Note Guarantees or the Security Documents, which intent may be evidenced by an Officer's Certificate to that effect, to release Collateral in accordance with the terms of the Indenture and the Security Documents, to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture, to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes, to make, complete or confirm any grant of Collateral permitted or required by the Indenture or any of the Security Documents or any release, termination, discharge of the Collateral that becomes effective as set forth in the Indenture or any of the Security Documents; or to amend the Security Documents as required by the Collateral Trust Agreement.

13. *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest, if any, on, the Notes; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium on, if any, the Notes, (iii) failure by Eldorado or any of its Restricted Subsidiaries to comply with the provisions (including, without limitation, obligations as to the timing or amount of payments made in accordance with such provisions) of Sections 4.15 or 5.01 of the Indenture; (iv) failure by Eldorado or any of its Restricted Subsidiaries for 60 days after notice to Eldorado from the Trustee or to Eldorado and the Trustee from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or in the Security Documents; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Eldorado or any of its Restricted Subsidiaries (or the payment of which is guaranteed by Eldorado or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, if that default: (A) is caused by a failure to pay principal of, premium on, if any, or interest on, if any, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or (B) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $15.0 million or more; (vi) failure by Eldorado or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $15.0 million, which judgments are not paid, waived, satisfied discharged or stayed, for a period of 60 days; (vii) (A) any security interest created by the Security Documents ceases to be in perfected and in full force and effect (except, in each case, as permitted by the terms of the Indenture or the Security



Documents) with respect to Collateral having a Fair Market Value in excess of $5.0 million for a period of more than 30 days, or an assertion by Eldorado or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value in excess of $5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of this Indenture or the Security Documents) for a period of more than 30 days; (B) Eldorado or any of its Restricted Subsidiaries denies or disaffirms any of its material obligations under the Security Documents; or (C) any Security Document is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, other than in accordance with the terms of the relevant Security Documents and this Indenture; (viii) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; (ix) the revocation, termination, suspension or cessation of effectiveness of any Gaming License following exhaustion of all administrative remedies which results in the cessation or suspension of any gaming operations at either Gaming Facility for a period of more than 90 consecutive days that, during the twelve month period ended on the last day of the most recently ended calendar month, accounted for ten percent or more of the consolidated gross revenues (calculated in accordance with GAAP) of Eldorado and its Restricted Subsidiaries on a consolidated basis related to gaming operations (other than the voluntary relinquishment of a Gaming License if such relinquishment is, in the reasonable, good faith judgment of the Board of

Directors of Eldorado both desirable in the conduct of the business of Eldorado and its Restricted Subsidiaries, taken as a whole, and not disadvantageous in any material respect to the holders of Notes or any such revocation, termination, suspension or cessation resulting from a Casualty Event so long as Eldorado and its Restricted Subsidiaries are complying with Section 4.10 of the Indenture; (x) certain events of bankruptcy or insolvency described in this Indenture with respect to Eldorado or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to Eldorado, any Restricted Subsidiary of Eldorado that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Eldorado that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, premium, if any, or interest, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of all the Holders, rescind an acceleration or waive an existing Default or Event of Default and its respective consequences under the Indenture except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (including in connection with an offer to purchase). The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

14. *TRUSTEE DEALINGS WITH ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.



15. *NO RECOURSE AGAINST OTHERS*. No director, partner, member, officer, employee, incorporator or stockholder of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the Notes, the Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

16. *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

19. *GOVERNING LAW.* THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Eldorado will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Eldorado Resorts LLC / Eldorado Capital Corp.
345 N. Virginia Street
Reno, NV 89501
Facsimile:
Attention: Robert M. Jones



**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee's legal name)

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).



**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

oSection 4.10 oSection 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).



**SCHEDULE OF EXCHANGES OF INTERESTS IN THE REGULATION S TEMPORARY GLOBAL NOTE**

The following exchanges of a part of this Regulation S Temporary Global Note for an interest in another Global Note, or exchanges of a part of another other Restricted Global Note for an interest in this Regulation S Temporary Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount at maturity of this Global Note | Amount of increase in Principal Amount at maturity of this Global Note | Principal Amount at maturity of this Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |
| | | | | |



EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Eldorado Resorts LLC / Eldorado Capital Corp.
345 N. Virginia Street
Reno, NV 89501

[*Registrar address block*]

Re: 8.625% Senior Secured Notes due 2019

Reference is hereby made to the Indenture, dated as of April 15, 2011 (the "*Indenture*"), among Eldorado Resorts LLC and Eldorado Capital Corp., each as issuer (together, the "*Company*"), the Guarantors party thereto, U.S. Bank National Association, as trustee and Capital One, N.A., as collateral trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the "*Transferor*") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $ in such Note[s] or interests (the "*Transfer*"), to (the "*Transferee*"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. o **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "*Securities Act*"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. o **Check if Transferee will take delivery of a beneficial interest in the Regulation S Temporary Global Note, the Regulation S Permanent Global Note or a Restricted Definitive Note pursuant to Regulation S**. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser).



Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Permanent Global Note, the Regulation S Temporary Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. o **Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S**. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) o such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) o such Transfer is being effected to the Company or a subsidiary thereof;

or

(c) o such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

4. o **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note**.

(a) o **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) o **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) o **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the

restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____



ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) o a beneficial interest in the:

(i) o 144A Global Note (CUSIP ), or

(ii) o Regulation S Global Note (CUSIP ), or

(b) o a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) o a beneficial interest in the:

(i) o 144A Global Note (CUSIP ), or

(ii) o Regulation S Global Note (CUSIP ), or

(iii) o Unrestricted Global Note (CUSIP ); or

(b) o a Restricted Definitive Note; or

(c) o an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.



EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Eldorado Resorts LLC / Eldorado Capital Corp.
345 N. Virginia Street
Reno, NV 89501

[*Registrar address block*]

Re: 8.625% Senior Secured Notes due 2019

(CUSIP: )

Reference is hereby made to the Indenture, dated as of April 15, 2011 (the "*Indenture*"), among Eldorado Resorts LLC and Eldorado Capital Corp., each as issuer (together, the "*Company*"), the Guarantors party thereto, U.S. Bank National Association, as trustee and Capital One, N.A., as collateral

trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the "*Owner*") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $ in such Note[s] or interests (the "*Exchange*"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a) o **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "*Securities Act*"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) o **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) o **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in



accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) o **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a) o **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) o **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note**. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] o 144A Global Note, o Regulation S Global Note, with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

FORM OF NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of June 1, 2011 (the "*Indenture*"), among Eldorado Resorts LLC and Eldorado Capital Corp., each as issuer (together, the "*Company*"), the Guarantors party thereto, U.S. Bank National Association, as Trustee and Capital One, N.A., as Collateral Trustee, (a) the due and punctual payment of the principal of, premium on, if any, and interest, if any, on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of, premium on, if any, and interest, if any, on, the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF GUARANTOR(S)]

By: _____
Name:
Title:



EXHIBIT E

FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SUPPLEMENTAL INDENTURE (this "*Supplemental Indenture*"), dated as of , among (the "*Guaranteeing Subsidiary*"), a subsidiary of Eldorado Resorts LLC (or its permitted successor), a Nevada limited liability company (the "*Company*"), the Company, the other Guarantors (as defined in the Indenture referred to herein), U.S. Bank National Association, as trustee under the Indenture referred to below (the "*Trustee*") and Capital One, N.A., as collateral trustee referred to below.

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "*Indenture*"), dated as of June 1, 2011 providing for the issuance of 8.625% Senior Secured Notes due 2019 (the "*Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

4. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

5. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.



6. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.



IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: ,

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

ELDORADO RESORTS LLC

By: _____
Name:
Title:

ELDORADO CAPITAL CORP.

By: _____
Name:
Title:

ELDORADO SHREVEPORT #1, LLC

By: _____
Name:
Title:

ELDORADO SHREVEPORT #2, LLC

By: _____
Name:
Title:

ELDORADO CASINO SHREVEPORT JOINT VENTURE

By: _____
Name:
Title:



SHREVEPORT CAPITAL CORPORATION

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Name:
Title:

CAPITAL ONE, N.A.
as Collateral Trustee

By: _____

Name:
Title:

**Exhibit 10.17**

GROUND LEASE

by and between

CITY OF SHREVEPORT,
as Landlord

and

QNOV,
as Tenant

May 19, 1999

---

Table of Contents





---

Exhibits





GROUND LEASE

THIS GROUND LEASE (this "Lease") is made and entered into as of May 19, 1999 (the "Commencement Date"), between the CITY OF SHREVEPORT, LOUISIANA, a municipal corporation of the State of Louisiana, represented by Keith Hightower, its Mayor, duly authorized to act under Ordinance No.217: of 1998 of the City of Shreveport ("Landlord"), and QNOV, a Louisiana general partnership, represented herein by and through its general partners Sodak Louisiana, L.L.C., which in turn is appearing herein by and through Jack E. Pratt, its Manager, duly authorized and HWCC-LOUISIANA, INC., which in turn is appearing herein by and through Jack E. Pratt, its President, duly authorized ("QNOV").

Recitals

A. Landlord wishes to lease to QNOV, and QNOV wishes to lease from Landlord, certain immovable property located in the City of Shreveport and more particularly described in Exhibits "A-1" (the "Pavilion/Hotel Parcel"), "A-2" (the "Expansion Parcel"), "A-3" (the "North Parking Parcel"), "A-4" (the "South Parking Parcel"), "A-5" (the "Elevated Walkway Spaces") and "A-6" (the "Texas Street Parcel") (collectively, the "Premises") for the purpose of constructing and operating a riverboat/entertainment complex, Hotel (as hereinafter defined), no less than 1950 surface and structured parking spaces and related facilities (collectively, the "Shoreside Complex") and for other uses and purposes as set forth in this Lease.

B. Landlord declares that in entering into this Lease it has complied with all requirements of Law, including La. R.S. 33:4712.

C. The parties desire to enter into this Lease to set forth their rights and obligations relating to the Premises.

NOW, THEREFORE, IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS OF THE PARTIES CONTAINED IN THIS LEASE, INCLUDING THE PAYMENT OF RENT (HEREINAFTER DEFINED), AND IN CONSIDERATION OF THE RECITALS SET FORTH ABOVE (WHICH ARE INCORPORATED BY REFERENCE IN THIS LEASE), INTENDING TO BE LEGALLY BOUND AND FOR THE CAUSE EXPRESSED HEREIN, LANDLORD AND TENANT AGREE AS FOLLOWS:

ARTICLE I - DEMISING OF PREMISES

Landlord hereby leases the Premises to Tenant, and Tenant hereby takes and hires the Premises from Landlord, all subject only to the estates, interests, liens, charges and encumbrances set forth in Exhibit "B" (the "Permitted Exceptions"). The Premises are leased to Tenant for the Term defined in this Lease, upon all the terms and conditions of this Lease.

Landlord represents and warrants to Tenant that Landlord holds good and clear record and marketable fee simple absolute title and full ownership to the Premises, together with: (a) all right, title and interest of Landlord, if any, in and to the land lying in the bed of any street or highway in front of or adjoining any portion of the Premises; (b) the appurtenances and all the estate and rights of Landlord in and to the Premises; (c) any strips or alluvion adjoining any portion of the Premises; and (d) riparian rights and littoral rights associated therewith, including, but not limited to, all rights necessary to dock or moor a riverboat casino and related facilities, excepting, however, all rights in or ownership of the bed or bank of the Red River, being those lands below the low water line of said river, all of which rights are vested in the State of Louisiana and administered by the Caddo-Bossier Port Commission, an agency of the State of Louisiana, all subject only to the Permitted Exceptions. Notwithstanding the preceding representations and warranties or anything else contained in this Lease to the contrary, Tenant acknowledges and agrees that Landlord is making no representation or warranty relative to its title to or ownership of the Texas Street Parcel. Tenant further acknowledges and agrees that its lease of the Texas Street Parcel is subject to a servitude of public use in favor of the public and that such servitude, as it relates to the Texas Street Parcel, shall be considered a Permitted Exception hereunder for all purposes.

Notwithstanding the foregoing, Landlord and Tenant acknowledge and agree that the matters enumerated on Exhibit B-1 (the "Outstanding Title Matters") hereto presently affect the Premises although they are not Permitted Exceptions. Landlord, at its sole cost and expense, shall use its best efforts to cause the satisfaction, termination, cancellation and release of all Outstanding Title Matters on or before April 30, 1999 (the "Outside Title Date"), or such later date as may be agreed upon in writing by Landlord and Tenant, to enable Tenant to receive an owner's policy of title insurance and Tenant's lenders to receive a mortgagee's policy of title insurance, which do not list any of the Outstanding Title Matters as exceptions to Tenant's leasehold interest in the Premises.

## ARTICLE II - DEFINITIONS

"Acceptable Payment Discrepancy" is defined in Section 34.22(c).

"Accounting Principles" means generally accepted accounting principles, as by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, applied in accordance with applicable requirements of the Department of Public Safety and Corrections and the LGCB.

"Additional Rent" means any and all sums and payments to be paid by Tenant pursuant to this Lease other than Fixed Rent, Percentage Rent and amounts payable under Section 34.23(b).

"Admission Fee" means the admission fee authorized under La. R.S. 27:93 or any other fee, tax or imposition based upon passengers boarding a Riverboat Casino, whether levied pursuant to La. R.S. 27:93 or any other law, ordinance or regulation whatsoever.

"Adjusted Gross Revenue" for any period means the sum of Gross Revenue less the following revenues actually received by Tenant and included in Gross Revenues: (i) any gratuities



or service charges added to a customer's bill; (ii) any credits or refunds made to customers, guests or patrons; (iii) any sums and credits received by Tenant for lost or damaged merchandise; (iv) any sales taxes, excise taxes, gross receipt taxes, admission taxes, entertainment taxes, tourist taxes or similar charges; (v) any proceeds from the sale or other disposition of furnishings and equipment or other capital assets; (vi) any fire and extended coverage insurance proceeds; (vii) any condemnation awards; (viii) any proceeds of financing or refinancing; and (ix) any interest on bank account(s).

"Advisory Council" is defined in Article XXXIII.

"Affiliate" means, as to any entity, another entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such entity.

"Business Day" means any weekday on which national banks are generally open for the conduct, with bank personnel, of regular banking business.

"Casualty" means any damage or destruction affecting any or all improvements located on the Premises.

"Combined Tax Lot" is defined in Section 6.04.

"Commencement Date" is defined in the preamble of this Lease.

"Condemnation" means any taking of the Premises or any part of the Premises by condemnation or by exercise of any right of eminent domain, or by any similar proceeding or act of any Government.

"Construction Period" is defined in Section 5.02.

"Construction Period Rent" is defined in Section 5.02.

"Construction Trigger Date" means the six month anniversary of the Commencement Date.

"Construction Commencement Date" means the date upon which construction of the Shoreside Complex commences.

"Consumer Price Index" means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, United States City Average, all items (1982-1984 = 100). If such index is no longer published, then Tenant shall designate a successor or replacement index of substantially equivalent reliability and objectivity. The Consumer Price Index in effect for any given date shall be deemed to refer to the Consumer Price Index last published before such date.

"Default" means any Monetary Default or Non-Monetary Default. Each and every covenant of Tenant under this Lease, if not performed by Tenant, shall give rise to a Default as to which Tenant shall have the cure rights provided for in this Lease.

"Depository" means an Institutional Lender designated by Tenant to act as "Depository" where expressly provided for in this Lease.

"Design Development Documents" means documents that (a) illustrate and describe the refinement of the design of the Shoreside Complex, including site traffic circulation, parking, ingress and egress, all proposed improvements and conceptual landscaping plans, (b) establish the scope, relationships, forms, size and appearance of the Shoreside Complex by means of plans, sections and elevations and typical construction details and (c) include specifications that identify major materials and systems and their quality levels.

"Design Review Committee" means a committee of seven individuals whose meetings and deliberations shall be presided over by the Mayor of Shreveport or, in the Mayor's absence, his designee. The members of the committee shall be the Mayor of Shreveport (Chairman), the Chairman of the Shreveport City Council, the Chairman of the Metropolitan Planning Commission, two citizens selected by the Mayor from recommendations from members of the Shreveport City Council, and two citizens selected by the Mayor of Shreveport. Of the seven members, two shall be certified architects of the State of Louisiana. All members shall be appointed within thirty (30) days of the Commencement Date.

"Elevated Walkway" means an enclosed climate-controlled pedestrian walkway.

"Elevated Walkway Spaces" is defined in the recitals of this Lease.

"Equipment Liens" means purchase-money security interests, financing leases, and similar arrangements (including the corresponding UCC-1 financing statements) relating to Tenant's acquisition or financing of personal property used in connection with the operation of the Premises and any Riverboat Casino, sale or installment sale arrangements, or used under licenses, such as furniture, fixtures and equipment, telephone, telecommunications and facsimile transmission equipment, point of sale equipment, televisions, radios, and computer systems, provided that each Equipment Lien encumbers or otherwise relates to only the property financed or otherwise provided by the secured party under such Equipment Lien. The lessor, seller or other secured party under an Equipment Lien may be an Affiliate of Tenant.

"Estoppel Certificate" means a statement in writing containing all (or, at the option of the Requesting Party, only some) of the statements set forth in the form attached as Exhibit "C" and containing such additional information relating to the Lease and the Premises as the Requesting Party shall reasonably specify.

"Estoppel Certificate Request" is defined in Section 32.01.



"Event of Default" is defined in Section 27.01.

"Expansion Parcel" is defined in the recitals of this Lease.

"Fee Estate" means Landlord's fee estate in the Premises or any part of the Premises or any direct or indirect interest in such fee estate. The Fee Estate is subject to this Lease.

"Fee Mortgage" means any mortgage, deed of trust, deed to secure debt, assignment, security interest, pledge, financing statement or other instrument(s) or agreement(s) intended to grant security for any obligation encumbering the Fee Estate as entered into, renewed, modified, amended, extended or assigned from time to time during the Term.

"Fee Mortgagee" means any holder of a Fee Mortgage.

"Fiscal Month" means Tenant's actual fiscal month which shall be a calendar month. If Tenant elects to change its Fiscal Month, it shall give not less than sixty (60) days' Notice to Landlord specifying the change prior to the effective date thereof and such change shall not cause a delay in any payment due under this Lease. Such term shall also mean and refer to any partial Fiscal Month arising because of a change in Tenant's Fiscal Month, subject to proration of any periodic payments calculated on the basis of a Fiscal Month.

"Fiscal Year" means Tenant's actual fiscal year which shall be a calendar year. If Tenant elects to change its Fiscal Year, it shall give not less than ninety (90) days' Notice to Landlord specifying the change prior to the effective date thereof and any such change of date shall not cause a delay in or change the amount of payments due under this Lease. Such term shall also mean and refer to any partial Fiscal Year arising because of a change in Tenant's Fiscal Year or because of a variation between the commencement date of Tenant's Fiscal Year and the date when Tenant is required to commence to pay Percentage Rent calculated with respect to each Fiscal Year (in each case subject to proration of any periodic payments calculated on the basis of a Fiscal Year).

"Fixed Rent" is defined in Section 5.03(a).

"Government" means each and every applicable governmental authority, department, agency, bureau or other entity or instrumentality having jurisdiction over the Premises, including the federal government of the United States, the State government and any subdivisions and municipalities thereof, including the Parish government, and all other applicable governmental authorities and subdivisions thereof.

"Gross Revenue" means all revenue of any nature derived by Tenant directly or indirectly from the Shoreside Complex or any Riverboat Casino operated by Tenant and berthed at the Premises, including food and beverage sales and other income, rental or other payments from lessees, sublessees, licensees, managers and concessionaires (but not the gross receipts of such lessees, sublessees, licensees, managers and concessionaires, except as required by Section 19.01 hereof) net of any real estate or personal property taxes or the like collected by Tenant or such

lessees, sublessees, licensees, managers and concessionaires, less an amount equal to the difference between Promotional Allowances and Room Rate Supplements for the relevant period, and, in the case of such a Riverboat Casino, Net Gaming Proceeds of such Riverboat Casino, in each case less items deductible as losses in the ordinary course of business according to Law. Parking Revenue, if any, is hereby specifically excluded from Gross Revenue.

"Hollywood" is defined in Section 8.01.

"Hotel" means a hotel and related facilities constructed on the Premises as described in Section 4.01.

"HWCC" means HWCC-Louisiana, Inc.

"Impositions" means all taxes, special and general assessments, water rents, rates and charges, commercial rent taxes, sewer rents and other impositions and charges of every kind and nature whatsoever with respect to the Premises that may be assessed, levied, confirmed, imposed or become a lien on the Premises (other than on account of any actions or omissions of Landlord or conditions existing on, at or with respect to the Premises before the Construction Commencement Date) by or for the benefit of any Government with respect to any period commencing on the Construction Commencement Date and thereafter during the Term together with any taxes and assessments that may be levied, assessed or imposed by the State or by any political or taxing subdivision of the State upon the gross income arising from any Rent or in lieu of or as a substitute, in whole or in part, for taxes and assessments imposed upon or related to the Premises and commonly known as real estate taxes. The term "Impositions" shall, however, not include any of the following, all of which Landlord shall pay before delinquent or payable only with a penalty: (a) any franchise, income, excess profits, estate, inheritance, succession, transfer, gift, corporation, business, capital levy, or profits tax, or license fee, of Landlord; (b) if the Premises is part of a Combined Tax Lot, any taxes and other Impositions reasonably allocable to any portion of such Combined Tax Lot other than the Premises, in accordance with the applicable provisions of this Lease; (c) the incremental portion of any Imposition that would not have been levied, imposed or assessed but for any sale or other direct or indirect transfer of the Fee Estate or of any interest in Landlord during the Term; (d) any charges that would not have been payable but for any act or omission of Landlord or conditions existing on, at or with respect to the Premises before the Construction Commencement Date; (e) any charges that are levied, assessed or imposed against the Premises during the Term based on the recapture or reversal of any previous tax abatement or tax subsidy, or compensating for any previous tax deferral or reduced assessment or valuation, or based on a miscalculation or misdetermination of any charge of any kind imposed or assessed with respect to the Premises, relating to any period before the Construction Commencement Date; (f) any sales or other taxes assessed and levied against Landlord's receipt of Rent hereunder (except where such taxes are imposed, in whole or in part, in lieu of or in substitution for real estate taxes, in which event same shall be paid by Tenant); and (g) interest, penalties and other charges with respect to items "a" through "f."



"Indemnify" means, as to any Indemnitor, that such Indemnitor shall indemnify the Indemnitee (and its partners, officers, directors, agents, officials and employees or their equivalent) and defend and hold the Indemnitee (and its partners, officers, directors, agents, officials and employees or their equivalent) harmless from and against any and all losses, costs, claims, liabilities, penalties, judgments, damages or other injuries, detriments, or expenses (including reasonable attorneys' fees, court costs, interest and penalties) reasonably incurred or suffered by the Indemnitee (and its partners, officers, directors, agents, officials and employees or their equivalent) on account of the matter that is the subject of such indemnification or in enforcing the Indemnitor's indemnity.

"Indemnitee" means a party that is entitled to be Indemnified pursuant to this Lease.

"Indemnitor" means a party that agrees to Indemnify another party pursuant to this Lease.

"In Lieu Payment" is defined in Section 34.23(b)(i).

"Initial Term" is defined in Section 3.01(a).

"Institutional Lender" means a bank, trust company, savings and loan association, insurance company, credit union, savings bank, pension, welfare or retirement fund or system, real estate investment trust, federal or state agency regularly making or guaranteeing mortgage loans, any other entity actively engaged in commercial real estate financing and having total assets of at least $100,000,000, or a corporation or other entity that is a wholly-owned subsidiary of any of the foregoing entities, including any of the foregoing when acting as trustee for other lender(s), whether or not such other lender(s) are themselves Institutional Lenders. The fact that a particular entity (or any affiliate of such entity) is a partner of the then Tenant under this Lease shall not preclude such entity from being an Institutional Lender and a Leasehold Mortgagee, provided that such entity has in fact made a loan to Tenant secured by a Leasehold Mortgage and otherwise qualified as an Institutional Lender and a Leasehold Mortgagee (as applicable).

"Insubstantial Condemnation" means any Condemnation other than a Substantial Condemnation.

"Landlord", as it applies to covenants or obligations of Landlord, shall refer to the Landlord named in the opening paragraph of this Lease and shall, throughout the Term, be limited to mean and refer to only the owner of the Fee Estate.

"Law" or "Laws" means all laws, ordinances, requirements, orders, directives, rules and regulations of any applicable Government affecting the development, improvements, alteration, use, maintenance, operation or occupancy of the Premises or any part of the Premises, whether in force at the Commencement Date or passed, enacted or imposed thereafter, subject in all cases, however, to all applicable waivers, variances and exemptions limiting the application of the foregoing to the Premises. For purposes of determining Tenant's obligations under this Lease, however, the term "Law" or "Laws" shall not include any of the foregoing that require the correction or remediation



of any condition not caused or created by Tenant that affected the Premises at the Construction Commencement Date.

"Leasehold Estate" means Tenant's leasehold estate arising under this Lease, upon and subject to all the terms and conditions of this Lease, or any part of such leasehold estate or any direct or indirect interest in such leasehold estate.

"Leasehold Mortgage" means any mortgage, deed of trust, deed to secure debt, assignment security interest, pledge, financing statement or any other instrument(s) or agreement(s) intended to grant security for any obligation (including a purchase-money or other promissory note) encumbering the Leasehold Estate, as entered into, renewed, modified, consolidated, amended, extended or assigned from time to time during the Term.

"Leasehold Mortgagee" means a holder of a Leasehold Mortgage.

"LGCB" means the Louisiana Gaming Control Board and any of its successor(s) who preside over gaming activities in the State of Louisiana.

"Loss of License" is defined in Section 3.06(c).

"Mandated Alterations" means any repairs or alterations mandated by Laws imposed, increased or otherwise rendered more burdensome after the Construction Commencement Date, including "retro-fitting" and structural alterations, whether or not such Laws could reasonably have been foreseen at the Construction Commencement Date.

"Memorandum of Lease" is defined in Article XXXI.

"Minimum Room Rate" means the average daily hotel room rate within the greater Shreveport metropolitan area for the most recent calendar year as reported by Smith Travel Research or, if such report is not available, as reported by any other source generally accepted in the hotel business.

"Monetary Default" means any failure by Tenant to pay any Rent or other sum of money payable pursuant to this Lease, when and as required to be paid pursuant to this Lease.

"Mortgage" means a Fee Mortgage or a Leasehold Mortgage.

"Mortgagee" means the holder of any Mortgage.

"M/WBE" is defined in Article XXXIII.



"Net Gaming Proceeds" means "net gaming proceeds" as defined in La.R.S. 27:44(15) as of the Commencement Date.

"Non-Monetary Default" means any failure by Tenant to perform as required by this Lease, other than a Monetary Default.

"North Parking Facility" means the parking facility to be constructed by Tenant on the North Parking Parcel.

"North Parking Parcel" is defined in the recitals of this Lease.

"Notice" means any notice, demand, request, election, designation, or consent, including any of the foregoing relating to a Default or alleged default, that is permitted, required or desired to be given by either party in connection with this Lease. Notices shall be delivered, and shall become effective, only in accordance with Article XXXVI.

"Notice of Default" means any Notice from one party to the other claiming or giving Notice of a Default or alleged Default by the recipient and stating the nature of such Default with particularity.

"Opening Date" means the first date on which the Riverboat Casino is open to the public and has commenced doing business.

"Parish" means each of Bossier and Caddo Parish, Louisiana.

"Parking Facilities" means any area for parking motor vehicles located on the Premises.

"Parking Facilities Net Income" shall mean all Parking Revenue less all direct costs and expenses associated with maintaining and operating the Parking Facilities, including but not limited to, all labor costs; maintenance and repair costs; insurance costs; and uninsured liabilities and direct costs incurred by Tenant in association with maintaining and operating the Parking Facilities.

"Parking Income Credit" means: (a) with respect to any Fiscal Month during the Initial Term, the amount, if any, by which $29,166 exceeds 50% of the Parking Facilities Net Income for such Fiscal Month; and (b) with respect to any Fiscal Month during any Renewal Term, the amount, if any, by which one-twelfth of the then-applicable annual Fixed Rent exceeds 50% of the Parking Facilities Net Income for such Fiscal Month.

"Parking Revenue" means revenue derived from the rental of parking space in the Parking Facilities, but excluding any rent derived under any Sublease which might be attributable to any parking spaces provided to the Subtenant thereunder by the Tenant as sublessor.

"Pavilion/Hotel Parcel" is defined in the recitals of this Lease.



"Payment Year" means a twelve-month period commencing on the first day of the first month after any Riverboat Casino berthed at the Premises is open to the public for business.

"Percentage Rent" shall have the meaning set forth in Section 5.04.

"Permitted Exception" shall have the meaning set forth in Article I.

"Permitted Hotel Construction Period" means the period of time which Tenant is afforded by the LGBC after the commencement of construction of the Hotel to achieve substantial completion of the Hotel, as such period of time may be extended, amended, modified or supplemented from time to time, one or more times.

"Premises" is defined in the recitals of this Lease.

"Prime Rate" means the prime rate or equivalent "base" or "reference" rate for corporate loans: (a) announced from time to time by Citibank, N.A., New York, New York; or (b) if such rate is no longer so published or announced, then a reasonably equivalent rate generally recognized as the New York Prime Rate, as such term is commonly understood, or as may be mutually agreed by Tenant and Landlord. Notwithstanding anything to the contrary in this Lease, the Prime Rate shall never exceed the highest rate of interest legally permitted to be charged in transactions of the character of this Lease between parties of a character similar to Landlord and Tenant.

"Prohibited Lien" means any mechanic's, vendor's, laborer's or material supplier's statutory lien or other similar lien arising by reason of work, labor, services, equipment or materials supplied, or claimed to have been supplied, to Tenant, which lien either: (a) is filed against the Fee Estate or (b) is filed against the Leasehold Estate and, upon termination of this Lease, would under the law of the State attach to the Fee Estate. Notwithstanding anything to the contrary in this Lease, an Equipment Lien shall not constitute a Prohibited Lien and nothing in this Lease shall prohibit Tenant from creating, or require Tenant to remove, any Equipment Lien.

"Prohibited Person" means a person or entity (or any person directly or indirectly affiliated with such person or entity) that, in the reasonable judgement of Tenant: (i) would or could, if such person or entity owned an interest in the Fee Estate, endanger any gaming license held by Tenant or any Affiliate of Tenant; (ii) is in the business of issuing licenses or franchises for hotels or operating or managing hotels under brand names owned or controlled by such person or entity or an Affiliate of such person or entity; or (iii) is in the gaming or casino business.

"Promotional Allowances" means "Promotional Allowances" as defined in the Uniform System of Accounts for the Lodging Industry, Ninth revised edition, and includes, but is not limited to, the following: rooms, food, beverage, travel and other amenities provided free of charge as an incentive to gamble at the Riverboat Casino.

"Qualified Arbitrator" means one of the following: (a) a reputable and generally recognized consulting or accounting firm specializing in real estate or the casino industry, such as Arthur



Andersen & Company; or (b) an appraiser (who shall be an M.A.I. of the American Institute of Real Estate Appraisers or equivalent) or an attorney, either having at least ten years' experience in commercial real estate transactions in either Parish.

"Relocation Costs" is defined in Section 4.14.

"Renewal Option" is defined in Section 3.01(b).

"Renewal Term" is defined in Section 3.01(b).

"Rent" means Construction Period Rent, Percentage Rent, Fixed Rent and Additional Rent.

"Riverboat Casino" means a riverboat licensed to Tenant and regulated under the provisions of the Louisiana Riverboat Economic Development and Gaming Control Act, as amended from time to time.

"Room Rate Supplement" means, with respect to any Hotel room, for any period, the amount, if any, by which the product of the Minimum Room Rate for such room and the number of days that such room was actually occupied during such period exceeds the sum of the actual room rents charged to occupants of such room during such period.

"Shoreside Complex" is defined in the recitals of this Lease.

"Sodak" means Sodak Louisiana, L.L.C.

"South Parking Facility" means the parking facility to be constructed on the South Parking Parcel.

"South Parking Parcel" is defined in the recitals of this Lease.

"State" means the State of Louisiana.

"Sublease" means any sublease of the Premises or any part of the Premises, or any other agreement or arrangement (including, but not limited to, a license or concession agreement) made by Tenant granting any third party the right to occupy, use or possess any portion of the Premises in exchange for rent or other monetary payments to Tenant. The term "Sublease" shall not include any management agreement wherein the party to the agreement other than Tenant is paid a fee by Tenant to manage facilities located upon the Premises as the agent for or on behalf of Tenant.

"Substantial Condemnation" means any Condemnation that, in Tenant's reasonable judgment, renders the remaining portion of the Premises unusable for its original purpose. Tenant may waive its right to treat as a Substantial Condemnation any Condemnation that would otherwise qualify as such.



"Subtenant" means any person having rights of occupancy, use or possession under a Sublease.

"Temporary Condemnation" means a Condemnation relating to the temporary right to use or occupy the Premises or any part of the Premises.

"Tenant" means QNOV and its successors and assigns hereunder as tenant under this Lease.

"Tenant's Monthly Statement" means a statement of Adjusted Gross Revenue of the Shoreside Complex and any Riverboat Casino operated by Tenant and berthed at the Premises and Parking Facilities Net Income for each Fiscal Month, in reasonable detail with applicable revenues and expenses from operations shown separately by category of operation, which statement shall generally be in the format of Exhibit "D" attached hereto and made a part thereof.

"Term" is defined in Section 3.01(b).

"Termination Date" means the date when this Lease terminates or expires.

"Texas Street Parcel" is defined in the recitals of this Lease.

"Traffic Study" is defined in Section 4.11.

"Unavoidable Delay" means delay in performance of any obligation arising from or on account of any cause whatsoever beyond the reasonable control of the person required or entitled to perform, including strikes, labor troubles, litigation (other than litigation initiated by Tenant), Casualty, Condemnation, accidents, Laws, governmental preemption, failure or refusal of a governmental body to issue a required permit or license, war, riots, and other causes beyond such party's reasonable control, whether similar or dissimilar to the causes specifically enumerated in this paragraph, notwithstanding reasonable efforts to mitigate such cause of delay. In no event shall Unavoidable Delay be deemed to include any delay caused by a person's financial condition.

A fact, circumstance, or event shall render the operation of the Premises, the Shoreside Complex or a Riverboat "Uneconomic" if such fact, circumstance or event does or would, in the reasonable judgment of Tenant or the owner of such Riverboat, as the case may be: (a) cause the Premises, the Shoreside Complex or such Riverboat to be in violation of Law; or (b) cause further development, construction, restoration or operation of the Premises, the Shoreside Complex or such Riverboat to be impracticable or commercially unreasonable.

"Waiver of Subrogation" means a provision in, or endorsement to, any insurance policy required by this Lease, by which the insurance carrier agrees to waive all rights of recovery by way of subrogation against either party to this Lease in connection with any loss covered by such insurance policy.



## ARTICLE III - TERM

3.01 INITIAL TERM AND RENEWAL TERM(S).

(a) INITIAL TERM. The Initial Term (the "Initial Term") of this Lease shall begin on the Construction Commencement Date and shall continue until the tenth anniversary of the Opening Date, unless terminated sooner in accordance with the provisions of this Lease, provided, however, Tenant shall be afforded access to the Premises for the purpose of undertaking due diligence with respect to the Premises and other pre-construction activities commencing on the Commencement Date and ending at 11:59 p.m. local time on the date immediately preceding the Construction Commencement Date. Tenant shall act in good faith to minimize disruption of the uses of the Premises prior to the Construction Commencement Date.

(b) RENEWAL TERMS. Tenant shall have the absolute and unconditional right and option (each such right and option, a "Renewal Option") to extend and renew this Lease upon the same terms and conditions as this Lease, for seven additional successive periods of five years each and an eighth additional successive period ending on the last day of the month that includes the fiftieth anniversary of the Opening Date (the "Renewal Terms") following the expiration of the Initial Term. Wherever this Lease refers to the "Term," such reference shall be deemed to mean the Initial Term, as extended from time to time pursuant to Tenant's Renewal Options to include one or more Renewal Terms, so that upon Tenant's exercise of any Renewal Option, the "Term" shall be redefined and extended to include the corresponding Renewal Term arising pursuant to such Renewal Option. Each Renewal Term shall commence immediately upon the expiration of the Initial Term or the preceding Renewal Term, as the case may be, and except as otherwise provided herein, shall expire at the end of the last day before the day that is the fifth anniversary of the day on which such Renewal Term commenced. At the expiration or termination of the final Renewal Term provided for herein, Tenant shall have the right to extend this Lease under the then prevailing market rates and terms for ground leases in the Shreveport/Bossier City area to owners and/or operators of riverboat gaming casinos. Tenant shall notify Landlord in writing at least ninety (90) days prior to the expiration of the final Renewal Term of its desire to further extend the term of this Lease upon the expiration or termination of the final Renewal Term provided for herein. Upon the receipt of such Notice from Tenant, Landlord and Tenant shall negotiate in good faith in an attempt to agree upon the terms of, and rent to be paid during, any extension of this Lease. If Landlord and Tenant are unable to agree upon such terms and rent by the date which is forty-five (45) days prior to the expiration or termination of the final Renewal Term provided for hereunder, such terms and rent shall be decided by arbitration conducted in accordance with Section 3.01(c) of this Lease. Any extension of this Lease shall be limited to the extent required by applicable law.



(c) ARBITRATION PROCEDURE.

(i) If the parties are required to arbitrate the terms and rent applicable to an extension of this Lease subsequent to the final Renewal Term provided for hereunder, then Landlord and Tenant may jointly appoint an Arbitrator. Such Arbitrator shall render his decision within fifteen (15) days of such appointment.

(ii) If Landlord and Tenant do not make such a joint appointment by the date which is thirty-five (35) days prior to the expiration of the final Renewal Term hereunder, then each party shall appoint one Arbitrator by the date which is thirty (30) days prior to the expiration of the final Renewal Term hereunder. Each such Arbitrator shall be an individual who: (A) is not otherwise employed by and is not otherwise a creditor of either party; and (B) has at least five years of experience in valuing leasehold interests in hotels and riverboat casino/gaming complexes. The two appointed Arbitrators shall meet within ten (10) days of such referral and shall appoint a third Arbitrator, and if such Arbitrators are not able to agree on such third Arbitrator within such time, then, on five (5) days' Notice in writing to the other Arbitrator, either Arbitrator shall apply to the branch of the American Arbitration Association in Shreveport, Louisiana to designate and appoint such third Arbitrator. The three Arbitrators shall render their decision within ten (10) days after the appointment of the third Arbitrator. The Arbitrators shall act by majority vote. If the Arbitrators fail to render their decision within such time, either party may seek an order from a court of competent jurisdiction in the State: (x) requiring such Arbitrators to render their decision immediately, or (y) appointing one replacement Arbitrator of equivalent qualifications and directing such Arbitrator to render his decision.

(iii) If either party fails timely to appoint an Arbitrator, then the single Arbitrator designated by the other party shall act as the sole Arbitrator and shall be deemed to be the unanimously approved Arbitrator to resolve such dispute.

(iv) The fees and expenses of the Arbitrators shall be shared equally by Landlord and Tenant. All Arbitrators, by accepting appointment, submit to the jurisdiction of the courts of the State.

(v) All proceedings by the Arbitrators shall be conducted in accordance with the Louisiana Arbitration Law (La. R.S. 9:4201 et seq.), except to the extent the provisions of such law are modified by this Lease or the mutual agreement of the parties. Unless otherwise agreed, all arbitration proceedings shall be conducted in Shreveport, Louisiana, at the offices of Landlord or Tenant.

3.02 DEEMED EXERCISE OF RENEWAL OPTIONS. Tenant shall be deemed to have exercised each Renewal Option automatically unless Tenant has elected not to exercise such Renewal Option by giving Landlord Notice to such effect at least one hundred eighty (180) days before the date on which such Renewal Option otherwise would commence. If Tenant properly gives Notice that Tenant elects not to exercise any Renewal Option, then this Lease shall terminate and expire upon



the expiration or termination of the then Term, and Tenant shall not be permitted to exercise any subsequent Renewal Option.

3.03 DEFAULT BY TENANT. Tenant's Renewal Options shall remain effective notwithstanding Tenant's Default, unless and until Tenant's cure periods shall have expired without cure of such Default, and Landlord has lawfully terminated this Lease. Provided that this Lease has not been lawfully terminated, there shall be no conditions (express or implied) to Tenant's exercise of any Renewal Option(s). The exercise of any Renewal Option shall not impair any rights or remedies of Landlord with respect to any Default occurring before such exercise.

3.04 TERMINATION DURING INITIAL TERM. If construction of the Shoreside Complex has not commenced by the Construction Trigger Date, then Landlord may elect to terminate this Lease by giving Notice of such election to Tenant within thirty (30) days after the Construction Trigger Date. If Landlord does not give such Notice within such time, then Landlord's right to make such election shall thereupon expire. Construction of the Hotel shall be completed prior to the expiration of the Permitted Hotel Construction Period. If substantial completion of the Hotel has not been achieved prior to the expiration of the Permitted Hotel Construction Period, Landlord may elect to terminate this Lease as of the expiration of the Permitted Hotel Construction Period by giving Notice of such election to Tenant within thirty (30) days from the expiration of the Permitted Hotel Construction Period. If Landlord does not give such Notice within such time, Landlord's right to make such election shall thereupon expire. If Landlord elects to terminate this Lease pursuant to its right to do so under this Section 3.04, then, if requested to do so by Landlord in Landlord's Notice of termination, Tenant shall (i) remove all improvements located upon the Premises and placed there by Tenant and (ii) return the Premises to its approximate condition on the Construction Commencement Date.

3.05 CONFIRMATION OF DATES. If Landlord and Tenant disagree as to any date relevant to the calculation of Rent or to the determination of the Term (including the expiration date of each Renewal Term when and as the corresponding Renewal Option shall have been exercised or deemed exercised), then Tenant may pay Rent and otherwise perform under this Lease based on Tenant's own determination of such date unless and until such date is otherwise determined by the final judgment of a court of competent jurisdiction. To the extent that any such court accepts Landlord's position and rejects Tenant's position, Tenant shall within five (5) Business Days remit to Landlord an amount equal to any previous underpayments of Rent made because of Tenant's determination of such date, together with interest on the underpayment at the Prime Rate, plus two percent (2%) from the date the underpayment was originally due under this Lease to the date of payment.

3.06 TERMINATION BY TENANT.

(a) CESSATION OF OPERATIONS. Tenant shall have the right to cease operations of the Shoreside Complex or any Riverboat Casino operated by Tenant to the extent necessary, in the commercially reasonable judgment of Tenant, to maintain, repair, renovate, replace, substitute for, or expand such properties provided that such cessation shall not terminate this Lease or affect Tenant's obligation to pay rent hereunder and Tenant shall use its best efforts



to expedite completion of such matters and restore operations. If operations of the Shoreside Complex or any Riverboat Casino operated by Tenant shall become Uneconomic, then Tenant may cease operations of such facility and, in the case of such a cessation of operations of such a Riverboat Casino, Fixed Rent shall thereafter neither accrue nor be payable. If operations of the Shoreside Complex or any Riverboat Casino operated by Tenant shall all become Uneconomic, Tenant shall have the right, upon thirty (30) days' Notice to Landlord, to terminate this Lease, provided that Tenant delivers possession of the Premises to Landlord free and clear of any Leasehold Mortgage liens or other security interests (unless incurred by Landlord).

(b) CHANGE OF LAW. Anything in this Lease to the contrary notwithstanding, if gaming on Riverboat Casinos berthed at the Premises shall become unlawful due to a change in law, then Tenant may elect to terminate this Lease by giving Notice of such election to Landlord not more than

ninety (90) days after such gaming has become unlawful. If Tenant does not so elect to terminate this Lease, then this Lease shall continue in accordance with its terms; provided however, that from and after the date that gaming has become unlawful, Fixed Rent shall not accrue or be payable.

(c) LOSS OF LICENSE. Anything in this Lease to the contrary notwithstanding, if Tenant's riverboat gaming license issued by the LGCB shall be rescinded, voided or not renewed for any reason whatsoever ( a "Loss of License"), then Tenant may elect to terminate this Lease by giving Notice of such election to Landlord not more than ninety (90) days after such Loss of License. If Tenant does not so elect to terminate this Lease, then this Lease shall continue in accordance with its terms; provided however, that from and after the date of such Loss of License, Fixed Rent shall not accrue or be payable.

(d) UNECONOMIC OPERATIONS. Any Notice by Tenant terminating this Lease because operation of the Premises, the Shoreside Complex or any Riverboat Casino operated by Tenant has become Uneconomic shall include a reasonably detailed explanation of Tenant's determination that such operation has become Uneconomic.

## ARTICLE IV - DEVELOPMENT AND CONSTRUCTION

4.01 CONSTRUCTION. The Hotel shall have not less than 300 separate rentable rooms. Tenant may, at any time during the Term, add additional hotel rooms based upon its analysis of competitive market conditions. At Tenant's option, the Hotel and its related facilities may include guest and valet parking facilities. The Hotel and the remainder of the Shoreside Complex may be physically connected. The footprint of that portion of the Shoreside Complex bounded to the West by Clyde E. Fant Memorial Parkway and the East by the Red River may extend to the line made by the east curb of Clyde E. Fant Memorial Parkway as located as of the Commencement Date. During construction of the Shoreside Complex, Landlord shall permit the closure, and assist Tenant in obtaining any permits and consents necessary to close, portions of (i) Clyde E. Fant Memorial Parkway adjacent to the Premises, (ii) Texas Street under the Texas Street Bridge and (iii) Milam Street from Commerce Street to Clyde E. Fant Memorial Parkway.



4.02 STANDARDS FOR CONSTRUCTION OF SHORESIDE COMPLEX. Tenant shall cause the Shoreside Complex to be constructed substantially in accordance with the Design Development Documents approved by the Design Development Committee and shall cause the Shoreside Complex to be constructed in compliance with all applicable building codes, laws, ordinances and regulations. The Hotel also shall satisfy the criteria for receiving an American Automobile Association Three Diamond rating as described in Lodging Listing Requirements & Diamond Rating Guidelines (Revised June 1996) published by American Automobile Association. Tenant shall obtain and pay for all permits and approvals required by Law in order for Tenant to construct the Shoreside Complex, and approval by Landlord for purposes of this Lease shall not be deemed approval by any department or agency of the City of Shreveport charged with the enforcement of building codes or the issuance of building permits. Landlord agrees and acknowledges that portions of the Shoreside Complex and related facilities may be physically connected and integrated at the boundary between the parcels comprising the Premises. Landlord represents that, as of the Commencement Date, the required set backs, side yards, front yards, back yards, floor area ratio restrictions, limitations on number and size of signage and height applicable to the Premises, as set forth in the Comprehensive Zoning Ordinance for the City of Shreveport, are as set forth on Exhibit "H" attached hereto and made a part hereof.

4.03 REVIEW BY DESIGN REVIEW COMMITTEE.

(a) Tenant shall submit (i) copies of the Design Development Documents, (ii) information relative to the Hotel concerning space allocation on a floor by floor basis, (iii) conceptional floor plans for the Hotel showing conceptual exterior elevations, (iv) a conceptual theme for Hotel furniture, fixtures and equipment, and (v) the estimated construction cost of the Hotel, including the estimated cost per room for the Hotel's shell and furniture, fixtures and equipment, to the Landlord within two hundred seventy (270) days after the Commencement Date, and Landlord shall ensure that copies of the Design Development Documents and the other information submitted are forwarded to all members of the Design Review Committee. If such documents and information, or any subsequent revisions submitted hereunder, are rejected, as provided in Section 4.03(b), then, unless Tenant elects arbitration of such rejection under Section 4.04, Tenant shall submit Design Development Documents and related information revised in response to such rejection within ninety (90) days after Landlord gives Tenant Notice of such rejection.

(b) The Design Review Committee shall give Tenant Notice that it approves or rejects documents and information submitted under Section 4.03(a) within twenty-one (21) days after they are submitted to the Landlord. A Notice of rejection shall include a reasonably detailed explanation of the basis of such rejection and specific modifications of such documents and/or information that, if made, would cause such documents and information to be approved. If the Design Review Committee does not give a Notice of rejection within such twenty-one (21) day period, then such documents and information shall be deemed approved by the Design Review Committee.



4.04 ARBITRATION.

(a) REJECTION OF DOCUMENTS. If Landlord rejects the Design Development Documents and related information, then Tenant may elect to arbitrate such rejection under the provisions of this Section 4.04 by giving Notice of such election within thirty (30) days after receiving Notice of such rejection. If Tenant does not give Notice of such election within such 30-day period, then Landlord's rejection shall become final and conclusive.

(b) ARBITRATION PROCEDURE.

(i) If either party gives Notice that it elects arbitration under this Section 4.04, then Landlord and Tenant may jointly appoint an Arbitrator. Such Arbitrator shall render his decision within fifteen (15) days of such appointment.

(ii) If Landlord and Tenant do not make such a joint appointment within ten (10) days after such Notice is given, then each party shall appoint one Arbitrator within five (5) after the expiration of such 10-day period. Each such Arbitrator shall be an individual who: (A) is not otherwise employed by and is not otherwise a creditor of either party; and (B) has at least five years of experience in the design, construction,

management and operation of hotels and riverboat casino/gaming complexes. The two appointed Arbitrators shall meet within ten days of such referral and shall appoint a third Arbitrator, and if such Arbitrators are not able to agree on such third Arbitrator within such time, then, on five days' Notice in writing to the other Arbitrator, either Arbitrator shall apply to the branch of the American Arbitration Association in Shreveport, Louisiana to designate and appoint such third Arbitrator. The three Arbitrators shall render their decision within ten (10) days after the appointment of the third Arbitrator. The Arbitrators shall act by majority vote. If the Arbitrators fail to render their decision within such time, either party may seek an order from a court of competent jurisdiction in the State: (x) requiring such Arbitrators to render their decision immediately, or (y) appointing one replacement Arbitrator of equivalent qualifications and directing such Arbitrator to render his decision.

(iii) If either party fails timely to appoint an Arbitrator, then the single Arbitrator designated by the other party shall act as the sole Arbitrator and shall be deemed to be the unanimously approved Arbitrator to resolve such dispute.

(iv) The fees and expenses of the Arbitrators shall be paid by the party whose position is not adopted by the Arbitrators. All Arbitrators, by accepting appointment, submit to the jurisdiction of the courts of the State.

(v) All proceedings by the Arbitrators shall be conducted in accordance with the Louisiana Arbitration Law (La. R.S. 9:4201 et seq.), except to the extent the provisions of such law are modified by this Lease or the mutual agreement of the parties. Unless otherwise agreed, all arbitration proceedings shall be conducted in Shreveport, Louisiana, at the offices of Landlord or Tenant.



(vi) The decision of the Arbitrators with respect to a rejection of documents and related information shall be either that such rejection is reasonable or that such rejection is unreasonable. If the decision of the Arbitrators is that such rejection is unreasonable, then the documents and related formation covered by such rejection shall be deemed approved by the Design Review Committee. No rejection shall be determined to be reasonable if the modifications specified in the Notice of such rejection would cause an increase in the cost of the Shoreside Complex that, together with the costs of any previous modifications specified by the Design Review Committee and made by Tenant, exceeds $250,000 in the aggregate. The decision of the Arbitrators with respect to a denial of a request for time shall be either that such denial is reasonable or that such denial is unreasonable. If the decision of the Arbitrators is that such denial is unreasonable, then such request shall be deemed granted. The Arbitrators shall exclusively and finally determine whether a particular dispute falls within the scope of their authority unless such determination is legally groundless or in excess of the limitations provided in this Agreement. Any decision of Arbitrators made in accordance with this Section 4.04 shall be binding on the parties and enforceable in any court of competent jurisdiction.

4.05 SIDEWALKS. Tenant shall construct and maintain sidewalks within the Premises adjacent to Clyde E. Fant Memorial Parkway. Tenant shall not be required to maintain a continuous pedestrian riverwalk between the Shoreside Complex and the Red River or at any other location, provided Tenant shall construct and maintain a continuous walkway running in an east-west direction connecting the walkway along the Red River and running on the Eastern edge of the Expansion Parcel with the walkway East of and adjacent to Clyde E. Fant Memorial Parkway and running on the Western edge of the Expansion Parcel, as each such walkway is located on the Commencement Date.

4.06 ELEVATED WALKWAYS. Tenant shall construct an Elevated Walkway over Clyde E. Fant Memorial Parkway between the Pavillion/Hotel Parcel and the North Parking Parcel. In Tenant's sole discretion, Tenant also may elect to construct Elevated Walkway(s) over any other portions of the Elevated Walkway Spaces. In the event Tenant is required or elects to construct any Elevated Walkway, Landlord, in its capacity as lessor under this Lease, agrees and acknowledges that it will assist Tenant in obtaining and/or granting any permits and consents necessary to construct such Elevated Walkway.

4.07 COOPERATION BY LANDLORD. Upon Tenant's request, Landlord shall, without cost to Landlord, promptly join in and execute any instruments including, but not limited to, applications for building permits, demolition permits, alteration permits, appropriate consents, zoning, rezoning or use approvals, amendments and variances, easements, servitudes, encumbrances, and/or liens (excluding Mortgages) against the Premises (Fee Estate and Leasehold Estate), and such other instruments as Tenant may from time to time request to enable Tenant from time to time to use, develop, improve, and construct improvements on the Premises in accordance with this Lease, provided each of the foregoing is in reasonable and customary form and does not cause the Fee Estate to be encumbered as security for any obligation and does not otherwise expose the Fee Estate



to any material risk of forfeiture during the Term. Tenant shall indemnify Landlord for any liability arising by reason of any such joinder or execution. It is agreed that the joinder by Landlord in any application filed by Tenant under the preceding sentence (i) shall not limit or otherwise affect the review of such application by the City of Shreveport or any agency or department of the City of Shreveport charged with responsibility for such review, and (ii) shall not imply or guarantee that such application will be approved by the City of Shreveport, or its agencies or departments, acting in their public or police power capacity. Tenant shall reimburse Landlord's reasonable attorneys' fees incurred by Landlord in performing under this Section 4.07. Landlord agrees not to oppose or object to any applications filed by Tenant with any Government in connection with the development, operation or alteration of any improvements located on the Premises, subject to Landlord's review and approval rights set forth in Section 4.03.

4.08 TITLE TO PERSONAL PROPERTY. Notwithstanding anything to the contrary in this Lease, all personal property located in, on or at the Premises or otherwise constituting part of the Premises shall at all times during and after the Term be owned by, and shall belong to, Tenant or a Subtenant. Tenant or such Subtenant shall have title to the foregoing throughout and after the Term. All the benefits and burdens of ownership of the foregoing shall be and remain in Tenant or such Subtenant during and after the Term. The provisions of this Section 4.08 shall be without prejudice to the rights of Landlord to enforce its lessor's privilege as to such personal property.

4.09 EQUIPMENT LIENS. If at any time or from time to time Tenant desires to enter into or grant any Equipment Liens, then upon Tenant's request, Landlord shall enter into such customary documentation with respect to the property leased or otherwise financed pursuant to such Equipment Liens as Tenant shall request, providing for matters such as the following: (a) Landlord's waiver of the right to take possession of such property upon occurrence of an Event of Default; and (b) customary agreements by Landlord to enable the secured party to repossess such property in the event of a default by Tenant permitting such secured party to exercise remedies under its Equipment Lien.

4.10 RIVERBOAT CASINOS. Notwithstanding anything in this Lease to the contrary, any Riverboat Casinos berthed at the Premises shall at all times during and after the Term be (a) owned by and belong to Tenant or a Subtenant or (b) leased by Tenant or a Subtenant. At no time shall any Riverboat Casino be considered property of Landlord, and Landlord shall have no right, title or interest, including any lessor's lien, in any Riverboat Casino. All benefits and burdens of ownership of any Riverboat Casino berthed at the Premises (except for Landlord's right to a percentage of the revenues generated by such Riverboat Casino pursuant to Section 5.03) shall be and remain with Tenant or a Subtenant. Tenant and any Subtenant shall have the unrestricted right to obtain financing by granting lenders a mortgage or security interest in: (i) any Riverboat Casino that it owns or leases; (ii) the equipment and supplies located on such Riverboat Casino; and (iii) the income and revenues generated by such Riverboat Casino, except any interest in such income and revenue shall be subject to Landlord's right to receive Rent.

4.11 TRAFFIC STUDY. Landlord shall reimburse Tenant for one-third (1/3) of the cost of the traffic study prepared by Wilbur Smith Associates, Inc. for HWCC attached as Exhibit "I" (the "Traffic Study"). The Landlord shall enact ordinances to accomplish, and pay all cost and expense



related to effect, the installation of traffic signals and other proposals made by the traffic engineer in the Traffic Study, as well as the following traffic changes:

(a) Modification of Fannin Street to accommodate two lanes of westbound traffic and one lane of eastbound traffic between Clyde E. Fant, Memorial Parkway and Market Street;

(b) Reversing traffic on Crockett and Milam Street;

(c) Installation of traffic signals at specified intersections on Milam Street, Travis Street and such other streets as may be mutually agreed to by Landlord and Tenant to facilitate access to the Premises; and

(d) Installation of directional signage on Spring Street and such other streets as may be mutually agreed to by the Landlord and the Tenant to facilitate access to the Premises.

The Tenant acknowledges that traffic patterns and the means by which to address the same may change from time to time during the term of this Lease, and the Tenant agrees to cooperate in the change of any traffic plan so long as the objective is to facilitate traffic flow to and from the Premises.

4.12 UTILITIES. Landlord covenants that as of the Commencement Date and at all times during the Term, all necessary utilities have been and will continue to be delivered to the lot lines of each of the Pavilion/Hotel Parcel, the Expansion Parcel, the North Parking Parcel and the South Parking Parcel.

4.13 STAGING AREA. Landlord hereby agrees to use its best efforts to help Tenant locate an adequate staging area to use during the construction of the Shoreside Complex for storage and other construction purposes. Landlord and Tenant shall first attempt to identify one or more properties as being adequate for staging purposes which are owned by Landlord. In the event one or more such properties are identified, Landlord agrees to grant to Tenant a servitude of use for staging purposes over such property or properties, as applicable, on terms mutually agreeable to each of Landlord and Tenant. No payments shall be due to Landlord in consideration for such servitude, Landlord hereby agreeing that Tenant's execution and delivery of this Lease is adequate and sufficient consideration for any such servitude. In the event that Landlord and Tenant are unable to locate property owned by Landlord which is adequate for Tenant's staging needs, Landlord and Tenant shall endeavor, and cooperate with each other, to locate other suitable property or properties for such purpose.

4.14 SWEPCO RELOCATION UNDER THE PREMISES. Landlord shall reimburse Tenant, on demand, for all costs and expenses (the "Relocation Costs") incurred by Tenant in connection with the relocation of underground power lines and related facilities located within the Premises on the Commencement Date. In lieu of seeking reimbursement for the Relocation Costs, Tenant, at its sole



option, shall have the right to a credit against Rent due and payable to Landlord on or after the Opening Date in an amount equal to the aggregate Relocation Costs incurred by Tenant. Landlord agrees to cooperate with Tenant in connection with the relocation of the aforesaid power lines and related facilities and to execute and deliver such documents, instruments, servitudes, agreements and other writing as may be reasonably requested by the relocating utility company in order to effect such relocation. Landlord agrees that the work to relocate the aforesaid power lines and related facilities will commence after the Construction Commencement Date and Landlord agrees to take no action to cause the removal of such power liens and related facilities prior to that date.

## ARTICLE V - RENT

5.01 MEANS OF PAYMENT. Tenant shall pay all Rent payable to Landlord by either of the following, at Tenant's election, which election Tenant may change from time to time by at least thirty (30) days' Notice to Landlord: (a) good and sufficient check (subject to collection) delivered to Landlord or (b) wire transfer to Landlord's bank account, which Landlord shall identify to Tenant upon request (and Landlord shall have the right to change from time to time by at least thirty (30) days' Notice to Tenant).

5.02 RENT PRIOR TO CONSTRUCTION COMMENCEMENT DATE. Prior to the Construction Commencement Date, no Rent shall be due hereunder notwithstanding the fact that Tenant shall have access to the Premises prior to such date for the purposes set forth in Section 3.01(a) hereof. Commencing on the Construction Commencement Date and continuing through and including the date immediately preceding the Opening Date (the "Construction Period"), Tenant shall pay construction period rent ("Construction Period Rent") at the rate of $10,000 per Fiscal Month. Construction Period Rent for partial Fiscal Months at the beginning or end of the Construction Period shall be prorated based on the number of days in such Fiscal Month within the Construction Period divided by the number of days in the entire Fiscal Month.

5.03 FIXED RENT.

(a) AMOUNT OF PAYMENT. Beginning on the Opening Date, and continuing through the remainder of the Initial Term, Tenant shall pay fixed rent ("Fixed Rent") at the rate of $450,000 per Fiscal Year. Beginning on the first day of the first Renewal Term, Tenant shall pay Fixed Rent at

the rate of $402,500 per Fiscal Year. Fixed Rent for each of the second through the fifth Renewal Terms shall be equal to 115% of the Fixed Rent for the preceding Renewal Term. Fixed Rent for each Renewal Term after the fifth Renewal Term shall be paid at the rate applicable to the fifth Renewal Term.

(b) MONTHLY PAYMENTS AND PRORATION OF FIXED RENT. Tenant shall pay Fixed Rent in equal monthly installments in advance on or before the first day of each Fiscal Month. Rent for partial Fiscal Months at the beginning or end of the Term shall be prorated based on days in such Fiscal Month within the Term divided by days in the entire Fiscal Month.



5.04 PERCENTAGE RENT. Beginning with the Opening Date and continuing throughout the entire remaining Term, Tenant shall pay Landlord percentage rent (the "Percentage Rent") for each Fiscal Month equal to the sum of: (a) 1% of Adjusted Gross Revenue for such Fiscal Month; and (b) the amount, if any, by which 50% of the Parking Facilities Net Income for such Fiscal Month exceeds the Parking Income Credit for such Fiscal Month. Subject to Section 3.06 hereof, Tenant shall conduct gaming operations (including the restoration of gaming operations after the cessation of same) throughout the Term in accordance with the terms of this Lease and in a commercially reasonable manner.

5.05 REPORTING AND PAYMENT. Tenant shall deliver to Landlord Tenant's Monthly Statement within twenty (20) days after the end of each Fiscal Month after the Opening Date. Tenant shall pay any Percentage Rent due based on Tenant's Monthly Statement within twenty (20) days after the end of the Fiscal Month covered by Tenant's Monthly Statement.

5.06 ACCOUNTING RECORDS. Tenant shall maintain (at the Premises or at a central accounting location identified to Landlord upon request) account records and procedures complying with Accounting Principles to enable Landlord to calculate any Percentage Rent or other amounts due under this Lease. Tenant shall permit an audit by Landlord or its designated representative of all of its books and records relative to this Lease at any time upon such notice as may be specified in the request to audit. If Tenant shall at any time be located outside of the Parish, in the event of an audit by Landlord, Tenant shall deliver its books and records, or have such books and records delivered, to the designated representative of Landlord at an address designated by Landlord within the City of Shreveport. If the designated representative of the Landlord finds the books and records delivered to be incomplete, Tenant shall pay the costs of the designated representative of Landlord to travel to Tenant's offices to audit or retrieve the complete books and records of Tenant relative to this Lease. Tenant shall preserve Tenant's books and records relating to each Fiscal Year for at least three years after the end of such Fiscal Year. If at the conclusion of such three-year period a dispute is pending between Landlord and Tenant regarding the amount of Adjusted Gross Revenue for such Fiscal Year or other amounts due under this Lease, then Tenant shall continue to preserve such records pending the final disposition of such dispute. Notwithstanding the foregoing, books and records of Tenant that are subject to audit findings shall be retained for three years after such findings have been resolved.

5.07 ANNUAL AUDIT PROCEDURES. Within (and in no event later than) one hundred eighty (180) days after the end of each Fiscal Year, Tenant, at Tenant's expense, shall cause a certified public accountant designated by Tenant (and approved by Landlord, such approval not to be unreasonably withheld), which CPA shall be licensed in Louisiana, and a member of AICPA, to audit Tenant's (and/or Subtenant's, licensee's or concessionaire's) books and records relevant to the calculation of Rents and other payments reported by Tenant during the preceding Fiscal Year. Landlord hereby approves Arthur Andersen & Co. as such certified public accountant as long as such entity is licensed in Louisiana and is a member of the AICPA. In connection with such audit, Tenant shall provide to the auditor and to Landlord copies of all financial reports and tax returns furnished to the State of Louisiana in connection with the determination of Tenant's taxable gaming revenue. Further, Landlord shall have the right to audit the books and records of Tenant with respect to all



Rents or other payments provided for in this Lease at any time upon reasonable Notice; provided, that Landlord agrees to exercise this special audit right not more frequently than once per Fiscal Year. Any audit shall be performed in accordance with generally accepted auditing standards, during ordinary business hours and without unreasonably interfering with Tenant's business. If such audit reveals that Adjusted Gross Revenue or other Rent was understated, then within thirty (30) days after receipt of the audit with appropriate backup documentation, Tenant shall pay the net additional Rent due on account of the audit corrections. If such audit reveals that Adjusted Gross Revenue or other Rent was overstated, then Tenant shall be entitled to a credit against the next payment(s) of Rent under this Lease in an amount equal to the previous overpayment revealed by the audit corrections. Any adjusting payment on account of previous overpayment or underpayment shall bear interest at the Prime Rate from the date it would have been paid (or the date of Tenant's previous overpayment, if applicable) had Tenant's Annual Statement been correct until the date actually paid or credited. If Rent was understated by more than 3% then Tenant shall pay the reasonable cost of the special audit disclosing such understatements; otherwise the special audit shall be conducted at Landlord's expense.

5.08 CONFIDENTIALITY. To the extent permitted by Law, Landlord shall preserve the confidentiality of all information obtained by Landlord relating to Tenant's Adjusted Gross Revenue and financial statements, except in any litigation or arbitration proceedings between the parties.

5.09 ADDITIONAL RENT. In addition to Construction Period Rent, Fixed Rent and Percentage Rent, Tenant shall pay when due, as additional rent under this Lease, all Additional Rent.

5.10 MINIMUM PERCENTAGE RENT. From the Opening Date until this Lease is lawfully terminated, Tenant shall be unconditionally obligated to pay Landlord minimum Percentage Rent of not less than $500,000 per annum in addition to any portion of the Fixed Rent, provided that Tenant is able to operate a Riverboat Casino, and/or collect business interruption insurance in respect of the non-operation thereof covering not less than one hundred twenty (120) days in the year for which the minimum Percentage Rent is claimed. In the event actual Percentage Rent payments in any Fiscal Year with respect to which such minimum Percentage Rent is payable by Tenant are less than $500,000, without considering Fixed Rent, the difference shall be paid to Landlord within thirty (30) days after the end of such Fiscal Year.



ARTICLE VI - ADDITIONAL PAYMENTS BY TENANT; IMPOSITIONS

6.01 LANDLORD'S NET RETURN. The parties intend that this Lease shall constitute a "net lease," so that Rent shall provide Landlord with "net" return for the Term, free from any expenses or charges with respect to the Premises, except as specifically provided in this Lease. Accordingly, Tenant shall pay as Additional Rent and discharge, before failure to pay the same shall create a material risk of forfeiture or give rise to a penalty, each and every item of expense of every kind and nature whatsoever related to or arising from the Premises or by reason of or in any manner connected with or arising from the development, leasing, operation, management, maintenance, repair, use or occupancy of the Premises or any portion of the Premises. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to pay any of the following: (a) principal, interest, or other charges payable under any Fee Mortgage; (b) depreciation, amortization, brokerage commissions, financing or refinancing costs, management fees or leasing expenses incurred by Landlord with respect to the Fee Estate or the Premises; (c) consulting, overhead, travel, legal, staff, and other similar costs incidental to Landlord's ownership of the Premises, other than reasonable attorneys' fees incurred by Landlord and payable by Tenant pursuant to express provisions of this Lease; (d) any costs arising from or pursuant to any instrument or agreement affecting the Premises that is not a Permitted Exception and to which Landlord is a party and Tenant is not a party; and (e) any cost or expense arising directly or indirectly from any conditions existing on, at or with respect to the Premises before the Construction Commencement Date; and (f) any sales or other taxes assessed and levied against Landlord's receipt of Rent hereunder (except where such taxes are imposed, in whole or in part, in lieu of or in substitution for real estate taxes, in which event same shall be paid by Tenant).

6.02 IMPOSITIONS. For any period commencing on the Construction Commencement Date and thereafter during the Term (with daily proration for periods partially within the foregoing period and partially outside the foregoing period), and subject to Article XIII, Tenant shall pay and discharge, before failure to pay the same shall create a material risk of forfeiture or give rise to a penalty, all Impositions. Tenant shall also pay all interest and penalties assessed by any Government on account of late payment of any Imposition, unless such late payment was caused by Landlord's failure to remit an Imposition (paid to Landlord by Tenant) in accordance with Tenant's reasonable instructions or Landlord's failure to promptly forward Tenant a copy of a tax bill received by Landlord, in which case Landlord shall pay such interest and penalties.

6.03 ASSESSMENTS IN INSTALLMENTS. To the extent that may be permitted by law, Tenant shall have the right to apply for conversion of any assessment to cause it to be payable in installments. After such conversion, Tenant shall pay and discharge only such installments of such assessments as shall become due and payable commencing on the Construction Commencement Date and thereafter during the Term.

6.04 COMBINED TAX LOTS. If, as of the Commencement Date, the Premises are part of a tax lot (a "Combined Tax Lot") that includes any land or improvements other than the Premises, then the parties shall diligently and expeditiously cooperate (including by bringing such proceedings as may be necessary), all at Landlord's expense, including Tenant's reasonable attorneys' fees, to cause the Combined Tax Lot to be divided so that the Premises (including the Fee Estate and the Leasehold Estate) shall be a single separate tax lot that is no longer a Combined Tax Lot. Pending such



division of the Combined Tax Lot: (a) each party shall promptly provide the other with a copy of any tax bill received by such party relating to the Combined Tax Lot; (b) Tenant shall pay a portion of the Impositions assessed with respect to the Combined Tax Lot equal to the estimated assessment of the Premises divided by the assessment of the Combined Tax Lot (except to the extent that Tenant reasonably determines that a particular Imposition, other than real estate taxes, is more appropriately allocated in some other way); (c) Landlord shall pay all Impositions (and the items excluded from the definition of such term by clauses "a" through "g" in such definition) with respect to the balance of the Combined Tax Lot; (d) the estimated assessment for the Premises shall be determined to the extent possible, based on preliminary information from the tax assessment authorities and otherwise by Tenant, in consultation with Landlord (and, in any event, when the assessment of the Premises has been determined the parties shall make such adjusting payments (with interest at the Prime Rate) as shall be appropriate to compensate for errors in the estimated payments previously made); and (e) if either party fails to pay its share of taxes and charges for the Combined Tax Lot before delinquency and such failure continues for ten Business Days after Notice from the other party, then such other party shall be entitled to pay the first party's unpaid Impositions with respect to the Combined Tax Lot, and the first party shall promptly upon demand reimburse the other party's advances made on the first party's account with interest at the Prime Rate.

6.05 DIRECT PAYMENT BY LANDLORD. If any Imposition or other item of Rent is required to be paid directly by Landlord, then: (a) Landlord appoints Tenant as Landlord's attorney in fact for the purpose of making such payment; and (b) if the person entitled to receive such payment refuses to accept it from Tenant, then Tenant shall give Landlord Notice of such fact and shall remit payment of such Imposition to Landlord in a timely manner accompanied by reasonable instructions as to the further remittance of such payment. Landlord shall with reasonable promptness comply with Tenant's reasonable instructions and shall Indemnify Tenant against Landlord's failure to do so.

6.06 UTILITIES. Tenant shall pay all fuel, gas, light, power, water, sewage, garbage disposal, telephone and other utility charges, and the expenses of installation, maintenance, use and service in connection with the foregoing, relating to the Premises during the Term.

## ARTICLE VII - USE

7.01 PERMITTED USES. Tenant may use the Premises for any lawful purpose.

7.02 RIVERBOAT CASINO. Tenant may berth and operate Riverboat Casinos on the Red River adjacent to or within or upon the Premises or sublease portions of the Premises to third parties for such purpose. Tenant at any time may substitute a different (but, if permanent, at least equal in quality) Riverboat Casino for any Riverboat Casino operated at the Premises by Tenant.

7.03 PARKING. Tenant shall have the right to charge such amounts for parking as Tenant deems appropriate; provided, however, that, except during periods that charges are imposed for parking at lots owned, leased or operated by any gaming operators on the Shreveport side of the Red River, Tenant shall not charge for parking, other than valet parking, in the South Parking Facility or the North Parking Facility. Under no circumstances shall Tenant be prohibited or restricted from



charging a fee for valet parking at any time at either the South Parking Facility or the North Parking Facility.

## ARTICLE VIII - MARKS AND PUBLICITY

8.01 EXCLUSIVE OWNERSHIP OF MARKS. Landlord acknowledges and recognizes the exclusive rights of Hollywood Casino Corporation, a Delaware corporation ("Hollywood"), and certain Affiliates of Hollywood, to the "Hollywood Casino" name and system, and all other service marks, trademarks, copyrights, logos, registrations and patents used in connection with the "Hollywood Casino" casinos, riverboat casinos and casino hotels (collectively, the "Marks"). Landlord acknowledges that the Marks are the exclusive property of such Affiliates. Landlord disclaims any right, title or interest in or to any of the Marks by operation of this Lease or in the event of its termination or cancellation. Such Affiliates shall have the sole right and (to the extent they determine appropriate) responsibility to institute and prosecute all disputes with third parties concerning the use of or any Mark.

8.02 REFERENCES TO MARKS. Landlord shall not use any Mark in any way or for any purpose (including the sale of securities or in connection with any other financing) without the prior written consent of the owner of such Mark.

8.03 EFFECT OF LEASE TERMINATION. Landlord acknowledges and agrees that in the event of any termination or cancellation of this Lease (including on account of an Event of Default): (a) neither Tenant nor any Affiliate of Tenant shall be under any obligation, express or implied, to issue a license to Landlord or any subsequent operator of any portion of the Premises; (b) Landlord shall not use any Mark in association with the improvements located at the Premises; and (c) Tenant and any Affiliate of Tenant shall have the right to enter the Premises and remove all signs, furnishings, printed materials, emblems, slogans or other distinguishing characteristics that in any way use or are now or hereafter connected with any Mark.

8.04 PUBLICITY. Landlord agrees not to announce or refer to the Premises, any Riverboat Casino or the Shoreside Complex orally or in writing with the use of any Mark, in significant written public communication such as any press release, advertisement, prospectus or other marketing communication of any kind without Tenant's prior written consent.

## ARTICLE IX - LAW

9.01 COMPLIANCE WITH LAW. During the Term, Tenant shall, at its own expense, observe and comply with all Laws affecting the Premises; provided, however, that: (i) maintenance and repair of improvements existing on the Premises at the Construction Commencement Date shall be governed by the applicable provision of Article X; and (ii) Tenant shall make any Mandated Alterations required by Law arising at any time after the Construction Commencement Date and thereafter during the Term, subject to the terms of Section 9.02.



9.02 MANDATED ALTERATIONS. If: (a) the LGCB or any Government requires a Mandated Alteration of all or any portion of the Premises or any improvements thereon; and (b) Tenant determines that the performance of such Mandated Alteration would render the operation of the Premises Uneconomic, then, notwithstanding anything to the contrary in this Lease, Tenant, in lieu of performing such Mandated Alteration may elect to terminate this Lease by giving Notice of such election to Landlord within one hundred eighty (180) days after such requirement is imposed.

## ARTICLE X - MAINTENANCE AND ALTERATIONS

10.01 OBLIGATION TO MAINTAIN. Commencing upon the Opening Date and thereafter during the Term, Tenant shall keep and maintain the Premises in good order, condition and repair in a condition and quality equal to its condition and quality at the Opening Date, subject, in each case, to Casualty (governed by the separate applicable provisions of this Lease), reasonable wear and tear, and any other conditions that Tenant is not required to repair pursuant to this Lease.

10.02 HOTEL MAINTENANCE.

(a) INSPECTION BY LANDLORD. At any time after the Opening Date, Landlord shall be permitted to inspect the Hotel in order to verify Tenant's compliance with the provisions of Section 10.01. Such inspections (except for inspections of corrective actions) shall occur not more than once in any year during the Term. Promptly and in any case not more than thirty (30) days after any such inspection, Landlord shall give Tenant Notice of any corrective action that Landlord believes is necessary to comply with the requirements of Section 10.01 that requires corrective action. Except as otherwise provided in Section 10.02 (b), Tenant shall promptly thereafter perform such corrective actions as may be necessary to cause the condition of the Hotel to be in material compliance with the provisions of Section 10.01.

(b) ARBITRATION. If Tenant does not agree that corrective action is necessary with respect to any Notice given by Landlord, then Tenant may submit such matter to arbitration in accordance with the following provisions:

(i) Landlord and Tenant may jointly appoint an Arbitrator. Such Arbitrator shall render his decision within thirty (30) days of such appointment.

(ii) If Landlord and Tenant do not appoint an Arbitrator under Section 10.02(b)(i) within twenty (20) days after such Notice is given, then each party shall appoint one Arbitrator within ten days after the expiration of such 20-day period. Each such Arbitrator shall be an individual who: (A) is not otherwise employed by and is not otherwise a creditor of either party; and (B) has at least five years of experience in the management and operation of riverboat casino/gaming complexes. The two appointed Arbitrators shall meet within ten days of such referral and shall appoint a third Arbitrator, and if such Arbitrators are not able to agree on such third Arbitrator within such time, then, on five days' Notice in writing to the other



Arbitrator, either Arbitrator shall apply to the branch of the American Arbitration Association in Shreveport, Louisiana to designate and appoint such third Arbitrator. The three Arbitrators shall render their decision within twenty (20) days after the appointment of the third Arbitrator. The Arbitrators shall act by majority vote. If the Arbitrators fail to render their decision within such time, either party may seek an order from a court of competent jurisdiction in the State: (x) requiring such Arbitrators to render their decision immediately, or (y) appointing one replacement Arbitrator of equivalent qualifications and directing such Arbitrator to render his decision.

(iii) If either party fails timely to appoint an Arbitrator pursuant to Section 10.02(b)(ii), then the single Arbitrator designated by the other party shall act as the sole Arbitrator and shall be deemed to be the unanimously approved Arbitrator to resolve such dispute.

(iv) The fees and expenses of the Arbitrators shall be paid by the party whose position is not adopted by the Arbitrators. All Arbitrators, by accepting appointment, submit to the jurisdiction of the courts of the State.

(v) All proceedings by the Arbitrators shall be conducted in accordance with the Uniform Arbitration Act as enacted in the State, except to the extent the provisions of such Act are modified by this Agreement or the mutual agreement of the parties. Unless otherwise agreed, all arbitration proceedings shall be conducted in Shreveport, Louisiana, at the offices of Landlord or Tenant.

(d) ARBITRATION DECISION. In all arbitration proceedings hereunder, the Arbitrators shall be required to agree upon and approve the substantive position advocated by one party with respect to each disputed item. The Arbitrators shall exclusively and finally determine whether a particular dispute falls within the scope of their authority unless such determination is legally groundless or in excess of the limitations provided in this Agreement. The decision and award of any Arbitrators made in accordance with this Section 10.02 shall be binding on the parties and enforceable in any court of competent jurisdiction.

10.03 IMPROVEMENTS AND STRUCTURES. Except as (a) permitted under Article IV, (b) the construction of a hotel on the Expansion Parcel, (c) any other construction with a cost less than $35,000,000.00, and (d) any maintenance, repair or replacement in the ordinary course of business, Tenant may not construct or permit the construction of any improvements or structures without the prior written consent of Landlord, which shall not unreasonably be withheld, delayed or conditioned. Such consent shall be deemed given if it has not been denied in writing by Landlord within thirty (30) days from Landlord's receipt of the plans and specifications for such proposed improvements. In the event such additional development is for the purpose of development of sources of revenue or profit centers not related to the operation of the Premises as originally contemplated in this Lease, then such additional development shall not be permitted unless and until Tenant and Landlord have agreed to a fair and reasonable rental arrangement to cover the new revenue sources to be developed.



Notwithstanding anything herein contained to the contrary, although Tenant shall not be required to obtain the consent of Landlord to construct a hotel on the Expansion Parcel, Tenant shall be required to submit design development documents (similar in nature and scope to the Design Development Documents and other related documents described in Section 4.03(a) hereof for the Hotel) to the Design Review Committee for approval prior to commencing construction of a hotel upon the Expansion Parcel. Upon its receipt of such documents, the Design Review Committee shall approve or reject the documents submitted in the manner and with the effect set forth in Section 4.03(b) hereof. If the Design Review Committee rejects the aforesaid documents, Tenant may elect to arbitrate such decision in the manner and with the effect set forth in Section 4.04 of this Lease.

10.04 TENANT'S RIGHT TO PERFORM ALTERATIONS. At Tenant's sole cost and expense, Tenant may perform material alterations or reconstructions to the Shoreside Complex and Parking Structures subject to Landlord's consent as provided in this Section 10.04. Tenant shall perform all such work in substantial compliance with all Laws. Plans and specifications for all material alterations or reconstructions shall be submitted to Landlord at least thirty (30) days prior to commencement of work and will be subject to Landlord's consent and approval, which shall not unreasonably be withheld, delayed or conditioned and which shall be completed by Landlord within thirty (30) days from receipt of the plans and specifications for such improvements. Construction shall not commence until Landlord's approval is received by Tenant or the review period expires.

10.05 PLANS AND SPECIFICATIONS. Except as provided in Sections 10.03 and 10.04, Tenant may make alterations, reconstructions or repairs to the improvements on the Premises without Landlord's consent. If Tenant obtains plans and specifications or surveys (including working plans and specifications and "as-built" plans and specifications and surveys) for such improvements, repairs or alterations, Tenant shall promptly provide Landlord with a true and complete copy of such plans and specifications or surveys, subject to the terms of any agreement between Tenant and the applicable outside architect, engineer or surveyor. (Tenant shall exercise reasonable efforts to cause its agreements with such outside professionals to permit the deliveries described in this Section 10.05.) Plans and specifications and surveys delivered by Tenant to Landlord shall be for Landlord's information only except to the extent, if any, otherwise expressly provided in this Lease.

10.06 EXISTING IMPROVEMENTS. Nothing in this Lease shall be construed to require Tenant to correct or remedy any noncompliance with Law affecting any improvements existing at the Premises on the Commencement Date, or otherwise maintain any such improvements in a condition fit for occupancy. Landlord shall promptly reimburse Tenant for the cost incurred in the demolition or removal of all existing above ground improvements (but excluding any surface parking lot), removal of which is necessary for construction of the Shoreside Complex and the Parking Facilities. To the extent that any Government specifically requires the performance of any work or demolition to prevent any improvements not removed by Tenant, if any, from constituting a hazard, Tenant shall perform such work or demolition and Landlord shall promptly reimburse Tenant for the cost incurred in such work or demolition.



## ARTICLE XI - PROHIBITED LIENS

11.01 TENANT'S COVENANT. Tenant shall not suffer or permit any Prohibited Lien to be filed. If a Prohibited Lien is filed then Tenant shall, within 30 days after receiving Notice of such filing (but in any case within 15 days after receipt of Notice of commencement of foreclosure proceedings), commence and then prosecute appropriate action to cause such Prohibited Lien to be paid, discharged or bonded. Nothing in this Lease shall be construed to restrict Tenant's right to contest the validity of any Prohibited Lien and to pursue Tenant's position to a final judicial determination. The mere existence of a Prohibited Lien shall not be construed as a Default under this Lease.

11.02 PROTECTION OF LANDLORD. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect the Fee Estate. Nothing in this Lease shall be deemed or construed in any way to constitute Landlord's consent or request, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer, equipment or material supplier for the performance of any labor or the furnishing of any materials or equipment for any improvement, alteration or repair of or to the Premises, or any part of the Premises, nor as giving Tenant any right, power or authority to contract for, or permit the rendering of, any services, or the furnishing of any materials that would give rise to the filing of any liens against the Fee Estate. Tenant shall Indemnify Landlord against any work performed on the Premises for or by Tenant or any Subtenant.

ARTICLE XII - INDEMNIFICATION; LIABILITY OF LANDLORD

12.01 MUTUAL INDEMNITY OBLIGATIONS. Landlord and Tenant shall each Indemnify the other against: (a) any wrongful act, wrongful omission or negligence of the Indemnitor (or, in the case of Tenant, of any of Tenant's Subtenants) or its or their partners, directors, officers, or employees, or their equivalent; and (b) any breach or default by the Indemnitor under this Lease. In addition to and without limiting the generality of the foregoing indemnity, Tenant shall Indemnify Landlord against all the following matters: (x) the management or occupancy of, or any work or activity performed in and on, the Premises, the Shoreside Complex or any Riverboat Casino by Tenant during the Term or in the performance of Tenant's obligations under Section 28.07; (y) the condition of the Premises, the Shoreside Complex or any Riverboat Casino or any improvement located on the Premises, the Shoreside Complex or any Riverboat Casino at any time after the Construction Commencement Date and thereafter during the Term; and (z) any accident, injury or damage whatsoever caused to any person occurring at any time after the Construction Commencement Date and thereafter during the Term, in or on the Premises, the Shoreside Complex or any Riverboat Casino or any improvements located on the Premises, the Shoreside Complex or any Riverboat Casino. Furthermore, Tenant agrees to pay, and to Indemnify Landlord against, reasonable legal costs, including reasonable counsel fees and disbursements, incurred by Landlord in obtaining possession of the Premises if Tenant fails to surrender possession upon the expiration or earlier termination of the Term. Notwithstanding anything to the contrary in this Lease, neither party shall be required to Indemnify the other party from or against such other party's intentional acts or omissions or negligence, and Tenant shall not be required to Indemnify Landlord from or against any condition that existed on or at the Premises at or before the Construction Commencement Date that was not created by Tenant. Landlord shall Indemnify Tenant against any liability arising from the environmental condition of the Premises existing immediately prior to the Construction Commencement Date and not created by Tenant, whether such condition is known or unknown on the Construction Commencement Date to the parties hereto. Tenant shall Indemnify Landlord against any liability arising from any environmental condition of the Premises created at any time after the Construction Commencement Date and thereafter during the Term whether such condition is known or unknown on the Construction Commencement Date or thereafter during the Term to the parties hereto. The terms of this provision shall survive the termination or expiration of this Lease.

12.02 LIABILITY OF LANDLORD. Tenant is and shall be in exclusive control and possession of the Premises and all Improvements thereon at all times after the Construction Commencement Date and thereafter during the Term as provided in this Lease. Subject to Section 12.01, Landlord shall not be liable for any injury or damage to any property or to any person occurring on or about the Premises, the Shoreside Complex or any Riverboat Casino at any time commencing upon the Construction Commencement Date and thereafter during the Term. The provisions of this Lease permitting Landlord to enter and inspect the Premises are intended to allow Landlord to be informed as to whether Tenant is complying with the agreements, terms, covenants and conditions of this Lease, and to the extent permitted by this Lease, to perform such acts required by this Lease as Tenant shall fail to perform. Such provisions shall not be construed to impose upon Landlord any liability to third parties, but nothing in this Lease shall be construed to exculpate, relieve or Indemnify Landlord from or against any liability of Landlord to third parties existing at or before the Construction Commencement Date, or arising from facts or circumstances in existence at or before the Construction Commencement Date, in respect of which Landlord shall Indemnify Tenant.



12.03 INDEMNITY RELATING TO ACCESS. Tenant shall Indemnify Landlord against any accident, injury, damage or loss whatsoever caused to any person as a direct result of inspections, work or any other activity performed in or on the Premises by Tenant on and after the Commencement Date through and including the date immediately preceding the Construction Commencement Date.

12.04 INDEMNIFICATION PROCEDURES. Wherever this Lease requires an Indemnitor to Indemnify an Indemnitee, the following procedures and requirements shall apply:

(a) PROMPT NOTICE. The Indemnitee shall give the Indemnitor prompt Notice of any claim. To the extent, and only to the extent, that both (a) the Indemnitee fails to give prompt Notice of such claim and (b) the Indemnitor is thereby prejudiced, the Indemnitor shall be relieved of its indemnity obligations under this Lease with respect to such claim.

(b) SELECTION OF COUNSEL. The Indemnitor shall be entitled to select counsel (reasonably acceptable to the Indemnitee, but counsel to the Indemnitor's insurance carrier shall be deemed satisfactory). Notwithstanding anything to the contrary in the preceding sentence, if the Indemnitee is Tenant or another Affiliate of Tenant, then: (a) the Indemnitee shall be entitled to approve the Indemnitor's choice of counsel or select the Indemnitee's own counsel and be represented by such counsel; and (b) if the Indemnitee selects its own counsel, then such counsel shall consult with (but not be controlled by) the Indemnitor's counsel and the Indemnitor and the Indemnitee shall each pay fifty percent (50%) of the reasonable attorneys' fees of the Indemnitee's counsel.

(c) SETTLEMENT. The Indemnitor may, with the consent of the Indemnitee, not to be unreasonably withheld, settle the claim, except that no consent by the Indemnitee shall be required as to any settlement by which (x) the Indemnitor procures (by payment, settlement, or otherwise) a release of the Indemnitee pursuant to which the Indemnitee is not required to make any payment whatsoever to the third party making the claim, (y) neither the Indemnitee nor the Indemnitor acting on behalf of the Indemnitee makes any admission of liability, and (z) the continued effectiveness of this Lease is not jeopardized in any way.



ARTICLE XIII - RIGHT OF CONTEST

Notwithstanding anything to the contrary in this Lease, Tenant shall have the right to contest, at its sole expense, by appropriate legal proceedings diligently conducted in good faith, the amount or validity of any Imposition or Prohibited Lien; the valuation, assessment or reassessment (whether proposed or final) of the Premises for purposes of real estate taxes; the validity of any Law or the application of any Law to the Premises; or the validity or merit of any claim against which Tenant is required to Indemnify Landlord under this Lease. Tenant may defer payment of the contested Imposition or compliance with

the contested Law or performance of any other contested obligation pending the outcome of such contest, provided that such deferral does not subject the Premises to any material risk of imminent forfeiture or Landlord to any material risk of criminal liability. Landlord shall not be required to join in any such contest proceedings unless a Law shall require that such proceedings be brought in the name of Landlord or any owner of the Fee Estate. In such case, Landlord shall cooperate with Tenant so as to permit such proceedings to be brought in Landlord's name. In addition to, and without limiting, Landlord's obligations under the preceding sentence, Landlord appoints Tenant as Landlord's attorney-in-fact, irrevocably, with full power of substitution, to execute and deliver any documentation, and to otherwise act on Landlord's behalf to the full extent Landlord could and in Landlord's place and stead, in any such proceeding. This appointment is coupled with an interest and is irrevocable. Tenant shall pay all reasonable costs and expenses (including reasonable attorneys' fees) incident to such proceedings. Tenant shall Indemnify Landlord against such contest and against any liability arising from representations and warranties set forth in any such documentation. Tenant shall be entitled to any refund of any Imposition (and penalties and interest paid by Tenant) based upon Tenant's prior overpayment of such Imposition, whether such refund is made during or after the Term. Upon termination of Tenant's contest of an Imposition, Tenant shall pay the amount of such Imposition (if any) as has been finally determined in such proceedings to be due, together with any costs, interest, penalties or other liabilities in connection with such Imposition. Upon final termination of Tenant's contest of a Law, Tenant shall comply with such final determination. Landlord shall not enter any objection to any contest proceeding undertaken by Tenant pursuant to this Article XIII, except with respect to contest proceedings involving or which may affect Impositions levied or collected by the City of Shreveport. Subject to the City of Shreveport's right to intervene in matters involving Impositions levied or collected by the City of Shreveport, Tenant's right to contest any Imposition or the valuation, assessment or reassessment of the Premises for tax purposes shall be to the exclusion of Landlord, and Landlord shall have no right to contest the foregoing without Tenant's consent, not to be unreasonably withheld.

## ARTICLE XIV - INSURANCE

14.01 TENANT TO INSURE. Tenant shall, at Tenant's sole cost and expense, commencing on the Construction Commencement Date and thereafter during the Term, maintain or cause its Subtenants to maintain the following insurance (or its then reasonably available equivalent):

(a) CASUALTY. Casualty insurance providing coverage for the Premises and all equipment, fixtures, and machinery at or in the Premises, against loss, damage, and



destruction by fire and other hazards encompassed under broad form coverage as may be customary for like properties in the Parish (but Tenant shall in no event be required to maintain earthquake or war risk insurance) from time to time commencing on the Construction Commencement Date and thereafter during the Term, in an amount not less than 100% of the replacement value of the insurable buildings, structures, improvements and equipment (excluding excavations and foundations) located at the Premises, but in any event sufficient to avoid co-insurance in the event of a partial loss. To the extent customary for like properties at the time, such insurance shall include coverage for explosion of steam and pressure boilers and similar apparatus located at the Premises; an "increased costs of construction" endorsement; and an endorsement covering demolition and cost of debris removal.

(b) LIABILITY. General public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the Premises and the Riverboat Casinos berthed at the Premises and streets and passageways adjoining the Premises, including so-called Garage Keeper's Legal Liability coverage. The coverage under all such liability insurance shall be at least $50,000,000 in respect of any one occurrence, for injury or death to persons or property damage. Landlord shall be entitled from time to time, upon 180 days' Notice to Tenant, to increase the dollar limits set forth in this Section 14.01(b), subject to the following limitations, which shall be cumulative: (a) such increased limits shall never exceed the limits initially set forth plus an increase proportionate to the increase in the Consumer Price Index from the Construction Commencement Date to the date of the adjustment, rounded to the nearest million dollars; (b) such limits shall never exceed the limits customarily maintained for similar commercial properties located in the Parish; and (c) Landlord shall not be entitled to increase such limits more frequently than once every five years.

(c) WORKERS' COMPENSATION. Workers' compensation insurance covering all persons it employs in connection with the construction, alteration, repair or operation of the Premises and with respect to whom any claim could be asserted against Landlord or the Fee Estate.

(d) CONSTRUCTION PERIOD. For the period from the commencement of construction of the Shoreside Complex through the completion of such construction, Tenant shall also (i) ensure that the contractor of the Shoreside Complex maintains customary contractor's liability insurance having a limit of not less than $25,000,000 (and, if the contractor is undertaking foundation, excavation or demolition work, an endorsement stating that such operations are covered and that the "XCU Exclusions" have been deleted); and (ii) Tenant shall maintain Builder's Risk Insurance (having such scope of coverage as may be customary for like construction projects in the Parish at the time) written on a completed value non- reporting basis (with an endorsement stating that "permission is granted to complete and occupy").



(e) BUSINESS INTERRUPTION. Tenant shall obtain and maintain business interruption insurance covering Tenant's business at the Premises and Riverboat Casinos berthed at the Premises at all times commencing on the Construction Commencement Date and continuing throughout the Term. Business interruption insurance shall include coverage for the payment of Fixed Rent, Percentage Rent and In Lieu Payments to the Landlord.

(f) OTHER. Tenant shall obtain such other insurance as Tenant determines appropriate in the exercise of Tenant's reasonable business judgment.

14.02 NATURE OF INSURANCE PROGRAM. Any or all insurance required by this Lease may be provided by a "captive" insurance company affiliated with Tenant or, by Notice to Landlord specifying the risks being covered by self-insurance, through a self-insurance program provided, in the latter case, that the self-insuring entity is (a) an affiliate or subsidiary of Tenant or (b) any other substantial entity that, in Landlord's reasonable judgment, has sufficient assets and net worth under the circumstances. Tenant agrees to provide any and all necessary financial and reporting information which Landlord may reasonably request in making this determination.

14.03 POLICY REQUIREMENTS AND ENDORSEMENTS. All insurance policies required by this Lease shall contain (by endorsement or otherwise) the following provisions:

(a) ADDITIONAL INSUREDS. Liability, casualty and business interruption insurance policies shall name as additional insureds Landlord and any Fee Mortgagees, as their interests may appear.

(b) PRIMARY COVERAGE. All policies shall be written as primary policies not contributing with or in excess of any coverage that Landlord may carry.

(c) TENANT'S ACT OR OMISSIONS. Each policy shall include, if available without additional cost, a provision that any act or omission of Tenant shall not prejudice any party's rights (other than Tenant's) under such insurance coverage.

(d) CONTRACTUAL LIABILITY. Policies of liability insurance shall contain contractual liability coverage, relating to Tenant's indemnity obligations under this Lease.

(e) INSURANCE CARRIER STANDARDS. Each insurance carrier shall be authorized to do business in the State, and, except to the extent such insurance is provided in compliance with this Lease by an affiliated "captive" insurance company or pursuant to Tenant's self-insurance program, each domestic insurer shall have a "Best's" rating of at least A(-)VIII. Unrated international insurance carriers may be utilized by Tenant only with the prior approval of Landlord, which approval shall not be unreasonably withheld; provided, that the Lloyd's of London Association is approved by the Landlord.

(f) NOTICE TO LANDLORD. All policies of Insurance shall provide by their express terms for 30 days' prior Notice of any cancellation to Landlord.



14.04 DELIVERIES TO LANDLORD. Upon Notice to such effect by Landlord, Tenant shall deliver to Landlord policies or certificates or certified copies of the insurance policies required by this Lease, endorsed "Paid" or accompanied by other evidence that the premiums for such policies have been paid, at least ten days before expiration of any then current policy.

14.05 BLANKET AND UMBRELLA POLICIES. Tenant may provide any insurance required by this Lease pursuant to a "blanket" or "umbrella" insurance policy, provided that such policy otherwise complies with this Lease.

14.06 WAIVER OF CERTAIN CLAIMS. To the extent that Landlord or Tenant purchases any hazard insurance relating to the Premises, the party purchasing such Insurance shall attempt to cause the insurance carrier to agree to a Waiver of Subrogation. If any insurance policy cannot be obtained with a Waiver of Subrogation, or a Waiver of Subrogation is obtainable only by the payment of an additional premium, then the party undertaking to obtain the insurance shall give Notice of such fact to the other party. The other party shall then have ten (10) Business Days after receipt of such Notice either to place the insurance with a company that is reasonably satisfactory to the other party and that will issue the insurance with a Waiver of Subrogation at no additional cost, or to agree to pay the additional premium if such a policy can be obtained only at additional cost. To the extent that the parties actually obtain insurance with a Waiver of Subrogation, the parties release each other, and their respective authorized representatives, from any claims for damage to any person or the Premises that are caused by or result from risks insured against under such insurance policies, but only to the extent of the available insurance proceeds.

14.07 NO REPRESENTATION OF ADEQUATE COVERAGE. Neither party makes any representation, or shall be deemed to have made any representation, that the limits, scope or form of insurance coverage specified in this Article IV are adequate or sufficient.



## ARTICLE XV - DAMAGE OR DESTRUCTION

15.01 NOTICE; NO RENT ABATEMENT. Tenant shall promptly give Landlord Notice of any Casualty. There shall be no abatement of Rent on account of a Casualty. Tenant shall, with reasonable promptness, restore the damaged improvements as nearly as may be practicable to their condition, quality, and class immediately prior to such Casualty, with such changes or alterations (including demolition) as Tenant shall elect to make in conformity with this Lease; provided, however, that if, in Tenant's judgment, the cost to Tenant of such restoration or other circumstances would cause the operation of the Premises to be Uneconomic or if such Casualty occurs within the last year of the Term, then Tenant may terminate this Lease by at least thirty (30) days' advance Notice to Landlord and assign to Landlord all of Tenant's rights with respect to insurance proceeds arising from the Casualty. If Tenant gives such a Notice, then Landlord shall have the right, by Notice to Tenant within ten (10) Business Days after receipt of Tenant's Notice, to require Tenant to cause the remaining improvements to be demolished and the debris removed, so that the Premises are returned to Landlord as vacant and level land. The parties shall cooperate to make available the insurance proceeds for such work, which Tenant shall perform with reasonable promptness but the completion of which shall not be a condition to termination of this Lease. Any remaining insurance proceeds after performance of such work shall belong to Landlord.

15.02 ADJUSTMENT OF CLAIMS; USE OF INSURANCE PROCEEDS. Tenant shall be solely responsible for the adjustment of any insurance claim that has not been assigned to Landlord under Section 15.01. All proceeds of casualty or hazard insurance shall be paid to Tenant and shall under no circumstances be paid to Fee Mortgagees unless (a) pursuant to some other express provision of this Lease Tenant is required to pay or assign such proceeds to Landlord and (b) pursuant to a Fee Mortgage such proceeds payable to Landlord shall be paid instead to the Fee Mortgagee.

15.03 DEPOSITORY. All proceeds in excess of $1,000,000 of casualty insurance to be applied by Tenant to rebuild, restore or repair the Premises shall be deposited with a Depository, to be disbursed for the repair, restoration or reconstruction of the Premises.

## ARTICLE XVI - CONDEMNATION

16.01 SUBSTANTIAL CONDEMNATION. If a Substantial Condemnation of the Premises shall occur, then this Lease shall terminate as of the effective date of such Substantial Condemnation, and the Rent shall be apportioned accordingly. The proceeds of any condemnation award made in

connection with a Substantial Condemnation shall be allocated between Landlord and Tenant as follows: (x) first, Tenant shall be entitled to receive such portion of the award, with interest, as shall equal the value of the Leasehold Estate including all improvements located on the Premises; (y) second, Landlord shall, subject to the rights of Fee Mortgagees, be entitled to receive such portion of the award, with interest, as shall equal the value of the Fee Estate (which value shall reflect the present value of Rent under this Lease) subject to this Lease; and (z) third, Tenant shall be entitled to receive the entire remaining balance of any such award. All determinations of value required by the preceding sentence shall be made as if the Condemnation had never occurred, the Leasehold Estate had not been terminated, and this Lease had continued for all Renewal Terms except to the extent that Tenant determines that Tenant would have elected not to exercise any future Renewal Option(s) not already exercised or deemed exercised at the effective date of Condemnation.



16.02 INSUBSTANTIAL CONDEMNATION. If an Insubstantial Condemnation shall occur, then any condemnation award or awards shall be applied first to repair, restoration or reconstruction of any remaining part of the improvements not so taken. Tenant shall perform such repair, restoration or reconstruction in accordance with applicable requirements of this Lease. The balance of any such award or awards remaining after the repair, restoration or reconstruction shall be distributed to Landlord and Tenant as if they were proceeds of a Substantial Condemnation affecting only the portion of the Premises taken.

16.03 TEMPORARY CONDEMNATION. If a Temporary Condemnation shall occur with respect to the use or occupancy of the Premises that, in Tenant's reasonable judgment, renders the Premises unusable for its original purpose for a period greater than ninety (90) days, then Tenant shall, at its option, be entitled to terminate this Lease effective as of the commencement date of the Temporary Condemnation. If Tenant exercises such option, then any Condemnation award made in connection with such Temporary Condemnation shall be distributed as if such Temporary Condemnation was a Substantial Condemnation in accordance with Section 16.01. If the Temporary Condemnation relates to a period of ninety (90) days or less, or if Tenant does not elect to terminate this Lease, then all proceeds of such Temporary Condemnation (to the extent attributable to periods within the Term) shall be paid to Tenant and Tenant's obligations under this Lease shall not be affected in any way.

16.04 OTHER GOVERNMENTAL ACTION. In the event of any action by any Government not resulting in a Condemnation but creating a right to compensation, such as the changing of the grade of any street upon which the Premises abut, then this Lease shall continue in full force and effect without reduction or abatement of Rent and Tenant shall be entitled to receive the award or payment made in connection with such action.

16.05 ASSIGNMENT OF CONDEMNATION PROCEEDS. Landlord hereby assigns to a Depository selected for such purpose, who shall have the right to receive, and there shall be paid to such Depository, the entire amount of any awards or other sums received, whether by Landlord or Tenant, as compensation as a result of any Condemnation. Such awards to be paid to such Depository shall include: (i) all awards made on account of any improvements that are the subject of a Condemnation, whether or not the value of such improvements is the subject of a separate award or otherwise separately determined by the Condemnation authority; and (ii) the full value of the land that is the subject of the Condemnation. All such proceeds shall be applied and disbursed in accordance with this Article
XVI.

16.06 SETTLEMENT OR COMPROMISE. Neither Landlord nor Tenant shall settle or compromise any Condemnation award in any Condemnation proceeding that affects the property interests of the other party hereto without the consent of the consent of such other party. Tenant shall be entitled to appear in such proceedings and claim such share of the award as it is entitled to receive pursuant to the terms of this Lease. Subject to the terms of its Leasehold Mortgage, any Leasehold Mortgagee shall also be entitled to appear in such proceedings and empowered to participate in any settlement, arbitration or other proceeding involving any Condemnation. Landlord shall have no right to participate in any proceedings affecting only the Leasehold Estate unless either



(a) Tenant elects to terminate this Lease on account of such proceedings or (b) Tenant is not legally permitted to participate in such proceedings. In the latter case, Landlord shall participate in such proceedings in accordance with Tenant's instructions, all at Tenant's expense and using counsel selected, instructed and paid by Tenant. Nothing herein shall be construed to limit Landlord's ability to assert a claim for compensation for Rent or other payments required by this Lease as part of a condemnation award.

16.07 PROMPT NOTICE. If either party becomes aware of any Condemnation or threatened or contemplated Condemnation, then such party shall promptly give Notice thereof to the other party.

16.08 TAKING OR TERMINATION OF LEASE BY LANDLORD. Pursuant to Section 2.03(a) of the Charter of the City of Shreveport, Landlord, in its governmental capacity, may be required to terminate this Lease because the Premises are required for public purpose. In such event, the taking or termination shall be treated as a Substantial Condemnation hereunder and all compensation lawfully due for such taking shall be apportioned as provided in Section 16.01 hereof.

## ARTICLE XVII - TRANSFERS BY LANDLORD

17.01 LANDLORD'S RIGHT TO CONVEY. Landlord shall not, during the Term of this Lease, convey its Fee Estate except to a Fee Mortgagee which forecloses on the Fee Estate or accepts a deed in lieu of foreclosure on the Fee Estate, as a result of a default by Landlord under a Fee Mortgage.

17.02 NO ENCUMBRANCES. During the Term Landlord shall not enter into, grant or permit or suffer to attach to the Fee Estate any easement, servitude, restriction, lien (including mechanics' lien, material supplier's lien, or other statutory lien) or other encumbrance affecting title to the Fee Estate (other than a Fee Mortgage), except for encumbrances entered into at Tenant's request or with Tenant's consent, or Permitted Exceptions. Tenant shall not unreasonably withhold Tenant's consent so long as such easement, servitude, restriction, lien or other encumbrance is fully subordinated to this Lease, all rights and interests of Tenant hereunder, and all estates arising from this Lease (including Leasehold Mortgages), any amendments to the foregoing, and the rights of all other third parties then or thereafter claiming by, through or under Tenant or any Leasehold Mortgage. Without Tenant's prior written consent, which Tenant may withhold for any reason or no reason, Landlord shall not enter into any agreement or instrument by which the Premises are combined with any other real property for purposes of any Law governing zoning, bulk, development rights, or any similar matters or by which any rights arising under such Laws to develop the Premises are transferred to any other real property.

ARTICLE XVIII - TRANSFERS BY TENANT

18.01 ASSIGNMENT TO RELATED ENTITIES. This Lease may be assigned from time to time by Tenant to any Affiliate of Tenant, so long as such assignee agrees in writing to assume the obligations of Tenant.



18.02 ACQUISITIONS. An acquisition of Tenant or any Affiliate of Tenant shall not constitute an assignment of this Lease and is hereby expressly permitted.

18.03 ASSIGNMENT TO UNRELATED ENTITIES. This Lease may be assigned from time to time by Tenant to any assignee, provided that such assignee expressly assumes in writing all obligations of Tenant hereunder, has a net worth at the time of such assignment not less than $100,000,000 or its obligations hereunder are guaranteed by an entity having a net worth at the time of such assignment not less than $100,000,000.

ARTICLE XIX - SUBLETTING

19.01 TENANT'S RIGHT TO SUBLET. Tenant may enter into a Sublease, extend, renew or modify any Sublease, consent to any sub-subleasing (or further levels of subleasing) (all of which shall be within the defined term "Sublease," and the occupants thereunder shall all be deemed "Subtenants"), terminate any Sublease or evict any Subtenant, all without Landlord's consent, provided, however, that Tenant agrees not to sublet or otherwise license the Parking Facilities (other than any retail space located within such Parking Facilities), gaming operations and/or food and beverage services located within the Pavilion/Hotel Parcel or the Expansion Parcel unless such Sublease or license provides, or such Subtenant agrees to provide, Landlord with the same percentage of such Subtenant's Adjusted Gross Revenue and Parking Facilities Net Income, if applicable, from such activities, which would have been due if such activities had been performed directly by Tenant and provides Landlord with audit rights with respect to such revenues substantially equivalent to the audit rights provided to Landlord under this Lease. Tenant agrees to give Landlord thirty (30) days' prior Notice of any Sublease. The term of any Sublease (including renewal options) shall not extend beyond the Term (including only any Renewal Options previously exercised by Tenant or that Tenant agrees, in the Sublease, to exercise). If Tenant enters into any Sublease, then each Sublease shall be subordinate to this Lease and shall contain provisions in form and substance
substantially as follows, and each Subtenant by executing its Sublease shall be deemed to have agreed to the following (the term "Sublandlord" to be defined in the Sublease to refer to Tenant as sublandlord under the Sublease):

> Subtenant agrees that if, by reason of a default under any underlying lease (including any underlying lease through which Sublandlord derives its leasehold estate in the demised subpremises), such underlying lease and the leasehold estate of Sublandlord in the demised subpremises is terminated, then Subtenant, at the option and request of the then fee owner of the demised subpremises (the "Fee Landlord"), shall attorn to such Fee Landlord as Subtenant's direct landlord under this Sublease and the Fee Landlord shall recognize such Subtenant as its direct tenant under this Sublease. Subtenant agrees to execute and deliver, at any time and from time to time, upon the request of Sublandlord or of the Fee Landlord or any mortgagee of either, any instrument that may be necessary or appropriate to evidence such attornment. Subtenant hereby appoints Sublandlord or such Fee Landlord or such mortgagee the attorney-in-fact, irrevocably, with full power of substitution, of Subtenant to execute and deliver any such instrument for and on behalf of Subtenant. This appointment is coupled with an interest and is irrevocable. Subtenant waives any statute or rule



> of law now or subsequently in effect that may give or purport to give Subtenant any right to elect to terminate this Sublease or to surrender possession of the demised subpremises in the event any proceeding is brought by a Fee Landlord to terminate any such underlying lease. Subtenant agrees that this Sublease shall not be affected in any way whatsoever by any such proceeding.

19.02 SUBORDINATION, ATTORNMENT AND NONDISTURBANCE. Landlord shall, upon Tenant's request made at any time or from time to time, enter into a Subordination, Attornment and Nondisturbance Agreement in the form of Exhibit "E" (a "SAND Agreement") with any Subtenant, and if Landlord fails or refuses to enter into a SAND Agreement Landlord shall be deemed to have done so, provided that: (a) the rent per rentable square foot of improvements under such sublease equals or exceeds the corresponding Rent under this Lease, allocated over all improvements constituting part of the Premises or the aggregate rent under such Subleases and all other Subleases as to which Tenant requests or obtains SAND Agreements equals or exceeds the Rent under this Lease, and such Sublease is on terms that are commercially reasonable at the time of execution of such Sublease and (b) Tenant provides Landlord with a copy of such Sublease, which Sublease shall contain the attornment provisions required by this Lease. If Landlord fails to execute and return to Tenant any such SAND Agreement within ten Business Days after Landlord's receipt of the same, then Landlord authorizes and instructs Tenant to execute such SAND Agreement on Landlord's behalf. Accordingly, Landlord appoints Tenant as Landlord's attorney-in-fact, with full power of substitution, to execute and deliver any such SAND Agreement for and on behalf of Landlord. This appointment is coupled with an interest and is irrevocable.

19.03 NO RELEASE OF TENANT UPON SUBLEASE. No Sublease shall affect or reduce any obligations of Tenant or rights of Landlord under this Lease. All obligations of Tenant under this Lease shall continue in full force and effect notwithstanding any Sublease.

19.04 ASSIGNMENT OF SUBLEASE RENTS. Tenant hereby assigns, transfers and sets over to Landlord all of Tenant's right, title, and interest in and to every Sublease entered into by Tenant from time to time, together with all subrents or other sums of money due and payable under such Sublease, and all security deposited with Tenant under such Sublease. Such assignment shall, however, become effective and operative only if this Lease shall expire or be terminated or canceled, or if Landlord re-enters or takes possession of the Premises pursuant to this Lease.

ARTICLE XX - TENANT'S RIGHT TO MORTGAGE

Tenant shall have the absolute and unconditional right, without Landlord's consent, to execute and deliver Leasehold Mortgage(s) encumbering this Lease and the Leasehold Estate at any time and from time to time during the Term. Landlord shall not be required to join in or "subordinate" the Fee Estate to any Leasehold Mortgage. If Tenant exercises this right, the provisions of Exhibit "G" shall be applicable and shall govern the effect of any rights arising under any Leasehold Mortgage(s) executed and delivered by Tenant as if such provisions were fully set forth in this Lease. The parties shall execute such further documents as may be required to effect the foregoing.

ARTICLE XXI - QUIET ENJOYMENT

Landlord covenants that Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Term without molestation or disturbance by or from Landlord, anyone claiming by or through Landlord or having title to the Premises paramount to Landlord or any Fee Mortgagee, and free of any encumbrance created or suffered by Landlord, except Permitted Exceptions; provided the foregoing covenant is applicable to the Texas Street Parcel only to the extent of Landlord's right, title and interest therein.

ARTICLE XXII - REPRESENTATIONS AND WARRANTIES

Landlord represents and warrants to Tenant that the following facts and conditions exist and are true as of the Commencement Date and, to the extent specifically so stated, will remain true throughout the Term. In addition, Tenant makes, for the benefit of Landlord, certain reciprocal representations and warranties as set forth below.

22.01 DUE AUTHORIZATION AND EXECUTION. Landlord has full right, title, authority and capacity to execute and perform this Lease, the Memorandum of Lease and any other agreements and documents to which Landlord is a party and referred to or required by this Lease (collectively, the "Documents"); the execution and delivery of the Documents has been duly authorized by all requisite actions of Landlord; the Documents constitute valid and binding obligations of Landlord; neither the execution of the Documents nor the consummation of the transactions contemplated thereby violates any agreement (including Landlord's organizational documents), contract or other restriction to which Landlord is a party or is bound. Tenant makes reciprocal warranties and representations to Landlord. Both parties' representations and warranties contained in this Section 22.01 shall continue to apply in full force and effect throughout the Term as if made continuously throughout the Term.

22.02 NO LITIGATION. There is no pending litigation, suit, action or proceeding before any court or administrative agency nor has Landlord received any formal notice of any threatened litigation, suit, action or proceeding before any court or administrative agency affecting the Premises or attacking the validity of this Lease or the Landlord's execution, delivery and performance of this Lease or that would, if adversely determined, adversely affect the validity of this Lease.

22.03 FIRPTA. Landlord is not a "foreign person" within the meaning of Section 1445(f)(3) of the United States Internal Revenue Code of 1986.

22.04 NO PENDING IMPROVEMENTS. Landlord is not a party to any outstanding contracts for any improvements to the Premises, nor does any person have the right to claim any mechanic's or supplier's lien arising from any labor or materials furnished to Landlord.

22.05 NO OTHER TENANTS. At the Construction Commencement Date, Tenant will be the only tenant of the Premises.



22.06 REPRESENTATIONS AND WARRANTIES IN AGREEMENT TO LEASE. All of Landlord's representations and warranties set forth herein are true and correct as of the Commencement Date and will be true and correct on the Construction Commencement Date. Tenant makes a reciprocal warranty and representation to Landlord as to the truth and correctness of Tenant's representations and warranties herein.

ARTICLE XXIII - FORCE MAJEURE

Tenant's obligation to perform or observe any term, condition, covenant or agreement on Tenant's part to be performed or observed pursuant to this Lease (other than Tenant's obligation to pay any item of Rent when due) shall be suspended during such time as such performance or observance is prevented or delayed by reason of any Unavoidable Delay. Tenant shall make reasonable efforts to mitigate or reduce the effects of any Unavoidable Delay.

ARTICLE XXIV - ACCESS

Landlord and its agents, representatives and designees shall have the right to enter the Premises upon reasonable notice to Tenant during regular business hours and in accordance with Tenant's reasonable instructions, solely for the purpose of curing Tenant's Defaults (provided that Landlord shall have given Tenant prior Notice of such Default in accordance with this Lease) or for purposes relating to the transfer or sale of the Fee Estate in compliance with this Lease. In entering the Premises pursuant to this Article XXIV, Landlord and its designees shall not interfere with the conduct of operations on the Premises by Tenant or anyone claiming through Tenant and shall comply with Tenant's reasonable instructions. Landlord shall Indemnify Tenant against any claims arising from Landlord's entry upon the Premises pursuant to this Article XXIV or any other provision of this Lease permitting Landlord to enter the Premises (except upon termination of this Lease).

ARTICLE XXV - LATE PAYMENT

If Tenant makes any payment required under this Lease more than fifteen (15) days after such payment is first due and payable, then in addition to any other remedies Landlord may have under this Lease, and without reducing or adversely affecting any of Landlord's other rights and remedies, Tenant shall pay Landlord interest on such late payment, at an interest rate equal to the Prime Rate plus two percent (2%), beginning on the day payment was first due and payable and continuing until the date when Tenant actually makes such payment. Failure to pay such interest shall be deemed a failure to make the late payment and, in such event, payment without interest shall not cure any applicable Monetary Default.



ARTICLE XXVI - LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS

26.01 LANDLORD'S OPTION. If Tenant shall at any time fail to make any payment or perform any other act on its part to be made or performed, then Landlord, after ten Business Days' Notice to Tenant, or with such notice (if any) as is reasonably practicable under the circumstances, in case of an emergency, and without waiving or releasing Tenant from any obligation of Tenant or from any default by Tenant and without waiving Landlord's right to take such action as may be permissible under this Lease as a result of such Default, may (but shall be under no obligation to) make such payment or perform such act on Tenant's part to be made or performed pursuant to this Lease. Subject to the provisions of Article XXIV, Landlord may enter upon the Premises for such purpose.

26.02 REIMBURSEMENT BY TENANT. All reasonable sums paid by Landlord and all costs and expenses reasonably incurred by Landlord, together with reasonable attorneys' fees, in connection with the exercise of Landlord's cure rights under Section 26.01, shall constitute Additional Rent. Tenant shall pay such Additional Rent within thirty (30) days after Landlord's demand accompanied by evidence reasonably establishing that Landlord properly and reasonably incurred such costs and expenses in accordance with this Lease.

## ARTICLE XXVII - DEFAULT BY TENANT; REMEDIES

27.01 EVENTS OF DEFAULT. The term "Event of Default" shall mean and refer to the occurrence of any one or more of the following circumstances:

(a) MONETARY DEFAULT. If a Monetary Default shall occur and the Monetary Default shall continue for thirty (30) days after Landlord has given Tenant Notice of such Monetary Default, specifying in reasonable detail the amount of money required to be paid by Tenant and the nature of such payment; provided, however, payment(s) withheld by Tenant that are the subject of a pending legal or arbitration proceeding between Landlord and Tenant shall not constitute a Monetary Default, unless such payment(s) is/are not made within thirty (30) days of a final, non-appealable judgment with respect to such payment(s) in favor of the Landlord.

(b) NON-MONETARY DEFAULT. If a Non-Monetary Default shall occur and the Non-Monetary Default shall continue and not be remedied by Tenant within sixty (60) days after Landlord shall have delivered to Tenant a Notice describing the same in reasonable detail, or, in the case of a Non- Monetary Default that cannot with due diligence be cured within sixty (60) days from such Notice, if Tenant shall not (x) within sixty (60) days from Landlord's Notice advise Landlord of Tenant's intention to take all reasonable steps necessary to remedy such Non-Monetary Default, (y) duly commence the cure of such Non-Monetary Default within such period, and then diligently prosecute to completion the remedy of the Non-Monetary Default and (z) complete such remedy within a reasonable time under the circumstances.



27.02 REMEDIES. Upon occurrence of an Event of Default, Landlord may exercise any or all of the following remedies, and any other remedies provided for under this Lease or available by law, all of which shall be cumulative: (a) Landlord shall have the right to proceed by appropriate judicial proceedings, either at law or in equity, to enforce performance or observance by Tenant of the applicable provisions of this Lease and/or to recover damages to the extent arising against Tenant for breach of this Lease; and/or (b) Landlord may give Tenant a Notice of termination of this Lease, which shall be effective from the date of service of such Notice. Upon delivery of such Notice, this Lease, the Leasehold Estate and the Term shall terminate and Landlord shall retake possession of the Premises and all rights of Tenant shall come to an end with the same effect as if that day were the expiration date of this Lease. Tenant shall peaceably and quietly yield up and surrender to Landlord the Premises.

27.03 RE-ENTRY. Upon the occurrence of an Event of Default and the termination of this Lease as provided in this Article XXVII, Landlord or Landlord's agents and employees may re-enter the Premises, or any part of the Premises, either by summary dispossess proceedings or by any suitable action or proceeding at law, or by force (to the extent permitted by law) or otherwise, without being liable to indictment, prosecution or damages, and may repossess the same, and may remove any person from the Premises, all so that Landlord may have, hold and enjoy the Premises.

27.04 PENDING DISPUTE REGARDING EVENT OF DEFAULT. Notwithstanding anything to the contrary in the foregoing remedies provided for Landlord under this Lease, if Tenant shall have given Landlord Notice before termination of this Lease that Tenant contests Landlord's determination that an Event of Default has occurred, then Landlord shall not disturb Tenant's possession of the Premises, Tenant shall be entitled to remain in possession of the Premises under this Lease, and the Term shall be deemed to continue, so long as: (a) Tenant continues to pay Landlord the Rent provided for in this Lease and continues to perform such other obligations under this Lease as are not in dispute; and (b) no final order or judgment terminating this Lease or Tenant's possession thereunder has been entered by a court of competent jurisdiction.

27.05 LATE PAYMENT FEE. If more than one Monetary Default occurs in any year, then for the second and each subsequent Monetary Default in such year, Tenant shall pay a late fee equal to five percent (5%) of the payment that is the basis of such Monetary Default at the time such payment is made.



## ARTICLE XXVIII - TERMINATION

All improvements constituting part of the Premises (including signs bearing any Mark, furniture, fixtures and equipment and any personal property) shall be the property of Tenant during the Term and subsequent to the Termination Date if this Lease is terminated by Landlord pursuant to Section 16.08 of this Lease. If this Lease terminates or expires for any reason other than the exercise by Landlord of its right to terminate this Lease pursuant to Section 16.08 hereof, all improvements constituting part of the Premises (other than signs bearing any Mark, furniture, fixtures and equipment and any personal property, all of which Tenant may remove) shall become Landlord's property (subject to Permitted Exceptions). Upon a termination of this Lease by Landlord pursuant to Section 16.08 hereof, such termination shall be treated as a Substantial Condemnation hereunder and all compensation lawfully due for such taking shall be apportioned as provided in Section 16.01 hereof. Upon the termination or expiration of this Lease for any other reason, Landlord and Tenant shall have the following rights and obligations as set forth in this Article XXVIII:

28.01 POSSESSION. Tenant shall deliver to Landlord possession of the Premises, in a good order, condition and repair, subject to reasonable wear and tear, and any other conditions that Tenant is not required to repair pursuant to this Lease.

28.02 ADJUSTMENT OF REVENUES AND EXPENSES. Landlord and Tenant shall adjust between themselves, as of 11:59 p.m. on the Termination Date, all revenues and expenses of owning, operating, occupying, managing and maintaining the Premises, including all revenues and expenses of the Premises that would customarily be apportioned in connection with a conveyance of the Premises. Such apportionments shall be calculated and determined in a manner consistent with proper accounting practices. Any disputes shall be resolved by a certified public accountant designated by Tenant and reasonably satisfactory to Landlord.

28.03 DOCUMENTATION. Tenant shall deliver to Landlord copies or originals of all Subleases, Sublease files, contracts (other than contracts with Tenant's parent, subsidiaries or affiliates, which shall automatically terminate on the Termination Date), maintenance and service records, plans, specifications, manuals and all other papers and documents that may be necessary or appropriate for the proper operation and management of the Premises, provided the same are in Tenant's possession and can lawfully be delivered to Landlord. The operating manuals of Tenant, any Subtenant and any Affiliate of Tenant or any Subtenant for the operation of a casino or Riverboat Casino or hotels and related facilities and all personnel files are specifically excluded.

28.04 MISCELLANEOUS ASSIGNMENTS. Upon request, Tenant shall assign to Landlord, without recourse, all assignable licenses and permits affecting the Premises and all assignable contracts, warranties and guarantees then in effect relating to the Premises, other than any to which Tenant or its partners or their subsidiaries or affiliates are a party.



28.05 TERMINATION OF MEMORANDUM OF LEASE. If the parties shall have entered into and recorded a Memorandum of Lease, then they shall enter into a memorandum, in recordable form reasonably satisfactory to both parties, terminating the Memorandum of Lease.

28.06 PERSONAL PROPERTY AND EQUIPMENT. Upon termination of this Lease, Tenant shall have the right to remove all personal property and equipment that is not attached to the Premises, provided such removal is not to the prejudice of any lessor's privilege in favor of Landlord securing amounts then due.

28.07 REMOVE RIVERBOAT CASINO. Except as otherwise provided for herein or as otherwise agreed by the parties hereto, upon the termination of this Lease for any reason, Tenant shall remove any Riverboat Casino owned and operated at the Premises by Tenant and all personal property located on said Riverboat Casino from the Premises, within sixty (60) days following the Termination Date, without compensation or further obligation to Landlord.

## ARTICLE XXIX - NO BROKER

Neither Landlord nor Tenant has engaged the services of a broker, finder or agent in this transaction as it relates to the Premises, and neither has employed, nor authorized any other person to act in such capacity. Landlord and Tenant each hereby agree to Indemnify the other in accordance with Article XII, as a result of any claim brought by a person or entity engaged or claiming to be engaged as a finder, broker or agent by the Indemnitor. The foregoing representation, warranty and indemnity shall survive the expiration or earlier termination of this Agreement.

## ARTICLE XXX - WAIVERS

30.01 NO WAIVER BY SILENCE. Failure of either party to complain of any act or omission on the part of the other party shall not be deemed a waiver by the non-complaining party of any of its rights under this Lease. No waiver by either party at any time, express or implied, of any breach of any provisions of this Lease shall be a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. No acceptance by Landlord of any partial payment shall constitute an accord or satisfaction but shall only be deemed a part payment on account.

30.02 WAIVER OF TRIAL BY JURY. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, including any claim of injury or damage, and any emergency or statutory remedy with respect to the foregoing.



## ARTICLE XXXI - MEMORANDUM OF LEASE

The parties shall at any time, at the request of either, promptly execute, acknowledge and deliver duplicate originals of a recordable memorandum of lease (the "Memorandum of Lease") in the form of Exhibit "F" and containing such other information as may, from time to time, be legally required to be contained in a memorandum of lease.

## ARTICLE XXXII - ESTOPPEL CERTIFICATES

32.01 RIGHTS TO EACH PARTY. At any time and from time to time, upon not less than ten Business Days prior written request (an "Estoppel Certificate Request") by either party to this Lease (the "Requesting Party"), the other party to this Lease (the "Certifying Party") shall execute, acknowledge and deliver to the Requesting Party (or directly to a third party whose name and address are provided by the requesting party (a "Third Party") up to four original counterparts of an Estoppel Certificate. An Estoppel Certificate Request shall not be valid unless accompanied by: (a) up to four counterparts of a proposed form of Estoppel Certificate reflecting present facts and circumstances at the time of the Estoppel Certificate Request; and (b) a certificate by the Requesting Party that to the best of the Requesting Party's knowledge the proposed form of Estoppel Certificate is substantially correct and omits no material information required to be disclosed in such Estoppel Certificate. Any Estoppel Certificate may be relied upon by any Third Party to whom an Estoppel Certificate is required to be directed. The execution of any Estoppel Certificate shall not limit the rights of the Certifying Party against the Requesting Party.

32.02 FAILURE TO EXECUTE ESTOPPEL CERTIFICATE. If (i) the Requesting Party delivers an Estoppel Certificate Request to the Certifying Party in accordance with the Notice provisions of this Lease and (ii) ten Business Days have elapsed from the effectiveness of such Estoppel Certificate Request and during such period the Certifying Party has failed to execute and deliver to the Requesting Party (or its attorneys or the Third Party(ies) designated by such Requesting Party) the Estoppel Certificate counterpart(s) provided by the Requesting Party, setting forth with reasonable specificity any alleged exceptions to the statements required to be contained in such Estoppel Certificate, then the Certifying Party shall be deemed for all purposes, whether

or not this Lease has been terminated or is otherwise in full force and effect, to have executed and delivered to the Third Party and the Requesting Party an Estoppel Certificate, dated as of the effective date of the Estoppel Certificate Request, in the form submitted by the Requesting Party to the Certifying Party.

32.03 DELIVERY OF ESTOPPEL CERTIFICATES. Any Requesting Party may request that the Certifying Party execute an undated Estoppel Certificate. If the Requesting Party makes such request, then in place of delivering the undated Estoppel Certificate to the Requesting Party or any Third Party, the Certifying Party shall deliver the undated Estoppel Certificate to the Requesting Party's attorneys, who shall hold the undated Estoppel Certificate in accordance with the following provisions. If the Certifying Party gives Notice to the Requesting Party's attorneys that the Estoppel Certificate is no longer correct, then the Requesting Party's attorneys shall return the Estoppel Certificate to the Certifying Party, who shall within five Business Days execute a corrected undated Estoppel Certificate and redeliver it to the Requesting Party's attorneys. At any time when the



Requesting Party's attorneys are holding an undated Estoppel Certificate and have not received notice from the Certifying Party that such Estoppel Certificate is incorrect, the Requesting Party shall be entitled to instruct its attorneys to date the Estoppel Certificate as of the then-current date and deliver it to the Requesting Party or a Third Party. The Requesting Party's attorneys shall promptly comply with such request. The Requesting Party shall be entitled to designate any title insurance company or abstract company licensed in the State to take the actions to be taken by the Requesting Party's attorneys pursuant to this paragraph. If requested by the Requesting Party's attorneys or such title insurance company or abstract company, the Requesting Party and the Certifying Party shall enter into an escrow agreement, on customary terms, to further implement the provisions of this Section 32.03.

## ARTICLE XXXIII - EQUAL OPPORTUNITY EMPLOYMENT AND AFFIRMATIVE ACTION PLAN

Tenant shall utilize, and coordinate with, the Office of the Mayor to help ensure the various provisions within this Article XXXIII are fulfilled in a manner that fosters meaningful participation opportunities for local and minority/women business enterprise ("M/WBE") vendors, suppliers and contractors. Tenant agrees that it will make good faith efforts to meet and increase the voluntary M/WBE goals that Tenant establishes with the Louisiana Gaming Control Board. These goals have been established as 25% minority business enterprise procurement and 10% female business enterprise procurement. In an effort to meet and increase those goals, Tenant and Landlord shall establish and appoint an Equal Opportunity Employment and Procurement Advisory Council (the "Advisory Council") comprised of business leaders to advise on the establishment of and support the attainment of M/WBE procurement and employment goals, with the overall objective of expanding the level of M/WBE procurement, and increasing the number of minorities in management positions. The Advisory Council shall be comprised of six (6) members, three (3) of whom shall be appointed by the Landlord. Tenant and Landlord may change the number and method of appointment of members and the frequency of meetings by mutual consent. The Advisory Council shall provide Tenant with suggested methods to increase M/WBE procurement activity, and to increase minority representation in management positions. The Advisory Council shall meet monthly with representatives of the Tenant regarding Tenant purchasing needs and goals for the next ninety (90) days. The Tenant shall provide Landlord and Advisory Council with quarterly reports on M/WBE procurement and employment goals established by Tenant and related goal achievement. Such reports shall be issued within thirty (30) days from the end of each calendar quarter of each year.

Tenant agrees to use its best efforts to in good faith:

(a) seek to employ in its operations, at all levels, individuals living in the City of Shreveport from the various gender, racial and ethnic backgrounds found in the City of Shreveport. The selection process will be carried out with a focus on Tenant's commitment to hiring at least eighty percent (80%) local area residents and at least forty percent (40%) minorities.



(b) actively recruit handicapped persons in the City of Shreveport to be included among its employees. Tenant will contact applicable organizations within the greater Shreveport area that support persons with disabilities to seek out qualified persons with disabilities for potential employment. Tenant will fully comply with the Americans with Disabilities Act. Furthermore, Tenant is taking a leadership position within the industry by training all of its employees in disability etiquette toward customers and fellow employees.

(c) contract with local vendors of various gender, racial and ethnic backgrounds found in the City of Shreveport to the extent possible and insofar as service availability, cost competitiveness and service quality will allow.

Tenant will establish a goal expenditure level for certified M/WBEs. Contracting preference will be given to qualified M/WBEs certified by either the Mayor of the City of Shreveport or the State of Louisiana. Tenant will develop a partnership with local area certified M/WBEs to help them secure a positive business relationship by offering expert advice on purchasing matters, setting up bids, seeking operational monies, and, if necessary, establishing an up-front-payment plan for goods and services rendered. In evaluating M/WBE participation, consideration will be given to the "reasonable price" of that participation. This "reasonable price" concept: (i) recognizes that because of difficulty in obtaining financing, start-up costs, less experience, inability to purchase large quantities of supplies and other factors, M/WBE prices may be somewhat higher than those of non-M/WBEs, at least initially; (ii) provides protection to M/WBEs from being rejected when their prices are only slightly higher than non-M/WBEs; and (iii) provides that meeting stated M/WBE goals is treated similarly to complying with any other specification of the bid solicitation which a contractor must meet in order to be considered a responsive bidder.

Construction Phase - Prior to the contracting process, Tenant will meet with a representative sampling of minority and female construction related companies in a geographic area no smaller than an area encompassing Dallas, Texas, New Orleans, Louisiana and Atlanta, Georgia (the "Subject Area") to ensure that such companies: (1) are fully aware of the available contract opportunities for construction projects and (2) have a Tenant contact person available to answer questions throughout the contracting and construction phase of such projects. After surveying a representative sampling of minority and female construction related companies in the Subject Area, Tenant will establish a goal for the total construction budget to be contracted with such companies. Any general contractor wanting to do business with Tenant for construction projects must accept this provision in order to contract with Tenant. The general contractor will be held accountable for ensuring compliance with M/WBE goals and will be required to report on such goal compliance at least quarterly (such reports will be made available to the Office of the Mayor).

Operations Phase - M/WBE companies will be identified and contacted by local management. As should be the case in any business, vendors will be sought that can offer quantity, quality and service, but with a strong commitment to M/WBE companies.

(d) provide training in the City of Shreveport for individuals to be employed by Tenant. Once hired, an employee will be trained in the skills necessary to deliver the kind of service for a first-class riverboat casino/hotel complex. Individuals will be paid during the training period. This mandatory training will address applicable job functions within the gaming business (e.g., table games, slot machines, shift supervision, security, food and beverage, guest services, etc.) Tenant will continue to work with the various community groups identified above to keep the line of communication continuously open.

Tenant will provide to Landlord Tenant's annual community review report covering the Shreveport properties of Tenant. Tenant believes that any commitment such as made above should include a reporting and feedback mechanism, and Tenant accordingly welcomes the requirement for such reporting. The annual community review report will cover minority hiring as well as business done with M/WBEs.

## ARTICLE XXXIV - MISCELLANEOUS

34.01 REASONABLENESS. Wherever this Lease states that approval by either party shall not be unreasonably withheld: (a) such approval shall not be unreasonably delayed or conditioned; and (b) no withholding of approval shall be deemed reasonable unless withheld by Notice specifying reasonable grounds, in reasonable detail, for such withholding of approval, and indicating specific reasonable changes in the proposal under consideration that would cause such proposal to be acceptable.

34.02 DOCUMENTS IN RECORDABLE FORM. Wherever this Lease requires either party to deliver to the other a document in recordable form, both parties shall be deemed to have consented to the recording of such document, at the sole expense of the party that elects to record it.

34.03 FURTHER ASSURANCES. Each party agrees to execute and deliver such further documents, and perform such further acts, as may be reasonably necessary to achieve the intent of the parties with respect to Tenant's leasing of the Premises from Landlord, as set forth in this Lease. Without limiting the generality of this Section 34.03, upon request at any time or from time to time either party shall execute and deliver to the other: (a) additional counterparts of this Lease or any related documents, provided such additional counterparts are prepared at the expense of the party requesting them; and (b) such documentation as any title insurance company shall require to evidence such matters as due formation, authorization and execution of this Lease on the part of the party of whom the request is made.

34.04 PERFORMANCE UNDER PROTEST. If at any time a dispute shall arise as to the amount of any payment to be made by one party to the other under this Lease, then the party against whom the obligation to pay is asserted shall have the right to make payment "under protest." Such payment shall not be regarded as a voluntary payment. The party making the payment shall continue to have the right to institute suit for recovery of such sum. To the extent that it shall be determined that the



party making the payment "under protest" was not required to make such payment, such party shall be entitled to recover such sum or so much of such sum as such party was not legally required to pay pursuant to this Lease, together with interest on such overpayment at the Prime Rate.

34.05 NO THIRD PARTY BENEFICIARIES. Nothing in this Lease shall be deemed to confer upon any person (other than Landlord, Tenant, Fee Mortgagees or Leasehold Mortgagees) any right to insist upon, or to enforce against Landlord or Tenant, the performance or observance by either party of its obligations under this Lease.

34.06 INTERPRETATION. No inference in favor of or against any party shall be drawn from the fact that such party has drafted any portion of this Lease. The parties have both participated substantially in the negotiation, drafting and revision of this Lease with representation by counsel and such other advisers as they have deemed appropriate. Material in brackets constitutes parenthetical material within other parenthetical material and is intended to be part of this Lease. The words "include" and "including" shall be construed to be followed by the words: "without limitation." All Exhibits referred to in this Lease are hereby incorporated in this Lease by this reference.

34.07 CAPTIONS. The captions of this Lease are for convenience and reference only and in no way affect this Lease.

34.08 CUMULATIVE REMEDIES. The remedies to which either party may resort under this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which such party may lawfully be entitled in the event of any breach or threatened breach by the other party of any provision of this Lease.

34.09 RIGHT OF INJUNCTION. In the event of a breach by either party of any of its obligations under this Lease, the other party shall have the right to obtain an injunction, in addition to the rights and remedies provided for under this Lease.

34.10 ENTIRE AGREEMENT. This Lease contains all the terms, covenants and conditions relating to Tenant's leasing of the Premises.

34.11 AMENDMENT. Any modification or amendment to this Lease must be in writing signed by Landlord and Tenant. Modifications or amendments of this Lease executed by either party may be exchanged and delivered by facsimile transmission, and shall be effective upon such transmission. The parties shall promptly exchange original signature counterparts of amendments executed by either party and initially exchanged and delivered by facsimile transmission.

34.12 PARTIAL INVALIDITY. If any term or provision of this Lease or the application of such term or provision to any party or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected by such invalidity, and each remaining term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

34.13 SUCCESSORS AND ASSIGNS. This Lease shall bind and benefit Landlord and Tenant and their successors and assigns, but the foregoing shall not limit or supersede any transfer restrictions contained in this Lease.

34.14 GOVERNING LAW. This Lease and its interpretation and performance shall be governed, construed and regulated by the laws of the State, without regard to principles of conflict of laws.

34.15 OBLIGATION TO PERFORM. Wherever this Lease requires either party to perform any obligation, such party shall be entitled to discharge such obligation by causing it to be performed by some other person, but the foregoing shall in no way limit, restrict or excuse Landlord's or Tenant's obligations under this Lease or the restrictions on assignment, conveyance or transfer contained in this Lease.

34.16 COUNTERPARTS. This Lease may be executed in counterparts.

34.17 TIME PERIODS. Whenever this Lease requires either party to perform within a specified period, if the last day of such period is not a Business Day, then the period shall be deemed extended through the close of business on the first Business Day following such period as initially specified. This 34.17 shall in no event delay or defer the effective date of any Rent adjustment or the commencement of any period with respect to which interest on a payment shall accrue.

34.18 ARBITRATION PROCEDURES. Upon the occurrence of any disputed claim of Non-Monetary Default or a Monetary Default involving the calculations of Percentage Rent, either party to this Lease may elect to have such dispute submitted to binding arbitration under this Section 34.18, by delivery to the other party of a Notice of intent to invoke arbitration. If any matter is required to be arbitrated pursuant to this Section 34.18, such arbitration shall be conducted as follows:

(a) The parties shall jointly select a mutually acceptable Qualified Arbitrator. If the parties are unable to agree upon the designation of a person as arbitrator, then either Tenant or Landlord or both parties may in writing request the American Arbitration Association ("AAA") to appoint a Qualified Arbitrator. The Arbitrator selected by AAA will not be a resident of the Parish.

(b) Any arbitration hearing shall be held at a place in Shreveport, Louisiana acceptable to the arbitrator.

(c) Upon appointment, the arbitrator shall settle disputes arising from the Default giving rise to arbitration in accordance with the Louisiana General Arbitration Act, applicable laws and the Commercial Rules of the American Arbitration Act and the Commercial Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of such act and the terms hereof. The decision of the arbitrator shall



be binding upon the parties, and may be enforced in any court of competent jurisdiction. Tenant and Landlord, respectively, shall bear their own legal fees and other costs incurred in presenting their respective cases. The charges and expenses of the arbitrator shall be paid by the losing party or allocated by the arbitrator if the result is mixed.

(d) The arbitration shall commence within ten days after the arbitrator is selected. In fulfilling any arbitration duties, the arbitrator may consider such matters as in the opinion of the arbitrator are necessary or helpful to make a proper evaluation. Additionally, the arbitrator may consult with and engage disinterested third parties, including, without limitation, engineers, attorneys, accountants and consultants, to advise the arbitrator.

(e) If any arbitrator selected hereunder should die, resign or be unable to perform his duties hereunder, the parties or the American Arbitration Association shall select a replacement arbitrator. The aforesaid procedure shall be followed from time to time as necessary.

(f) Arbitration proceedings shall be closed and judgment issued within one hundred eighty (180) days of the arbitrator's appointment, unless the period is extended by agreement of both Tenant and Landlord.

34.19 DOCKSIDE CASINO. If subsequent to the execution of this Lease, a dockside casino is permitted under applicable Law, Tenant may propose to Landlord the substitution of a dockside casino for any Riverboat Casino operating from the Premises or the addition of a dockside casino. Such proposal shall be in writing and shall include plans and specifications for the dockside casino. Landlord will have thirty (30) days to review the proposal and give Tenant a Notice approving or disapproving the substitution or deletion. If approved, the substituted or additional dockside casino shall be deemed to be a Riverboat Casino for all purposes of this Lease and this Lease shall continue in effect as originally written, subject only to the changes approved by Landlord. As used herein, "dockside" means a casino operation on a vessel, boat, barge or other floating structure moored to a dock.

34.20 PROHIBITED PERSONS. Landlord shall provide Tenant at least twenty (20) days' prior Notice of any proposed transfer of any interest in the Fee Estate, together with such documentation and information regarding such transfer and the proposed transferee as Tenant shall reasonably request, to enable Tenant to confirm that the proposed transferee is not a Prohibited Person. Landlord shall not transfer any interest in the Fee Estate to any Prohibited Person without the prior written consent of Tenant.

34.21 SIGNS. Subject to approval by the City of Shreveport of design and structure and in accordance with applicable city ordinances, Landlord shall permit Tenant to place large full-colored directional and promotional signage on land owned or controlled by Landlord at key downtown entry locations and to enlarge and modify existing signage on Spring Street. Landlord shall use its good offices to assist Tenant in obtaining from other state or federal governmental entities any permits or



approvals required for the placement of such signs at such locations, including locations on state or interstate highways approaching Shreveport.

34.22 TAXES, PAYMENTS AND SERVICES.

(a) TAXES AND ASSESSMENTS. Landlord shall levy taxes and assessments on Tenant, each Subtenant and the Premises at rates and in a manner no less favorable to Tenant, such Subtenant and the Premises than the rates and manners applied by Landlord to other persons and property.

(b) ADMISSION FEES. Landlord shall levy Admission Fees on Riverboat Casino businesses owned or operated by Tenant or any Subtenant at rates and in a manner no less favorable to Tenant and such Subtenant than the rates and manners applied by Landlord to other persons or entities that own or operate Riverboat Casinos located within the City of Shreveport.

(c) IN LIEU PAYMENTS. The combination of (1) the method used to determine payments under Section 34.23(b)(i) and (2) the method used to determine Rent due under this Lease shall be no less favorable to Tenant from a monetary perspective than the combination of such methods used to determine amounts payable as Rent and In Lieu Payments to Landlord by any other persons or entities that own or operate one or more Riverboat Casino/hotel operations located within the City of Shreveport. The agreed upon test to make such "no less favorable determination" is the application of the Rent and In Lieu Payment (or their equivalent) calculation methods applicable to other persons or entities that own or operate one or more Riverboat Casino/hotel operations located within the City of Shreveport to Tenant in order to determine the hypothetical Rent and In Lieu Payments that would be due Landlord from Tenant under such calculation methods; provided, however, Tenant agrees and acknowledges that its payment to Landlord of the amounts described in Section 34.23(b)(i) in an amount up to .025% greater than that paid by other persons or entities that own or operate one or more Riverboat Casino/hotel operations located within the City of Shreveport does not constitute a "less favorable determination" (the "Acceptable Payment Discrepancy"). If the application of such methods to Tenant results in a lower total dollar amount due Landlord from Tenant (other than solely as a result of the Acceptable Payment Discrepancy), then Landlord shall only be entitled to collect such lower total dollar amount from Tenant and Tenant shall only be obligated to pay such lower total dollar amount to Landlord. In the event a Riverboat Casino/hotel operator does not lease City-owned land for its operation, only In Lieu Payments shall be considered for purposes of the "no less favorable determination" related to such Riverboat Casino/hotel operator.

(d) COURTESIES AND SERVICES. Landlord shall extend to the operator of any Riverboat Casino berthed at the Premises, whether Tenant or a Subtenant, all courtesies and municipal services extended to any other operator of a Riverboat Casino in the City of Shreveport on terms and conditions no less favorable than those afforded such other operator.



34.23 RIVERBOAT CASINO ADMISSION FEE.

(a) PROHIBITION ON STATUTORY ADMISSION FEE.

(i) PROHIBITION. Except as provided in Section 34.23(a)(ii), from and after the Commencement Date and unless and until the In Lieu Payment Termination Date has occurred, Landlord shall not levy any Admission Fee with respect to any Riverboat Casino located at the Premises.

(ii) EXCEPTION. Landlord may levy an Admission Fee that is a percentage of Net Gaming Proceeds; provided, however, that any such Admission Fee shall not exceed, for any period, the maximum sum of In Lieu Payments that would be payable for such period if such Admission Fee were not levied. In the event of a breach of this Section 34.23(a)(ii), Tenant shall be entitled to reduce its payment of Rent under this Lease by the amount that any such Admission Fee exceeds the maximum sum of In Lieu Payments that would be payable for such period if such Admission Fee were not levied.

(b) PAYMENTS IN LIEU OF ADMISSION FEE.

(i) PAYMENTS TO LANDLORD. Subject to Section 34.23(d), Tenant shall make a payment in lieu of Admission Fees (an "In Lieu Payment") to Landlord for each month or partial month commencing on the Opening Date and thereafter during the Term for each Riverboat Casino located at the Premises and operated by Tenant. The amount of such In Lieu Payment shall be determined in accordance with Section 34.22(c), but shall in no event exceed 3.225% of Net Gaming Proceeds of such Riverboat Casino for such month or partial month.

(ii) PAYMENTS TO BOSSIER PARISH SCHOOL BOARD. Subject to Section 34.23(d), Tenant shall make an In Lieu Payment to the Bossier Parish School Board for each month or partial month commencing on the Opening Date and thereafter during the Term for each Riverboat Casino located at the Premises and operated by Tenant in an amount equal to 15% of 5/6th's of 4.3% of Net Gaming Proceeds.

(iii) TIME OF PAYMENTS. The In Lieu Payments for any month or partial month shall be due on or before the 15th day of the next succeeding month.

(c) TENANT'S ELECTION. Tenant may elect to terminate its obligation to pay In Lieu Payments effective as of any date (the "In Lieu Payment Termination Date") that is not less than two (2) years after the Opening Date by giving Landlord a Notice of such election that designates the In Lieu Payment Termination Date and that is given not less than ninety (90) days before the In Lieu Payment Termination Date. Such election may be made only one time. After the In Lieu Payment Termination Date, In Lieu Payments shall no longer accrue or be payable. As provided in Section 34.23(a)(i), Landlord may levy an Admission Fee for any period after the In Lieu Payment Termination Date.



(d) REDUCTION OF IN LIEU PAYMENTS. The In Lieu Payments for any month shall be reduced by the amount of any Admission Fees paid by Tenant for such month with respect to any Riverboat Casino located at the Premises.

(e) SWEPCO PAYMENTS. Amounts payable under Section 34.23(b)(i) hereof with respect to any month shall be reduced by the amount of any credits available to Tenant under Section 34.29 hereof.

(f) RENEGOTIATION. Upon (i) the expiration date of the existing agreement between the City of Bossier City and Horseshoe Casino relating to payments by the Horseshoe Casino in lieu of Admission Fees, (ii) the tenth anniversary of such date and (iii) after each succeeding period of ten (10) years during the Term, upon request by either party hereto, Landlord and Tenant will enter into good faith negotiations concerning modifications to the amount of payments required under Section 34.23(b) during the succeeding ten-year period; provided, however, that the amount payable by Tenant during any such ten-year period shall not exceed 105% of the amounts paid by Tenant during the preceding ten-year period.

(g) AGREED DAMAGES. If Landlord levies any Admission Fee except as permitted under Section 34.23(a), then, in addition to any other remedies that may be available to Tenant for breach of Section 34.23(a), Tenant shall be entitled to receive from Landlord and Landlord shall be obligated to pay to Tenant on the last day of each month with respect to which such Admission Fee is levied the amount by which such Admission Fee exceeds the In Lieu Payments that would otherwise be payable under Section 34.23(b) for such month. Tenant may set off any payment due and payable by Tenant to Landlord under this Lease against any amount due and payable by Landlord to Tenant under this Section 34.23(g)

(h) OTHER JURISDICTIONS. If any entity other than Landlord, the Bossier Parish Policy Jury or the Johnny Gray Jones Youth Shelter levies or is deemed to be entitled to any Admission Fee with respect to any Riverboat Casino located at the Premises and operated by Tenant, then Landlord shall reimburse Tenant for one-half of the amount of each payment made by Tenant thereunder within twenty (20) days after such payment is made. If the Bossier Parish Policy Jury and the Johnny Gray Jones Youth Shelter levy or are deemed to be entitled to any Admission Fee with respect to any Riverboat Casino located at the Premises and operated by Tenant and the amount of such Admission Fee levied by the Johnny Gray Jones Youth Shelter or to which the Johnny Gray Jones Youth Shelter is entitled exceeds an initial payment of $50,000 on or prior to the Opening Date and annual payments thereafter of $50,000, then Landlord shall reimburse Tenant for one-half of the amount of such excess payment made by Tenant thereunder within twenty (20) days after such payment is made. Tenant may set off any payment due and payable by Tenant to Landlord under this Lease against any amount due and payable by Landlord to Tenant under this Section 34.23(h).



34.24 HOTEL ROOM BLOCKAGE POLICY. The Hotel shall be operated subject to the following room blockage policy: (a) 25% of rentable rooms shall be reserved for convention business until six months before the scheduled opening date of the convention; (b) within such six-month period all rooms will be available on a first come, first served basis; and (c) the Hotel shall be required to hold reservations made for convention purposes within thirty (30) days of the reserved date only with a guaranteed reservation.

34.25 LANDLORD'S STATUS. This Lease governs the respective rights and obligations of Landlord and Tenant under landlord-tenant relationship created hereby and does not limit the exercise by the City of Shreveport of its separate governmental authority or police powers.

34.26 EMPLOYEE OFF-SITE PARKING. Tenant shall establish a policy requiring employees of Tenant to park in designated areas during the hours of their employment. Such designated areas may include any parking garages constructed by Tenant, as well as any off-site parking areas provided by Tenant. Such policy will vigorously encourage employees not to park in parking areas owned by the City of Shreveport and not controlled by Tenant. Tenant will furnish Landlord a copy of such policy and an action plan for control and enforcement of such policy.

34.27 REFERENCES TO SECTIONS, ARTICLES AND EXHIBITS. References in this Lease to Sections, Articles and Exhibits are, unless otherwise indicated, references to the Sections, Articles and Exhibits of this Lease.

34.28 BARNWELL AND CIVIC THEATER PARKING. Tenant agrees to allocate and reserve (i) at all times no less than 15 parking spaces on the Expansion Parcel or the South Parking Facility for employees of the Barnwell Center and (ii) during events at the Barnwell Center, no less than 100 spaces for patrons of such events at the Barwell Center. During periods that symphonies or operas are conducted at the Civic Theater, Tenant shall provide up to fifteen (15) handicapped parking spaces on the Expansion Parcel or the South Parking Facility to handicapped patrons attending such events.

34.29 SWEPCO SERVITUDE. In further consideration for the lease to Tenant of the Premises for the period commencing on the Construction Commencement Date and continuing throughout the Term, Tenant hereby agrees to pay to the Landlord on the Construction Commencement Date an amount equal to the lesser of (i) $600,000 and (ii) one-third (_) of the documented, actual out-of- pocket costs to the Landlord to relocate to a different location the SWEPCO servitude currently existing along the bank of the Red River, provided, however, in the event this Lease is terminated for any reason prior to the Construction Commencement Date, Tenant shall be, and is hereby, released of its obligations to make the payment to Landlord contemplated by this Section 34.29. Tenant shall receive a credit against In Lieu Payments payable on and after the Opening Date in an amount equal to the payment made by Tenant to Landlord pursuant to this Section 34.29.



## ARTICLE XXXV - STIPULATION AS TO VENUE IN CADDO PARISH

For purposes of any litigation arising under or occurring as the result of this Lease, or involving any interpretation of this Lease or the declaration of a party's rights or obligations hereunder, the parties hereby agree and stipulate to venue for such actions in the First Judicial District Court in and for Caddo Parish, Louisiana, or, in the event federal jurisdiction is available, the Shreveport Division of the United States District Court for the Western District of Louisiana.

## ARTICLE XXXVI - NOTICES

All Notices shall be in writing and shall be addressed to Landlord and Tenant as set forth below. Notices shall be (i) delivered by Federal Express or other courier service to the addresses set forth below, in which case they shall be deemed delivered on the date of delivery (or when delivery has been attempted twice, as evidenced by the written report of the courier service) to the address(es) set forth below; (ii) sent by certified mail, return receipt requested, in which case they shall be deemed delivered three Business Days after deposit in the United States mail, provided that no postal strike is then in effect; or (iii) transmitted by facsimile transmission (promptly followed by delivery under option "i" or "ii"), in which case they shall be deemed delivered the first Business Day after delivery has been electronically confirmed by the recipient's facsimile machine, as evidenced by the written confirmation produced by the sender's facsimile machine. No Notice shall be effective unless and until a copy of such Notice has been delivered to the intended recipient's

Mortgagee(s), to the extent such delivery is otherwise required by this Lease. Either party may change its address, its facsimile machine number, or the name and address of its attorneys by giving Notice in compliance with this Lease. Notice of such a change shall be effective only upon receipt. Notice given on behalf of a party by any attorney purporting to represent a party shall constitute Notice by such party if the attorney is, in fact, authorized to represent such party. The addresses and facsimile machine numbers of the parties are:

| | |
|---|---|
| Landlord: | Office of the Mayor<br>1234 Texas Street<br>Shreveport, LA 71130<br>Attention: Mayor<br>Fax: (318) 226-5854 |
| with a copy to: | Office of City Attorney<br>1234 Texas Street<br>Shreveport, LA 71130<br>Attention: City Attorney<br>Fax: (318) 673-5230 |



| | |
|---|---|
| Tenant: | QNOV HWCC-Louisiana, Inc.<br>Two Galleria Tower<br>13455 Noel Road, Suite 2200<br>Dallas, TX 75240<br>Attention: General Counsel<br>Fax: (972) 386-7411 |



IN WITNESS WHEREOF, Landlord and Tenant have duly executed and delivered this Lease as of the Commencement Date.

CITY OF SHREVEPORT

By: /s/ KEITH HIGHTOWER
Name: Keith Hightower
Title: Mayor

QNOV

By: Sodak-Louisiana, L.L.C., its general partner

By: /s/ JACK E. PRATT
Name: Jack E. Pratt
Title: Manager

By: HWCC-Louisiana, Inc., its general partner

By: /s/ JACK E. PRATT
Name: Jack E. Pratt
Title: President



ACKNOWLEDGMENT

STATE OF LOUISIANA
PARISH OF CADDO

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified and for the aforesaid Parish and State, personally came and appeared Keith Hightower to me known, who declared and acknowledged to me, Notary, and the undersigned competent witnesses that he is the Mayor of the City of Shreveport, and that he is authorized to execute and deliver the foregoing Ground Lease on behalf of the City of Shreveport, and that he signed and executed the foregoing Ground Lease, as the free and voluntary act and deed of said entity, for and on behalf of said entity and for the objects and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal and the said appearer and the said witnesses have hereunto affixed their signatures this 19th day of May, 1999.

WITNESSES:

/s/ KEITH HIGHTOWER
KEITH HIGHTOWER

NOTARY PUBLIC
My Commission expires: .

---

ACKNOWLEDGMENT

STATE OF
COUNTY OF

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified and for the aforesaid County and State, personally came and appeared , to me known, who declared and acknowledged to me, Notary, and the undersigned competent witnesses that he is the of Sodak-Louisiana, L.L.C., and that he is authorized to execute and deliver the foregoing Ground Lease on behalf of Sodak-Louisiana, L.L.C. acting in its capacity as a general partner of QNOV, and that he signed and executed the foregoing Ground Lease, as the free and voluntary act and deed of said entity acting in its capacity as a general partner of QNOV, for and on behalf of said entity acting in its capacity as a general partner of QNOV and for the objects and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal and the said appearer and the said witnesses have hereunto affixed their signatures this day of , 1999.

WITNESSES:

NOTARY PUBLIC
My Commission expires: .

---

ACKNOWLEDGMENT

STATE OF
COUNTY OF

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified and for the aforesaid County and State, personally came and appeared , to me known, who declared and acknowledged to me, Notary, and the undersigned competent witnesses that he is the of HWCC-Louisiana, L.L.C., and that he is authorized to execute and deliver the foregoing Ground Lease on behalf of HWCC-Louisiana, L.L.C. acting in its capacity as a general partner of QNOV, and that he signed and executed the foregoing Ground Lease, as the free and voluntary act and deed of said entity acting in its capacity as a general partner of QNOV, for and on behalf of said entity acting in its capacity as a general partner of QNOV and for the objects and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal and the said appearer and the said witnesses have hereunto affixed their signatures this day of , 1999.

WITNESSES:

NOTARY PUBLIC
My Commission expires: .

**Exhibit 10.18**

**First Amendment to Lease Agreement**

This First Amendment to Lease Agreement (the "Amendment") is made and entered into as of August 13, 2012 (the "Effective Date") by and between City of Shreveport, ("Landlord"), and Eldorado Casino Shreveport Joint Venture (previously known as QNOV), a Louisiana partnership ("Tenant").

A. Landlord and Tenant are parties to that certain Ground Lease Agreement dated May 19, 1999 for the lease of several tracts of land located in Shreveport, Louisiana ("Lease"), which tracts of land are currently being used in the operations of a riverboat gaming facility.

B. The Tenant owns certain improvements located on the Premises known as the Red River District that it desires to donate to the Landlord for its use in economic development.

C. Concurrent with the donation described above, the parties desire to amend the Lease to reflect the transaction.

NOW THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties do hereby agree to amend the Lease as follows:

1. Definitions. Capitalized terms used herein and not defined shall have the same meaning assigned to such terms in the Lease.

2. South Parking Parcel. The South Parking Parcel is hereby amended to exclude the following tract of land:

A parcel of land, including, without limitation all buildings and improvements thereon, being bound on the West by Commerce Street, on the North by Texas Street Bridge, on the East by Clyde E. Fant Memorial Parkway and on the South by the South face of a concrete wall and the projection thereof:

From the point of intersection of the North right-of-way line of Milam Street and the East right-of-way line of Commerce Street, as recorded in Book 50, Page 537, and Book 150, Page 129, records of Caddo Parish, Louisiana, said point being the point of commencement, run North 39° 34' 16" West, along the East right-of-way line of said Commerce Street, being 66.00 feet, East of and parallel to the centerline of said Commerce Street, a distance of 193.68 feet, to the point of beginning (P.O.B.); continue thence North 39° 34' 16" West, along the East right-of-way line of said Commerce Street, a distance of 126.35 feet to the point of intersection with the South right-of-way line of the Texas Street Bridge, as recorded in Book 50, Page 537 and Book 150, Page 129, records of Caddo Parish, Louisiana; run thence North 50° 24' 45" East, along the South right-of-way line of said Texas Street Bridge, being 50.00 feet South of and

---

parallel to the centerline of said Texas Street Bridge, a distance of 383.96 feet, to the point of intersection with the West right-of-way line of the Clyde E. Fant Memorial Parkway, as recorded in Book 2100, Page 329 through 335, records of Caddo Parish, Louisiana; run thence South 39° 35' 13" East, along the West right-of-way line of said Clyde E. Fant Memorial Parkway, a distance of 95.54 feet, to the point of intersection with the South face of a concrete wall and the projection thereof; run thence along the South face of said concrete wall and the projection thereof the following courses and distances:

South 52° 44' 10" West, a distance of 96.93 feet; run thence
South 22° 28' 30" West, a distance of 16.01 feet; run thence
North 70° 11' 24" West, a distance of 9.09 feet; run thence
South 50° 29' 21" West, a distance of 51.58 feet; run thence
South 20° 51' 11" West, a distance of 16.18 feet; run thence
North 70° 07' 07" West, a distance of 9.24 feet; run thence
South 50° 26' 15" West, a distance of 126.07 feet; run thence
South 04° 48' 19" West, a distance of 10.47 feet; run thence
South 38° 33' 44" East, a distance of 11.24 feet; run thence
South 12° 18' 38" West, a distance of 26.49 feet; run thence
South 50° 17' 00" West, a distance of 43.57 feet, to the point of beginning.

3. Texas Street Parcel. The Texas Street Parcel is hereby amended to exclude the following tract of land:

A parcel of land, including, without limitation all buildings and improvements thereon, being bound on the West by Commerce Street and on the East by Clyde Fant Memorial Parkway.

4. Ratification. Except as amended by this Amendment, the terms and conditions of the Lease shall remain in full force and effect. Neither party is aware of any event of default under the Lease or any other claim against the other, and no set of facts exists which, together with the passage of time, notice or both, would constitute an event of default under the Lease or breach of any obligation of the other party under law or equity.

Signatures on the following pages



---

**IN WITNESS WHEREOF**, on the 23 day of July 2012, Landlord has duly executed this Lease.

**LANDLORD**:

**CITY OF SHREVEPORT**

By: /s/ Cedric B. Glover
Cedric B. Glover, Mayor

[signatures continued on next page]



**IN WITNESS WHEREOF**, on the 12 day of July 2012, Tenant has duly executed this Lease.

**TENANT**:

**ELDORADO CASINO SHREVEPORT JOINT VENTURE**

By: Eldorado Shreveport #1, L.L.C.

By: /s/ Gary Carano
Gary Carano, Manager

**Exhibit 10.19**

L E A S E

THIS LEASE, made and entered into this 21st day of July, 1972, by and between C, S AND Y ASSOCIATES, a general partnership, First Party, hereinafter sometimes referred to as "Lessor", and ELDORADO HOTEL ASSOCIATES, a limited partnership, Second Party, hereinafter sometimes referred to as "Lessee",

W I T N E S S E T H:

1. Property Leased: Lessor hereby leases and lets unto lessee, and lessee hereby hires and leases from lessor, subject to all of the terms, covenants and provisions of this lease hereinafter contained, all that certain real property situate, lying and being in the City of Reno, Washoe County, State of Nevada, and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference and made a part hereof.

2. Term: The term of this lease shall commence on the 1st day of July, 1972, and terminate on the 30th day of June, 2027.

3. Rental During Term of This Lease:

a) The rental for the first period of this lease, commencing August 1, 1972, and continuing during the period of construction shall be the sum of $4,000.00 per month.

b) After the expiration of the first period of this lease and for a period of twelve (12) months thereafter, the monthly rental shall be the sum of $6,000.00 per month.

---

c) For the balance of the terms of this lease the rental for said demised premises shall be either the amount provided for in Subparagraph (i) or Subparagraph (ii) of this paragraph whichever amount is greater.

i) A basic minimum monthly rental (hereinafter referred to in this agreement as "basic rental") of the sum of $8,000.00 per month. The basic rental shall be adjusted every five (5) years from and after the day of , 1977 during the term of this lease in proportion that the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the City of San Francisco in the manner as set forth in Exhibit "B" attached hereto and incorporated herein by reference.

ii) A sum equal to 3% of the gross gaming receipts for any one calendar year during the remainder term of this lease. The gross gaming receipts shall be defined by the rules and regulations of the Nevada State Gaming Commission as of this date.

4. Utilities, Etc.: Also, Services, Assessments and Taxes:

Lessee shall pay when due for all utility, light, water, sewer, gas, heat, power, air conditioning, garbage and other charges, taxes and bills in connection with the said premises herein demised, and shall pay when due all taxes and assessments levied, assessed, or at any time becoming payable during the term hereof, on the real property and improvements thereon subject to this lease or in any way relating thereto, and shall hold Lessor free and clear of any liability whatsoever in connection therewith. Lessee shall also pay all personal property taxes in any way relating to the premises. Following the commencement of this lease, Lessee shall pay during the term hereof all taxes

---

assessed when the same become payable. All taxes, assessments and utilities shall be prorated between lessor and lessee as of the date of the commencement of this lease.

Lessee shall exhibit or deliver to Lessor, as often as Lessee is reasonably requested so to do, the receipts showing the payment of the taxes and other expenses mentioned hereinabove.

It is not intended by the provisions of this lease to require the Lessee to pay any income, estate or succession taxes which may at any time during the term of this lease be required to be paid by Lessor upon any gift, devise, deed, mortgage, descent or other alienation of Lessor of any part of, or all of, the leased premises or any interest therein.

7. Improvements and Repairs: It is the intention of Lessee to construct new income producing improvements on the demised premises, and the nature, extent, and use of such improvements, if made, shall be in the discretion of Lessee. It is agreed that Lessee may construct on said premises any income producing structure or structures. All improvements, alterations, additions, deletions, modifications and repairs to the premises shall be at the sole cost of Lessee and Lessee agrees to pay for all labor and materials used, and said improvements shall be the property of Lessee during the term of this lease. Lessee shall advise Lessor in writing of any intended improvements, alterations additions, deletions, modifications and repairs at least thirty (30) days in advance of commencing any work thereon. After initial construction of major improvements, such notice shall not be required as to incidental or minor improvements or repairs. All improvements on the premises shall, except as may otherwise be hereafter agreed in writing by the parties, be the property of Lessee during the term hereof, and on the termination of this lease shall



---

become a part of the realty and the property of the Lessor. Improvements to the premises shall not be removed therefrom, unless the same shall be rebuilt or replaced with improvements of equal or greater value, or unless the removal shall be for the economic betterment of the premises.

Lessee will comply at its sole expense with all requirements of public authorities. The expense of all repairs, alterations or improvements heretofore or hereafter ordered by any public authority relative to the leased premises shall be the responsibility of Lessee and paid for by it. This covenant shall apply not only to incidental repairs, alterations or improvements required by public authorities, but also to those of substantial or structural nature. It shall also apply to safety requirements by public authorities.

In the event of substantial improvements, alterations or construction on the subject premises, the funds requisite for the same shall first be escrowed with a recognized bank or lending institution or a binding contract for the furnishing of such funds shall be entered into by Lessee with a person or persons, individual or corporate, of sound financial responsibility.

The cost of said improvements shall be financed by a loan from a lending institution satisfactory to lessor. This loan is to be evidenced by a promissory note executed by lessee and secured by a first deed of trust against the leased premises and executed by lessor. The principal, interest, and terms and conditions of the promissory note and deed of trust shall be subject to the prior written approval of lessor. From and after obtaining the written approval of the lessor of the terms and conditions of said promissory note and deed of trust, the deed of trust shall then be recorded as a first deed of trust as to



the leased premises and this lease shall be subordinate to said first deed of trust.

Prior to commencing any substantial improvements, alteration or construction on the subject premises, lessee shall cause to be secured, relative to the same, without cost to lessor, a payment and performance bond by the general contractor, guaranteeing all payments incident to the cost, including but not limited to costs and material, will be duly made, and that the performance of such project shall be completed and in accordance with the construction contract.

The said bond, or bonds, shall provide, standard, adequate and reasonable protection so that the work to be none shall be completed and that there shall be no liens against the improvements or premises. Such bond shall be secured from a major national surety or insurance company of good standing and a copy thereof furnished to lessor. The obligees of the bond shall include the lessee and the lessor.

It is agreed that the form, and amount of, and the surety or insurance company selected relative to the form, and amount of, such completion bond, or bonds, shall first be submitted to and approved by Lessor, who shall, however, not unreasonably withhold such approval.

8. Liens: Lessee shall not permit any liens to be filed against the said premises herein demised on account of the furnishing of any labor, materials or supplies, or for any other cause or reason for which the lien laws of Nevada authorize the filing of a lien, but promptly shall pay for all such labor, materials and supplies before any lien or liens are filed upon said premises, or any part thereof. In the event liens of any kind or character are filed, then Lessee shall promptly cause the



same to be released and satisfied in full within twenty (20) days from the date of any such filing, or shall deposit with Lessor security against the payment thereof by Lessee, such security to be reasonably acceptable to Lessor.

9. Public Liability and Property Damage. Lessee shall save and keep Lessor free and harmless from any loss, damage, injury or claim arising from any cause whatsoever to any person or persons or property whatsoever while in, upon or about said premises, or the approaches adjacent thereto and from all liability or claims for damages by reason of any injury to person or persons or damage to or loss of property of any kind whatsoever while in, upon, or in any way about the said premises, or upon the approaches thereto during the continuance of this lease, including, but not limited to, the injury to persons or damage to property by reason of snow and ice, or either, or both, being upon the sidewalks adjacent thereto, or from any cause whatsoever, from which a cause of action would arise; and Lessee hereby agrees to save harmless the Lessor from all liability on account of or by reason of any such injuries or damage growing out of the same.

10. Public Liability Insurance and Property Damage Insurance: Lessee shall carry for the protection of lessor and lessee, comprehensive general liability insurance and property damage insurance with a company or companies to be approved by lessor in writing in an amount of not less than $500,000/$1,000,000 public liability and $25,000 property damage; lessor shall not unreasonably withhold approval of the said insurance company or companies. Lessor and lessee shall be named as insureds on all such policies.

11. Subleases, Assignment, and Sale.

a) Lessee shall have the right to rent or sublease



all or portions of the subject premises to persons, individual or corporate, of sound financial responsibility. In the event of such subleasing, lessee will be and remain primarily liable for compliance with all of the terms, covenants and conditions of this lease.

b) Lessee may assign this lease upon the written consent of lessor, which consent shall not be unreasonably withheld.

Provided further, however, it is understood that to finance such improvements as may be constructed on the subject premises during this lease, the lessee may desire to assign this lease. It is specifically agreed that to accomplish such purpose, lessee shall have the right to make such assignment or assignments to any financially responsible party or parties, without the requirement of securing the written consent of lessor. This paragraph shall apply to interim as well as take-out financing.

c) Except in the ordinary course of business necessarily or usually involving short term written or oral subleases (such, for example, as the renting of hotel or motel rooms), no assignment or subletting shall be made or be valid unless, in addition to all other requirements and conditions herein contained, the following shall be complied with:

(1) Any such assignment shall be in writing and executed by Lessee and shall also be executed by the assignee, who shall therein and thereby assume this lease and all agreements, terms, covenants and conditions thereof on the part of Lessee to be performed. In the event of an assignment for



security, such assignee, while holding the lease for security, need not be obligated or required to assume the obligations of the lease, but such assignment shall be subject to the same. As to subletting, the same shall be effected by a written sublease which shall expressly provide that it is subject and subordinate to all the terms and provisions of this lease. Further, no sublessee may assign his sublease without the written consent of the Lessee, Second Party hereunder.

(2) A duplicate original of such assignment or sublease, as the case may be, and the assumption (when required by the terms hereof, in the case of an assignment) in recordable form shall have been promptly delivered to Lessor.

(3) In the event of sale or sales of all or any of improvements on the premises, such purchaser or purchasers shall be bound by and assume in writing all applicable terms, covenants, conditions and provisions of this lease, including but not limited to the provision that all improvements become the property of Lessor upon the termination of this lease. A duplicate original of said assumption, in recordable form, shall be promptly delivered to the Lessor.

In the event of such sale or sales, the purchaser (with the exceptions noted in (c) hereinabove) shall not sublease without the written consent of the Lessee, Second Party hereunder.

12. Surrender of Premises: Upon termination of this lease, either by the ending of the lease period or by violation of



any term, condition or covenant thereof, or otherwise, Lessee shall quit and surrender the premises and every part thereof in as good condition as the same now is, or may be put into, except for reasonable use and wear thereof and damage by the elements. The improvements now existent on such premises shall not be removed or razed until such time as there shall be adequate provision, including financing for construction on said premises, buildings or other improvements equal to or in excess of the value of the present improvements. As to any improvements hereinafter placed on the said premises, the same shall not be removed or razed, except for the general economic betterment of the premises or by the replacement thereof by other improvements of a value then equal to or exceeding the improvements removed or razed.

13. Repairs, Improvements and Maintenance:

a) Lessor shall not be called upon to make any repairs or improvements in or about said premises of any kind or nature whatsoever, whether structural, nonstructural and whether inside or outside, and without limiting the generality of the foregoing, whether relating to the grounds, drives, sidewalks, foundations, walls or principal structural supports of the building or interiors, and without limiting the generality of the foregoing whether or not required by any public authority or agency.

b) Lessee shall keep the said premises in good and first class repair and order and in a painted (where appropriate) and sightly condition at all times during the continuance of this lease, at its own expense. Lessee shall be responsible for all maintenance and repair of the demised premises, including but not



limited to exterior, interior and structural maintenance and repair, and for repair and maintenance of all equipment, furnaces, air conditioning and all other mechanical devices, machinery and property of any sort or nature situate in the demised premises, whether or not attached thereto, and lessee will pay for all costs incurred in connection therewith. Lessee shall not commit any strip or waste on said premises.

In this connection, it is understood that there are presently existing improvements on the subject premises, and that during this lease lessee may desire to raze the same, so that the area occupied thereby may be utilized for other improvements to be placed thereon. Subject to the other provisions of this lease and particularly Paragraph 7 hereinabove, the said presently existing improvements may be altered or razed. Such may not be done, however, prior to compliance with said provisions or prior to escrowing or contracting for requisite funds for improvements of equal or greater value than the existing improvements and the securing of the requisite payment and performance bond as provided in said Paragraph 7. Lessor shall be advised in writing of all activities relating to alteration or razing of existing structures under this Paragraph.

14. Examination of Premises: Lessor or its agents and representatives may come into and upon the premises at any reasonable time for the purpose of examining said premises.

15. Damage: Lessor shall not be responsible in any respect, notwithstanding any other provision hereof, for any damage whatsoever, howsoever caused, to the premises, to the

goods, furnishings, fixtures, equipment, merchandise, personal property or other belongings of Lessee, or any of its employees, agents, guests or customers, or to any improvements made upon said premises by Lessee.

16. Bankruptcy: This lease shall not become an asset of any assignment Lessee may make for the benefit of creditors, but in the event of any such assignment, or should Lessee become bankrupt either voluntarily or involuntarily, or should it, on account of insolvency, be placed in the hands of a receiver because of insolvency by order of Court, or should this lease in any wise be transferred by operation of law to any person or persons who shall not be subject to or obligated by the provisions of this lease. Lessor may, at its option, terminate this lease upon fifteen (15) days' notice. In the event an execution be levied upon the interests of Lessee in this lease, this lease may be terminated by Lessor, unless Lessee shall cause such execution to be satisfied or the lien thereof released prior to any sale of execution. If any of the events set forth in this paragraph shall occur, Lessor shall promptly be informed thereof in writing, and failure so to do shall be sufficient cause for the cancellation of this lease by Lessor.

17. Fire and Casualty Insurance: It is agreed that in case any improvements and buildings upon said premises shall be at any time damaged or destroyed by fire or other casualty, this lease shall not thereby be terminated, except as herein provided, any law of the State of Nevada to the contrary notwithstanding.

Lessee shall secure and maintain in effect fire and casualty insurance from a major national insurance company of good standing approved by lessor in writing, such insurance to cover at all times such improvements as shall be on the subject



premises. The insurance shall be on a replacement basis of not less than 80% of value. Lessor shall be named one of the insureds as its interest may appear. In the event of loss or damage, lessee shall promptly and without unreasonable delay repair, restore and rebuild at its own expense the improvements or replace the damaged improvements with others of equal value, and shall apply all proceeds of said insurance toward such repair, restoration, rebuilding or replacement. The lessee shall not be required to rebuild if the loss, damage or destruction shall be such that it is not for the economic betterment of the premises to rebuild. However, the lessee shall in such event apply all the insurance proceeds not used for rebuilding toward permanent improvements, repairs or alterations of the premises, and lessee shall give written advance notice to lessor of its intended application of such insurance proceeds if it does not rebuild, advising as to how the proceeds are specifically intended to be applied.

In the event of loss or damage by fire or other casualty, there shall be not abatement of rental by reason thereof, except as herein stated in this Paragraph 17. Provided, however, when the time for repairing, restoring or rebuilding is necessarily extended for a period beyond nine months after the loss, by reason of causes beyond the control of lessee, then for such period (not to exceed one year including said nine month period) rental shall be abated on the following basis: While the premises are untenantable during such period due to fire or other casualty, no rental shall accrue under the terms hereof, except that if the premises shall be partially tenantable so that a portion of same is usable for operation by Lessee or its sub-tenants, Lessee shall pay a reasonable prorated portion of the total rental based on the



portion of the premises which is tenantable.

To the extent which may be necessary to give this paragraph 17 full effect, the provisions of this paragraph shall, where applicable, be deemed to control and supplant the provisions set forth elsewhere in this lease relative to maintaining in repair and obligations to rebuild.

18. Condemnation: In the event the subject premises or any part thereof be taken for public or quasi-public use or condemned under eminent domain, the award shall be distributed to the Lessor, Lessee and sublessees, in proportion to the appraised value of their respective interests. Such appraisal and determination of respective interests shall be made with due consideration of the provisions of this lease and the rights and obligations hereunder. Such taking shall not be deemed an eviction, nor, except as hereinafter stated, shall it affect Lessee's obligation to pay rent.

In the event any portion of the subject premises shall be so taken, the rent herein stipulated and payable shall be decreased in proportion to the amount of portion of said premises as shall be so taken. Such decrease shall be effective as of the time actual possession is taken. In the event, however, half or more of the subject premises shall be so taken, Lessee shall have the option to terminate this lease, as of the date of actual taking of possession, by giving notice in writing to Lessor. Such notice shall be given at least thirty (30) days prior to the actual taking of possession, if the same can reasonably be done.

19. Violation of Fire Regulations: Nothing shall be done by Lessee which in any way or manner shall be a violation of the rules, regulations and requirements of the Board of Fire Underwriters of the Pacific, or if such be not in effect, or such violation then as should be in violation of the statutes, ordinances



and requirements of the State of Nevada, County of Washoe and City of Reno.

20. Inspection of Premises: Lessee hereby asserts that it has examined and inspected the said premises and hereby accepts the same as the same now are and hereby agrees that it will not make any claim or demand whatsoever upon Lessor in relation thereto.

21. Default: Lessee shall be in default:

a) If Lessee shall fail to pay any installment or payment of rent at the time hereinabove provided for such payment, and such default continues for a period of fifteen (15) days after written notice by Lessor to Lessee (Lessee to have the right to cure any such claimed default during said 15 day notice period); or,

b) If the premises become vacant or abandoned or if the premises or interest under this lease shall be come an asset in and be transferred or encumbered in any way by proceedings in a Court of competent jurisdiction for reorganization, arrangement, composition, liquidation, dissolution or similar relief, and such default aforesaid continues for a period of thirty (30) days after written notice by Lessor to Lessee (Lessee to have the right to cure any such claimed default during the said 30-day notice period); or

c) If the Lessee shall fail to make any payments on any promissory note or to perform any or all of the terms and conditions of any deed of trust relating to the premises the subject matter of this lease, and said default shall not have been dured within thirty-five (35) days from and after the date or recordation and mailing of a Notice of Breach and Election to Sell



(Lessee to have the right to cure any such claimed default during said 35 day period); or

d). If Lessee shall violate any other covenant, term or condition of this lease, on the part of Lessee to be kept and performed, and Lessee fails to cure the same within thirty (30) days, after written notice by Lessor to Lessee (Lessee to have the right to cure any such claimed default during the said 30-day notice period; and Lessee to have such additional reasonable period of time over and above said 30-day notice period in respect to any such default which cannot reasonably be cured during said 30-day notice period).

22. Lessor's Rights Upon Default by Lessee:

a) In the event any of the aforementioned default or defaults occur and are not cured within the prescribed period of time, Lessor may

(i) declare the lease terminated and enter and remove all persons and property of the Lessee therefrom and Lessor shall be entitled to recover from Lessee all damages occasioned by virtue of such a breach; or

(ii) without terminating this lease, may re-let the premises to a tenant or tenants satisfactory to it at such rental or rentals as it may with reasonable diligence secure, and should such rental or rentals so received be less than that agreed to be paid by Lessee in this lease, Lessee shall pay such deficiency to Lessor monthly together with all costs and expenses incurred by Lessor in connection with such reletting. No re-entry or taking possession of the premises by



Lessor shall be construed as election upon its part to terminate this lease unless written notice of such intention is given the Lessee or unless termination is decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination the Lessor may at any time thereafter elect to terminate this lease for such previous breach; or

(iii) or without terminating this lease as provided in subparagraph (i) above or taking possession of the premises as provided in subparagraph (ii) above Lessor is given the right and option to cure any deficiency or default in payment or other performance by Lessee as maker of any promissory note or trustor of any deed of trust concerning the premises the subject matter of this lease. In the event that Lessor expends money or otherwise incurs damages in curing any such deficiency or default, Lessee shall forthwith become obligated to Lessor in the amount of any such expenditures or other damages.

(iv) take possession of any and all personal property and furnishings of Lessee located upon the premises as security for the payment of damages sustained by Lessor due to any default or defaults .

b) The rights granted unto Lessor pursuant to the above paragraphs are cumulative and in addition to any and all rights Lessor may have pursuant to the laws of the State of Nevada.

c) Lessee hereby waives all rights or notice under the unlawful detainer statutes of the State of Nevada, or any other notice provided for by law. Lessee waives



all bonds required to be posted by Lessor before the issuance of any writ of restitution permitted by the laws of the State of Nevada. In the event of a suit to enforce any of the terms of this lease, the prevailing party shall be entitled to a reasonable attorney's fee to be fixed by the Court as part of the costs.

d) Any and all subleases of all or portions of the subject premises shall upon written notice by Lessor become payable to Lessor as security in the event Lessee becomes in default of the rental as provided herein, until said default of the rental be cured, subject to the terms of the deed of trust covering the leased premises to be given by Lessor and Lessee to the First National Bank of Nevada.

e) Any and all subleases of all or portions of the subject premises shall upon written notice by Lessor become payable to Lessor as security in the event Lessee as the maker of any promissory notes relating to the premises become delinquent or in default in payment or other performance, subject to the terms of the deed of trust covering the leased premises securing said promissory notes.

f) The failure or delay of Lessor to insist on strict performance of any of the covenants, agreements, stipulations or conditions of this lease, or to exercise any option herein conferred, in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenant or agreements, stipulations or conditions, but the same shall be and remain in full force and effect.

23. At the expiration of the term hereof or the earlier termination of this lease, as provided for herein, the Lessee does hereby covenant, promise and agree that it will remove all equipment and personal property belonging to it from the demised premises within a period of fifteen (15) days.

24. Use of Premises: Lessee may use the demised premises for any lawful purpose during the term hereof. Lessee agrees to operate any and all types of business conducted on said premises in full compliance with all Federal, State, County and City laws and ordinances and in conformity with the rules and regulations of the State, County and City Boards of Health.

25. Quiet Possession: Lessor covenants that it is seized of the demised premises and has full right to make this lease and further that during the term hereof Lessee shall have quiet possession thereof.

26. Licenses: Lessee shall and will apply for all licenses required to conduct the business by it maintained on the premises and to keep the same in force, and upon the termination of this lease for any reason, agrees to assign any and all licenses to Lessor or its successor in interest, insofar as the law allows, it being understood that in the event of such assignment the prepaid license fees shall and will be prorated between the parties.

27. Time: Time is of the essence in every particular set forth in this lease, any law or decision of any Court of the State of Nevada to the contrary notwithstanding.

28. Notices: All notices required to be served upon the parties shall be served by registered mail, postage prepaid. The various periods of notice referred to herein mean such period of time counting the day of mailing as the first day of the period



Notice of change of place of service shall be given as above.

29. Security: The trust deed to the lending institution granted by lessor and lessee, securing any promissory notes in favor of said lending institution given by makers thereof for financing to construct and to furnish any improvements on said premises, shall not be used to secure renewals or extensions thereof or additional loans or financing without the express consent in writing of lessor.

30. Modification: No modification, release, discharge or waiver of any provision hereof shall be of any force, effect or value unless it is in writing and signed by lessor and lessee.

31. Titles: Titles are used herein for convenience only and the use of them does not mean that all provisions relative to a particular title are necessarily included in any particular paragraph.

32. Parties Bound: It is hereby covenanted and agreed between the parties hereto that all covenants, conditions, agreements, and undertakings in this lease contained shall extend to and be binding on the heirs, executors, administrators and assigns of lessor and the successors and assigns of lessee the same as if they were in every case named and expressed and the same shall be construed as covenants running with the land. Also, the terms “lessor” and “lessee” shall be construed in the singular or plural number according as they respectively represent one or more than one person.

IN WITNESS WHEREOF, lessor and lessee have caused this lease to be executed and have hereunto affixed their signatures the day and year in this instrument first written.

ELDORADO HOTEL ASSOCIATES

By Lessee

/s/ George L. Siri, Jr.
George L. Siri, Jr.

/s/ George Yori
George Yori

/s/ William Carano
William Carano

/s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.

/s/ Richard Stringham
Richard Stringham

/s/ Donald L. Carano
Donald L. Carano

C, S and Y ASSOCIATES

By Lessor

/s/ George L. Siri, Jr.
George L. Siri, Jr.

/s/ George Yori
George Yori

/s/ William Carano
William Carano

/s/ Donald L. Carano
Donald L. Carano



STATE OF NEVADA )

: ss.
County of Washoe )

On this 21st day of July, 1972, personally appeared before me, a Notary Public, GEORGE L. SIRI, JR., GEORGE YORI, WILLIAM CARANO, RAYMOND J. PONCIA, RICHARD STRINGHAM and DONALD L. CARANO, who acknowledged to me that they executed the foregoing Lease on behalf of ELDORADO HOTEL ASSOCIATES.

Notary Public

STATE OF NEVADA )
: ss.
County of Washoe )

On this 21st day of July, 1972, personally appeared before me, a Notary Public, GEORGE L. SIRI, JR., GEORGE YORI, WILLIAM CARANO and DONALD L. CARANO, who acknowledged to me that they executed the foregoing Lease on behalf of C, S and Y ASSOCIATES.

Notary Public

**Exhibit 10.20**

ADDENDUM

THIS AGREEMENT entered into this 20th day of March, 1973, by and between the parties hereto, constitutes an addendum to and shall become part of the lease dated the 21st day of July, 1972, by and between C, S and Y ASSOCIATES, a general partnership, as "Lessor" and ELDORADO HOTEL ASSOCIATES, a limited partnership, as "Lessee".

WITNESSETH:

In consideration of the terms and conditions hereinafter stated and of her good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

Subparagraph (ii) (c) on page 2 shall be amended as follows:

(ii) A sum equal to 3% of the gross gaming receipts for any one calendar year during the remainder of the term of this lease. The gross gaming receipts shall be defined by the rules and regulations of the Nevada State Gaming Commission as of this date. The sum equal to 3% of the gross gaming receipts will not become effective until such time as all the partners of this general partnership known as C, S and Y ASSOCIATES are licensed by the State Gaming Control Board.

IN WITNESS WHEREOF, lessor and lessee have caused this Addendum to be executed and have hereunto affixed their signatures the day and year in this instrument first above written.

C, S and Y ASSOCIATES,
a General Partnership

/s/ Donald Louis Carano
Donald Louis Carano

/s/ William Carano
William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ George Lawrence Siri, Jr.
George Lawrence Siri, Jr.

/s/ Susan B. Siri
Susan B. Siri

/s/ George E. Yori
George E. Yori

/s/ Genevieve Yori
Genevieve Yori

ELDORADO HOTEL ASSOCIATES,
a Limited Partnership

/s/ William Carano
William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ Donald Louis Carano
Donald Louis Carano

/s/ George Lawrence Siri, Jr
George Lawrence Siri, Jr

/s/ Susan B. Siri
Susan B. Siri

/s/ George E. Yori
George E. Yori

/s/ Genevieve Yori
Genevieve Yori

/s/ Raymond Poncia
Raymond Poncia

---

MEMORANDUM OF LEASE

BE IT KNOWN, that C, S and Y ASSOCIATES, a general partnership, has pursuant to the terms and conditions of a certain written Lease dated the 21st day of July, 1972, leased unto ELDORADO HOTEL ASSOCIATES, a limited partnership, the hereinafter described real property.

The real property the subject matter of this Lease is located in the City of Reno, County of Washoe, State of Nevada, and more particularly described as follows:

Lots 5, 6, 7 and 8 in Block G of original town now City of Reno, according to the map thereof, filed in the Office of the County Recorder of Washoe County, State of Nevada, on June 27, 1871.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals this 21st day of July, 1972.

C, S and Y ASSOCIATES, a general partnership

/s/ Donald Louis Carano
Donald Louis Carano

/s/ William Carano
William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ George Lawrence Siri, Jr.
George Lawrence Siri, Jr.

/s/ Susan B. Siri
Susan B. Siri

/s/ George E. Yori
George E. Yori

/s/Genevieve Yori
Genevieve Yori

---

ELDORADO HOTEL ASSOCIATES,
a limited partnership

/s/ William Carano
William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ Donald Louis Carano
Donald Louis Carano

/s/ George Lawrence Siri, Jr.
George Lawrence Siri, Jr.

/s/ Susan B. Siri
Susan B. Siri

/s/ George E. Yori
George E. Yori

/s/ Genevieve Yori
Genevieve Yori

/s/ Raymond Poncia
Raymond Poncia

STATE OF NEVADA
ss.
COUNTY OF WASHOE

On this 21st day of July, 1972, personally appeared before me, a Notary Public, DONALD LOUIS CARANO, WILLIAM CARANO, LENA M. CARANO, GEORGE LAWRENCE SIRI, JR., SUSAN B. SIRI, and GEORGE E. YORI and GENEVIEVE YORI, who acknowledged to me that they executed the foregoing Memorandum of Lease for C, S, AND Y ASSOCIATES.

[SEAL APPEARS HERE] [SIGNATURE APPEARS HERE]
Notary Public

STATE OF NEVADA
ss.
COUNTY OF WASHOE

On this 21st day of July, 1972, personally appeared before me, a Notary Public, WILLIAM CARANO, LENA M. CARANO, DONALD LOUIS CARANO, GEORGE LAWRENCE SIRI, JR., SUSAN B. SIRI, GEORGE E. YORI, GENEVIEVE YORI and RAYMOND PONCIA, who acknowledged to me that they execute the foregoing Memorandum of Lease for ELDORADO HOTEL ASSOCIATES.

McDonald, Carano, Wilson
Bergin & Bible
Attorney at Law
Reno, Nevada 89505

[SEAL APPEARS HERE] [SIGNATURE APPEARS HERE]
Notary Public

**Exhibit 10.21**

AMENDMENT TO LEASE

THIS AMENDMENT made this 1st day of January, 1978, by and between C. S. & Y. ASSOCIATES, a general partnership, first party, hereinafter referred to as "Lessor", and ELDORADO HOTEL ASSOCIATES, a limited partnership, second party, herein sometimes referred to as "Lessee"

WITNESSETH:

WHEREAS, Lessor executed a certain lease of real property in the City of Reno, County of Washoe, State of Nevada, more particularly described in Exhibit "A" attached hereto and made a part hereof to Lessee on July 21, 1972 and as amended on March 20, 1973; and

WHEREAS, it has been recognized by both the Lessor and Lessee that it is to the economic advantage of both parties to expand the present facilities, known as the Eldorado Hotel and Casino situated on the real property described in Exhibit "A". To accomplish the proposed expansion, Eldorado Hotel Associates have acquired adjoining property known as the Shell Property more particularly described in Exhibit "C" attached hereto and incorporated herein by reference and made a part hereof. The proposed expanded facility would require substantial improvements on both parcels of real estate, and the result would be a much larger hotel and casino that would be economically dependent on both parcels of real property to fully realize its highest value.

THEREFORE, the Lessor and Lessee agree to amend the above mentioned lease so that both parcels of real property, Exhibits "A" and "C", may be used jointly to facilitate improving and expanding the Eldorado Hotel and Casino.

WITNESSETH:

1. Delete in total items 3. a), b), c) i) and II) page 1 and 2 RENTAL DURING TERM OF LEASE and substitute the following:

MCDONALD, CARANO, WILSON, BERGIN & BIBLE
ATTORNEYS AT LAW
RENO, NEVADA 89505

---

RENTAL DURING TERM OF LEASE:

a) The rental for the year ending December 31, 1978 shall be $11,648.00 per month representing an annual rent of $139,776.00 or a sum equal to 3% of the gross gaming receipts, whichever is greater, for said year. The gross gaming receipts shall be as defined by the rules and regulations of the Nevada Gaming Commission as of this date.

b) For the balance of the term of the lease the rental for said demised premises shall be either the amount provided for in Subparagraph (i) or Subparagraph (ii) of this paragraph, whichever is greater.

i) A basic monthly rental (hereinafter referred to in this agreement as "basic rental") of the sum of $11,648.00 per month. The basic rental shall be adjusted every five (5) years from and after June 30, 1982, during the term of this lease to reflect changes in the Consumer Price Index of the Bureau of Labor Statistics of the U. S. Department of Labor for the City of San Francisco in the manner as set forth in Exhibit "B" attached hereto and incorporated herein by reference. In no event shall the basic monthly rental be reduced below Eight Thousand Dollars ($8,000.00).

ii) A sum equal to 3% of the gross gaming receipts on the first $6,500,000.00 of such gross gaming receipts and 1% of the gross gaming receipts in excess of $6,500,000.00. The gross gaming receipts shall be as defined by the rules and regulations of the Nevada State Gaming Commission as of this date.

c) The rental payment due in Paragraphs (a) and (b) shall be paid as follows:

i) The base rental in Subparagraph (i) above shall be payable monthly.

ii) The amount payable in Subparagraph (ii) above, if greater than the amount payable in Subparagraph (i) for any calendar year, shall be payable in full at the end of 90 days after the end of each calendar year or after the Lessee's independent auditors have completed the annual examination of the Lessee's financial statements, whichever is later.

d) The Lessee shall provide the Lessor a copy of all gaming tax reports filed with the State of Nevada for the purposes of determining gross gaming receipts and copies of the results of any audits of gaming receipts by representatives of the State of Nevada. In addition, the independent auditors of the Lessee shall provide the Lessor written confirmation after the completion of their examination of the Lessee's financial statements for each year, that their opinion on the financial statements was unqualified, or if their opinion was qualified



---

in any respect related to gross gaming receipts, the independent auditors shall provide the reasons for such qualification to the Lessor. The Lessor may, at any time and at its own expense, obtain its own independent audit of the gross gaming receipts provided that it does not interfere with the conduct of normal business by the Lessee or audits which are in progress by the State of Nevada or the Lessee's independent auditors.

2. Delete in total item 7, pages 3, 4 and 5 IMPROVEMENTS AND REPAIRS, and substitute the following:

IMPROVEMENTS AND REPAIRS:

It is the intention of Lessee to construct income producing improvements on the demised premises and adjoining properties owned by the Lessee, and the nature, extent, and use of such improvements, if made, shall be in the discretion of Lessee. It is agreed that Lessee may construct on said premises income producing structure or structures. All improvements, alterations, additions, deletions, modifications and repairs to premises shall be the sole cost of Lessee and Lessee agrees to pay for all labor and materials used, and said improvements shall be the property of Lessee during the term of this lease. All improvements on the premises shall, except as may otherwise hereafter agree in writing by the parties, be the property of Lessee during the term hereof, and on the termination of this lease shall become a part of the realty and the property of the Lessor and Lessee in accordance with the following formula:

i) All of the real property described in Exhibit "A" and "C" approximates 42,000 square feet, without regard to the alley that will be abandoned and the new alley that must be created, shall be considered as one entity. Exhibit "A" consists of property measuring 140' x 200' or 28,000 square feet and Exhibit "C" consists of property measuring 100' x 140' or 14,000 square feet. The fraction of ownership of the real property when considered as a whole is therefore 2/3 C. S. & Y. ASSOCIATES, Lessor, and 1/3 ELDORADO HOTEL ASSOCIATES, Lessee.

It is, therefore, agreed that upon termination of this lease, C. S. & Y. Associates, Lessor, shall have an undivided 2/3 interest and Eldorado Hotel Associates, Lessee, shall have an undivided 1/3 interest in the total of all improvements then existing on the property described in Exhibits "A" and "C" taken as whole and considered as one entity without regard to the physical characteristics of the improvements then existing on either piece of property when considered separately.

Improvements to the premises shall not be removed therefrom, unless the same shall be rebuilt or replaced with improvements of equal or greater value, or unless the removal shall be for the



economic betterment of the premises.

Lessee will comply at its sole expense with all requirements of public authorities. The expenses of all repairs, alterations or improvements heretofore or hereafter ordered by any public authority relative to the leased premises shall be the responsibility of Lessee and paid for by it. This covenant shall apply not only to incidental repairs, alterations or improvements required by public authorities, but also to those of substantial or structural nature. It shall also apply to safety requirements by public authorities.

In the event of substantial improvements, alterations, construction or refinancing of existing debt on the subject premises, a binding contract for the furnishing of such funds may be entered into by Lessee and secured by a first mortgage or first deed of trust against the leased premises and this lease shall be subordinate to said mortgage or deed of trust except as herein provided. No such lien or encumbrance shall extend beyond the term of this lease. Such subordination shall be effective automatically without any further act of Lessor and Lessor hereby consents thereto. Lessor agrees to execute and deliver any such first mortgage or first deed of trust or any other documents or instruments that may be required by a lender to effectuate the subordination of this lease.

Twenty years prior to the termination of this lease or beginning July 1, 2007, the above said automatic subordination clause shall terminate and thereafter, any subordination of this lease will require the written approval of the Lessor, which approval will not be unreasonably withheld. From and after obtaining the written approval of the Lessor of the terms and conditions of any promissory note and mortgage or deed of trust, the mortgage or deed of trust may then be recorded as a first mortgage or first deed of trust as to the leased premises and this lease shall then be subordinated to said first mortgage or first deed of trust.

Prior to commencing any substantial improvements, alterations or construction the subject premises, Lessee shall cause to be secured, relative to the same, without cost to Lessor, a payment



and performance bond by the general contractor, guaranteeing all payments incident to the cost, including but not limited to costs and materials, will be duly made, and that the performance of such project shall be completed and in accordance with the construction contract.

The said bond, or bonds, shall provide, standard, adequate and reasonable protection so that the work to be done shall be completed and that there shall be no liens against the improvements of premises. Such bond shall be secured from a major national surety or insurance company of good standing and a copy thereof furnished to Lessor. The obligees of the bond shall include the Lessee and the Lessor.

It is agreed that the form, and amount of, and the surety or insurance company selected relative to the form, and amount of, such completion bond, or bonds, shall first be submitted to and approved by Lessor, who shall, however, not unreasonably withhold such approval.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Amendment to Lease to be executed and have affixed their signatures the day and year in this instrument first written.

ELDORADO HOTEL ASSOCIATES

/s/ William Carano
William Carano

/s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.

C.S. & Y. ASSOCIATES

/s/ George L. Siri, Jr.
George L. Siri, Jr.

/s/ George Yori
George Yori

/s/ Ludwig Corrao
Ludwig Corrao

/s/ Donald L. Carano
Donald L. Carano

/s/ William Carano
William Carano

/s/ Donald L. Carano
Donald L. Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ Susan B. Siri
Susan B. Siri

/s/ Genevieve Yori
Genevieve Yori



The real property is located in the City of Reno, County of Washoe, State of Nevada and more particularly described as follows:

Lots 5, 6, 7 and 8 in Block G of original town now City of Reno, according to the map thereof, filed in the Office of the County Recorder of Washoe County, State of Nevada, on June 27, 1871.

"EXHIBIT B"
ADJUSTMENT TO BASIC MONTHLY RENTAL
CONSUMER PRICE INDEX

The basic monthly rental shall be increased or decreased effective the month of July of every (5) years (the adjustment month) beginning with the month of July, 1982 as follows:

The base for computing the adjustment is the index figure for the month of June, 1977 (the index month) as shown in the Consumer Price Index (CPI) for the City of San Francisco for all items based on the period 1967 equals 100 as published by the United States Department of Labor's Bureau of Labor Statistics. The base figure for the index month is one hundred eighty and seven tenths (180.7). The index for the adjustment month shall be computed as a percentage of the base figure for the index month. That percentage shall be applied to the base monthly rent of Eleven Thousand Six Hundred Forty Eight Dollars (11,648.00) and the resulting amount shall be the monthly rent for the period beginning the adjustment month and continuing until the next adjustment month. The index for the adjustment month shall be the one reported in the United States Department of Labor's most comprehensive official index then in use and most nearly answering the foregoing description of the index to be used. If it is calculated from a base different that the base period 1967 equals 100 used for the base figure above, then the base figure used for calculating the adjustment percentage shall first be converted under a formula supplied by the Bureau of Labor Statistics.

If the Consumer Price Index for the City of San Francisco average of all items shall no longer be published, then another index generally recognized as authoritative shall be substituted by the agreement of Lessor and Lessee. If Lessor and Lessee are unable to agree within ten (10) days after demand by either party, then the substitute index shall, on application of either party, be selected by the Chief Office of the San Francisco Regional Office of the Bureau of Labor Statistics or his successor.

The increase or decrease in the basic monthly rent to be computed pursuant to the provisions of this subparagraph shall be determined as soon after the adjustment month as is practicable, and any increased or decreased rent accrued for the period beginning with the adjustment month to the date the computation is finally made shall be paid by Lessee to Lessor or refunded by Lessor to Lessee, as the case may be, not later than ten (10) days after the computation date.

COMPUTATION EXAMPLE

If the Consumer Price Index for the month of June, 1982 is 210.7, then the monthly rent commencing July, 1982, until and including June 30, 1987, shall be $13,582.00 computed as follows:

210.7/180.7 equals 116.6%
116.6% of $11,648. equals $1,3582.00

"EXHIBIT C"

The real property is situated in the City of Reno, County of Washoe, State of Nevada, as follows:

Lots 3 and 4 in Block G of original town, now City of Reno, According to the map thereof, filed in the office of the County Recorder of Washoe County, State of Nevada, on June 27, 1871.

[STREET MAP FOR EVANS NORTH ADDITION APPEARS HERE]

**Exhibit 10.22**

AMENDMENT TO LEASE

THIS AMENDMENT is made this 31st day of January, 1985, by and between C.S.& Y. ASSOCIATES, a general partnership (hereinafter referred to as "Lessor"), and ELDORADO HOTEL ASSOCIATES, a limited partnership (hereinafter referred to as "Lessee").

W I T N E S S E T H:

WHEREAS, Lessor and Lessee entered into a Lease dated July 21, 1972, for that certain parcel of real property located in Reno, Washoe County, Nevada, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (hereinafter referred to as the "Demised Premises"); and

WHEREAS, said Lease has been amended by written agreements dated March 20, 1973, and January 1, 1978; and

WHEREAS, the January 1, 1978, Amendment to the Lease enabled the Eldorado Hotel and Casino to expand to the adjoining "Shell Property" owned by Lessee with the combined properties now constituting the existing Eldorado Hotel and Casino (hereinafter "Existing Eldorado"); and

WHEREAS, the Lessee owns certain additional real property adjacent to and located generally south and west of the Demised Premises (hereinafter referred to as the "Expansion Property"); and

WHEREAS, Lessee intends to construct a hotel and casino facility on the Expansion Property and to connect those improvements to the Existing Eldorado; and

WHEREAS, Lessee has obtained the necessary government approvals for the construction of the improvements

---

MCDONALD, CARANO, WILSON, BERGIN,
FRANKOVICH & HICKS
ATTORNEYS AT LAW
RENO, NEVADA 89505-2670

on the Expansion Property; and

WHEREAS, as part of the approved project on the Expansion Property, Lessee has obtained the abandonment of certain alleys adjoining the Demised Premises and anticipates the future abandonment of an additional alley abutting the Demised Premises; the description of these alleys (hereinafter referred to as "Alley Properties") is attached hereto as Exhibit "B" and incorporated herein by reference; and

WHEREAS, the parties hereto desire to transfer all right, title, and interest in and to the Alley Properties to the Lessee; and

WHEREAS, in consideration thereof, the parties desire to amend the existing Lease Agreement, as amended, between the parties.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions set forth herein, the parties agree as follows:

1. Lessor agrees to, and hereby does, transfer and convey all right, title, and interest in and to the Alley Properties described in Exhibit "B" attached hereto and incorporated herein by reference, to Lessee. Lessor agrees to execute any other documents, including a quitclaim deed, that may be necessary to carry out the intent and purpose of this paragraph. Lessee agrees to pay all costs and compensation that may be required to the City of Reno to obtain abandonment of the Alley Properties and further agrees to pay all costs to relocate the utilities located within the Alley Properties and agrees to hold C. S. & Y. harmless from any and all liability or cost associated therewith.



---

2. Paragraph 3(a), (b), and (c) of the original Lease, together with Paragraph 1 of the Amendment to Lease dated January 1, 1978, are hereby deleted in their entirety and are amended and substituted as follows:

RENTAL DUPING TERM OF LEASE:

(a) Commencing January 1, 1985, and for the balance of the term of the Lease, the rental for the Demised Premises shall be either the amount provided for in subparagraph (i), or subparagraph (ii) set forth below, whichever is greater.

(i) There shall be a guaranteed minimum annual rent in the sum of Four Hundred Thousand Dollars ($400,000) (hereinafter referred to as "Basic Rental"). This Basic Rental shall not be subject to any adjustment based on the Consumer Price Index or otherwise during the remaining term of this Lease.

(ii) A sum equal to three percent (3%) of the gross gaming revenues for the first Six Million Five Hundred Thousand Dollars ($6,500,000) of such gross gaming revenues, one percent (1%) of the gross gaming revenues in excess of Six Million Five Hundred Thousand Dollars ($6,500,000) up to Thirty-Five Million Dollars ($35,000,000), and one-fourth of one percent (.25%) of gross gaming revenues in excess of Thirty-Five Million Dollars ($35,000,000) up to Seventy-Five Million Dollars ($75,000,000), and one-tenth of one percent (.1%) of all gross gaming revenues in excess of Seventy-Five Million Dollars ($75,000,000). In addition thereto, for a period of five (5) years commencing January 1, 1985, Lessee shall pay an additional one-fourth of one percent (.25%) of all gross gaming revenues in excess of

Thirty-Five Million Dollars ($35,000,000) up to Forty Million Dollars ($40,000,000). Gross gaming revenue for the purposes of this Agreement shall include all gaming revenues received by Lessee from all gaming operations on the city block on which the Demised Premises is located including future expansions thereon that may be undertaken by Lessee, and the gross gaming revenue for the purposes of this Agreement shall be computed as follows:

The total of all amounts received from gaming operations, as winnings, less the total of all amounts paid out, from gaming operations, as losses. In computing winnings, no revenue shall be recognized on noncash



promotional items, or uncollected credit play. In computing losses, no deductions shall be allowed for noncash promotional payout or for the provision of anticipated payouts on progressive slot machines. Additionally, a deduction will be allowed for uncollected returned checks which were cashed for gaming purposes.

(b) The rental payments due under paragraph (a) above shall be paid as follows:

(i) The Basic Rental payable under subparagraph (a) (i) above shall be payable in monthly installments in the amount of Thirty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars ($33,333.33).

(ii) To the extent that the amount payable under subparagraph (a) (ii) above is greater than the amount payable under subparagraph (a) (i) for any calendar year, the difference shall be payable within ninety (90) days after each calendar year.

(c) Lessee shall make available for inspection by Lessor's duly authorized agent a copy of all gaming tax reports filed with the State of Nevada for the purposes of determining gross gaming revenues and copies of the result of any audits of the gaming revenue by representatives of the State of Nevada. In addition, the independent auditors of the Lessee shall provide the Lessor written confirmation after the completion of their examination of Lessee's financial statements for each year, that their opinion on the financial statements was unqualified, or if their opinion was qualified in any respect related to the gross gaming revenue, the independent auditors shall provide the reasons for such qualification to the Lessor. The Lessor may, at any time and at its own expense, obtain its own independent audit of the gross gaming revenue, provided that it does not interfere with the conduct of normal business operations by the Lessee or the audits which are in progress by the State of Nevada or the Lessee's independent auditors.

3. Lessor shall have no right, title, and interest to any of the Expansion Property or the Alley Properties or any improvements located thereon.

4. Lessee shall have the right to encumber the Existing Eldorado with a first mortgage or first deed of trust for financing for purposes other than substantial improvements, alterations or construction on the Demised



Premises and the Lease of the Demised Premises shall be subordinate to said mortgage or deed of trust; provided, however, that such financing shall be limited in amount to eighty percent (80%) of the fair market value of the Existing Eldorado, shall be at a prevailing rate of interest, shall not extend beyond the term of the Lease and shall be with a National or State Banking Institution authorized to do business in the State of Nevada. If the parties are unable to agree on the fair market value of the Existing Eldorado, an M.A.I. Appraiser shall be mutually selected by the parties who shall appraise the Existing Eldorado. The Appraiser's determination of fair market value shall be the value for the purposes of this provision. Lessee may enter into a binding agreement for such financing and the subordination of this Lease shall be effective automatically without further act of Lessor and Lessor hereby consents thereto. Lessor agrees to execute and deliver any such first mortgage or first deed of trust or any other documents or instruments that may be required by a lender to effectuate the subordination of this Lease. After July 1, 2007, the automatic subordination as set forth herein shall terminate and thereafter any subordination of this Lease will require the written approval of the Lessor; which approval will not be unreasonably withheld.

5. All other terms and conditions of the Lease Agreement dated July 21, 1972, together with amendments thereto, except as otherwise provided herein or inconsistent with the terms and conditions set forth herein, shall remain in full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Amendment to Lease to be executed and have affixed their



signatures the day and year first written above.

LESSOR:

C. S. & Y. ASSOCIATES

/s/ George L. Siri, Jr.
George L. Siri, Jr.

/s/ Susan B. Siri
Susan B. Siri

LESSEE:

ELDORADO HOTEL ASSOCIATES

By RECREATIONAL ENTERPRISES, INC.

By /s/ Donald L. Carano
Donald L. Carano

By HOTEL-CASINO MANAGEMENT, INC.

/s/ George Yori
George Yori

/s/ Genevieve Yori
Genevieve Yori

/s/ William Carano
William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ Donald L. Carano
Donald L. Carano

/s/ Donald L. Carano
Donald L. Carano, Trustee
for the Sonja Carano Trust

/s/ Mildred Carano Lewis
Mildred Carano Lewis

By /s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.

By HOTEL-CASINO REALTY
INVESTMENTS, INC.

By /s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.

/s/ Donald L. Carano
Donald L. Carano, Trustee
for the Carano Family Trust



STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 30 day of January, 1985, personally appeared before me, GEORGE L. SIRI, JR. and SUSAN B. SIRI, husband and wife, general partners of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the persons whose names are subscribed to the above instrument and acknowledged to me that they executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

ROBERT B. MACKAY
(SEAL
APPEARS Notary Public - State of Nevada
HERE)
Appointment Recorded in Washoe County

MY APPOINTMENT EXPIRES SEPT. 15, 1985

STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 30 day of January, 1985, personally appeared before me, GEORGE YORI and GENEVIEVE YORI, husband and wife, general partners of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the persons whose names are subscribed to the above instrument and acknowledged to me that they executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

ROBERT B. MACKAY
(SEAL
APPEARS Notary Public - State of Nevada
HERE)
Appointment Recorded in Washoe County

MY APPOINTMENT EXPIRES SEPT. 15, 1985

STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 31st day of January, 1985, personally appeared before me, WILLIAM CARANO and LENA CARANO, husband and wife, general partners of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the persons whose names are subscribed to the above instrument and acknowledged to me that they executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

(SEAL APPEARS HERE)

STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 30th day of January, 1985, personally appeared before me, DONALD L. CARANO, a married man, general partner of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

(SEAL APPEARS HERE)



STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 30th day of January, 1985, personally appeared before me, DONALD L. CARANO, Trustee for the Sonja Carano Trust, general partner of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/Robert B. MacKay
NOTARY PUBLIC
[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF NEVADA )
: ss
COUNTY OF WASHOE )

On this 31st day of January, 1985, personally appeared before me, MILDRED CARANO LEWIS, a married woman, general partner of C. S. & Y. ASSOCIATES, a general partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/Robert B. MacKay
NOTARY PUBLIC
[SEAL OF NOTARY PUBLIC APPEARS HERE]



STATE OF NEVADA )
: ss.
COUNTY OF WASHOE )

On this 30 day of January, 1985, personally appeared before me, DONALD L. CARANO, President of RECREATIONAL ENTERPRISES, INC., a Nevada corporation, general partner of ELDORADO HOTEL ASSOCIATES, a limited partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/Robert B. MacKay
NOTARY PUBLIC
[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF NEVADA )
: ss.
COUNTY OF WASHOE )

On this 30 day of January, 1985, personally appeared before me, RAYMOND J. PONCIA, JR., President of HOTEL-CASINO MANAGEMENT, INC., a Nevada corporation, general partner of ELDORADO HOTEL ASSOCIATES, a limited partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/Robert B. MacKay
NOTARY PUBLIC
[SEAL OF NOTARY PUBLIC APPEARS HERE]



STATE OF NEVADA )
: ss.
COUNTY OF WASHOE )

On this 30th day of January, 1985, personally appeared before me, RAYMOND J. PONCIA, JR., President of HOTEL-CASINO REALTY INVESTMENTS, INC., a Nevada corporation, general partner of ELDORADO HOTEL ASSOCIATES, a limited partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

(Seal-Notary Public appears here)

STATE OF NEVADA )
: ss.
COUNTY OF WASHOE )

On this 30th day of January, 1985, personally appeared before me, DONALD L. CARANO, Trustee for The Carano Family Trust, general partner of ELDORADO HOTEL ASSOCIATES, a limited partnership, known to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the same.

/s/ Robert B. MacKay
NOTARY PUBLIC

(Seal-Notary Public appears here)



Exhibit 11

DESCRIPTION

SITUATE IN THE CITY OF RENO, COUNTY OF WASHOE, STATE OF NEVADA, AS FOLLOWS:

PARCEL 1

LOT 5 in BLOCK G of ORIGINAL TOWN NOW CITY OF RENO, ACCORDING TO THE MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF WASHOE COUNTY, STATE OF NEVADA, ON JUNE 27, 1871.

PARCEL 2

LOT 6 IN BLOCK G OF ORIGINAL TOWN NOW CITY OF RENO, ACCORDING TO THE MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF WASHOE COUNTY, STATE OF NEVADA, ON JUNE 27, 1871.

PARCEL 3

LOT 7 in BLOCK G of ORIGINAL TOWN NOW CITY OF RENO, ACCORDING TO THE MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF WASHOE COUNTY, STATE OF NEVADA, ON JUNE 27, 1871.

PARCEL 4

LOT 8 IN BLOCK G OF ORIGINAL TOWN NOW CITY OF RENO, ACCORDING TO THE MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF WASHOE COUNTY, STATE OF NEVADA, ON JUNE 27, 1871.

[LOGO OF TRANSWESTERN ENGINEERING CORP. APPEARS HERE]

LEGAL DESCRIPTION

PORTION ALLEY BLOCK G, RENO TOWNSITE

That certain parcel of land situate in the Northeast quarter Section 11, T. 19.N., R. 19E., M.B.D. & M., City of Reno, Washoe County, Nevada more particularly described as follows:

BEGINNING at the southeast corner of Lot 8, Block G of Reno Townsite as shown on Tract Map #94, said point being the TRUE POINT OF BEGINNING;

THENCE southerly along the easterly line of said Block G S 13(DEGREES) 50’ 00” E 10.00’;

THENCE S 76(DEGREES) 12’ 06” W 150.42’;

THENCE N 13(DEGREES) 41’ 52” W 130.03’;

THENCE N 76(DEGREES) 12’ 06” E 10.00’;

THENCE S 13(DEGREES) 41’ 52” E 120.03’;

THENCE N 76(DEGREES) 12’ 06” E 140.40’ to the TRUE POINT OF BEGINNING;

The basis of bearing is the west line of Virginia Street taken as N 13(DEGREES) 50’ 00” E as shown on Survey Map #1207 filed on July 25, 1978 in the Office of the County Recorder, Washoe County, Nevada.

[REGISTERED LAND
SURVEYORS’ SEAL
APPEARS HERE]

EXHIBIT B

539 Riverside Drive
Reno, Nevada 89513
(702) 329-0202

P.O. Box 50357
Reno, Nevada 89513

[Street map for Eldorado Hotel & Casino appears here.]

**Exhibit 10.23**

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE ("Third Amendment") is made and entered into this 24th day of December, 1987, by and between C.S.&Y. ASSOCIATES, a general partnership, hereinafter referred to as "Lessor", party of the first part, and ELDORADO HOTEL ASSOCIATES, a Nevada limited partnership, hereinafter referred to as "Lessee", party of the second part.

R E C I T A L S:

WHEREAS:

A. Lessor is the owner of that certain real property situate in the City of Reno, County of Washoe, State of Nevada, that is more particularly described on that certain exhibit marked "Exhibit A", affixed hereto and by this reference incorporated herein and made a part hereof (hereinafter the "CS&Y Parcel"). By Agreement dated July 21, 1972, Lessor and Lessee did enter into a Lease Agreement under the terms of which the CS&Y Parcel was leased by Lessor to Lessee for a term expiring June 30, 2027 (hereinafter the "Lease"). On or about March 20, 1973, Lessor and Lessee executed an Addendum to the Lease (hereinafter the "Addendum").

B. Subsequent to the execution of the Lease and the Addendum, Lessee caused to be constructed on the CS&Y Parcel a hotel and casino facility known as the "Eldorado Hotel and Casino". Thereafter, Lessee acquired a parcel of real property lying adjacent to the CS&Y Parcel as more particularly described on that certain exhibit marked "Exhibit B", affixed hereto and by this reference incorporated herein and made a part hereof (hereinafter the "Shell Property"). Lessee desired to expand the hotel/casino facility onto the Shell Property and to make substantial improvements to both the CS&Y Parcel and the Shell Property. By Amendment to Lease dated January 1, 1978 (hereinafter the "First Amendment"), Lessor and Lessee amended the provisions of the Lease and Addendum concerning the amount of rental to be paid during the term of the Lease, construction of improvements and repairs, disposition of the CS&Y Parcel and Shell Property on the termination of the Lease, subordination of the Lease to a first mortgage or a first deed of trust encumbering the CS&Y Parcel and Shell Property and other provisions as more particularly therein described.

C. Subsequent to the First Amendment, Lessee acquired additional real property lying adjacent to the CS&Y Parcel as more particularly described on that certain exhibit marked "Exhibit C", affixed hereto and by this reference incorporated herein and made a part hereof (hereinafter the "Phase I Property"). Lessee desired to construct additional hotel and casino facilities on the Phase I Property and connect such facilities to the hotel/casino facilities then existing on the CS&Y Parcel and Shell Property (hereinafter the "Phase I Project"). By Amendment to Lease dated January 31, 1985 (hereinafter the "SecondAmendment"), Lessor and Lessee further modified the terms of the Lease, Addendum and First Amendment concerning

LAW OFFICES OF
HENDERSON & NELSON
164 HUBBARD WAY
SUITE B
RENO, NEVADA 89502

the disposition of certain alley properties abandoned by the City of Reno, the amount of rental to be paid by Lessee to Lessor during the term of the Lease, and Lessee's right to cause the CS&Y Parcel to be encumbered by a first mortgage or deed of trust securing funds borrowed by Lessee.

D. Lessee is the owner of certain real property lying between West Street on the West, West Fourth Street on the South, and North Sierra Street on the East, which is presently used by Lessee for additional parking for the Eldorado Hotel and Casino (hereinafter the "Fourth Street Parking Property"). The Fourth Street Parking Property is more particularly described on that certain exhibit marked "Exhibit D", affixed hereto and by this reference incorporated herein and made a part hereof. In connection with the financing procured by Lessee for the Phase I Project, Lessee was required by the lender to encumber, for the purpose of securing such financing, the CS&Y Parcel, the Shell Property, the Phase I Property and the Fourth Street Parking Property.

E. Lessee has acquired fee title to all of the remaining property on the city block upon which the CS&Y Parcel, Shell Property and Phase I Property are situate, with the exception of the parcel of real property upon which the Talley Ho Motel is situate for which parcel Lessee holds an option to purchase which option Lessee intends to exercise prior to April 1, 1988. Upon the exercise of such option, Lessee will be the owner of all of the real property (except for the CS&Y Parcel) bounded by West Fourth Street to the North, North Virginia Street to the East, West Plaza Street to the South, and North Sierra Street to the West. The City block and real property therein contained so bounded by West Fourth Street to the North, North Virginia Street to the East, West Plaza Streetto the South, and North Sierra Street to the West (including the CS&Y Parcel), shall hereinafter collectively be referred to as the "Eldorado Block Property".

F. Lessee also owns that certain parcel of real property lying across North Sierra Street from the Eldorado Block Property that is more particularly described on that certain exhibit marked "Exhibit E", affixed hereto and by this reference incorporated herein and made a part hereof (hereinafter the "Petricciani Property").

G. Lessee presently plans a further expansion of the Eldorado Hotel and Casino on the Eldorado Block Property (hereinafter the "Phase II Project") whichis presently intended to consist generally of, subject to further modification: (i) two subterranean levels of parking, (ii) additional casino space and new motor entrance on the ground floor, (iii) two additional restaurants, cocktail lounge, kitchen and support facilities, new registration desk and lobby, and expansion of the convention facilities on the second floor, (iv) food and beverage storage, additional kitchen and housekeeping support facilities, and employee dining, kitchen and lounge on the third floor, and (v) twenty-one (21) additional stories which will contain approximately 400 additional guest rooms and support facilities. The date upon which the City of Reno issues the permanent Certificate of Occupancy for the use and occupancy

of the Phase II Project by Lessee and the public shall hereinafter be referred to as the "Phase II C of O Date".

H. Lessee also anticipates constructing a parking garage on the Petricciani Property sometime in the future for the purpose of providing additional parking for the hotel/casino facility (hereinafter the "Parking Garage"). Upon the completion of the Parking Garage, Lessee intends to cause the Fourth Street Parking Property to be released from the deed of trust or other security instruments securing repayment of the financing for the Phase I Project or, if then applicable, securing repayment of the financing for the Phase II Project.

I. Throughout the term of the Lease thus far elapsed, the continual expansions of the Eldorado Hotel and Casino have required amendments concerning the rental which will be paid to Lessor and the terms upon which the Lessee is entitled to encumber the CS&Y Parcel. These modifications to the Lease are evidenced by the First Amendment and Second Amendment. It is Lessor's and Lessee's intention to enter into this Third Amendment to Lease for the purpose of amending the Lease in a manner that will provide the basis upon which Lessee can pursue future expansions and other business endeavors including, but not limited to, financing and constructing the Phase II Project and the Parking Garage. It is the intention of Lessor and Lessee that the provisions contained in this Third Amendment to Lease shall exclusively set forth the terms upon which Lessee may require the Lessor to encumber the CS&Y Parcel to secure loans and financing made by Lessee, and the additional consideration which will be paid to Lessor in the form of rental payments and, under certain circumstances as hereinafter set forth, a Subordination Fee for the subordination of the Lessor's position to such loans and financing.

NOW, THEREFORE, in consideration of the foregoing, and the other considerations hereinafter set forth in this Third Amendment, Lessor and Lessee do hereby agree as follows:

1. The rental to be paid by Lessee to Lessor for the CS&Y Parcel shall bepaid in the amounts and at the times set forth in paragraph 2 of the Second Amendment until the Phase II C of O Date. Commencing on the Phase II C of O Date, the following provision shall control the amount of rental to be paid which provision shall supersede the provisions concerning rental during the term of the Lease as contained in paragraphs 3(a), (b), and (c) of the Lease, paragraph 1 of the First Amendment and paragraph 2 of the Second Amendment.

RENTAL DURING TERM OF LEASE:

(a) Commencing on the Phase II C of O Date, and for the balance of the term of the Lease, the rental for the CS&Y Parcel shall be either the amount provided for in subparagraph (i), or subparagraph (ii) set forth below, whichever is greater.



(i) There shall be a guaranteed minimum annual rent in the sum of Four Hundred Thousand Dollars ($400,000) (hereinafter referred to as "Basic Rental"). This Basic Rental shall not be subject to any adjustment based on the Consumer Price Index or otherwise during the remaining term of this Lease.

(ii) A sum equal to three percent (3%) of the Gross Gaming Revenues for the first Six Million, Five Hundred Thousand Dollars ($6,500,000) of such Gross Gaming Revenues, one percent (1%) of the Gross Gaming Revenues in excess of Six Million Five Hundred Thousand Dollars ($6,500,000), up to Thirty-five Million Dollars ($35,000,000),and one-half of one percent (.50%) of Gross Gaming Revenues in excess of Thirty-five Million Dollars ($35,000,000), up to Fifty Million Dollars ($50,000,000), and one-forth of one percent (.25%) of Gross Gaming Revenues in excess of Fifty Million Dollars ($50,000,000) up to Seventy-five Million Dollars ($75,000,000), and one-tenth of one percent (.1%) of all Gross Gaming Revenues in excess of Seventy-five Million Dollars ($75,000,000). In addition to the foregoing, for a period of five (5) years commencing January 1, 1985, Lessee shall pay an additional one-fourth of one percent (.25%) of all Gross Gaming Revenues in excess of Thirty-five Million Dollars ($35,000,000) up to Forty Million Dollars ($40,000,000). "Gross Gaming Revenues" shall be defined as all gaming revenues received by Lessee from all gaming operations on the Eldorado Block Property including future expansions thereon that may be undertaken by Lessee, but shall not include, for example, any gaming revenues realized by Lessee from the Fourth Street Parking Property or any other gaming activities conducted by Lessee on any location other than the Eldorado Block Property. Gross Gaming Revenues for the purposes of this Third Amendment shall be computed as follows:

The total of all amounts received from gaming operations on the Eldorado Block Property, as winnings, less the total of all amounts paid out, from gaming operations on the Eldorado Block Property, as losses. In computing winnings, no revenue shall be recognized on non-cash promotional items, or uncollected credit play. In computing losses, no deductions shall be allowed



for non-cash promotional payout or for the provision of anticipated payouts on progressive slot machines. Additionally, a deduction will be allowed for uncollected returned checks which were cashed for gaming purposes.

(b) The rental payments due under paragraph (a) above shall be paid as follows:

(i) The Basic Rental payable under subparagraph (a)(i) shall be payable in monthly instalments in the amount of Thirty-Three Thousand Three Hundred Thirty Three and 33/100 Dollars ($33,333.33).

(ii) To the extent that the amount payable under subparagraph (a) (ii) above is greater than the amount payable under subparagraph (a) (i) for any calendar year, the difference shall be payable within ninety (90) days after the end of each calendar year.

(c) Lessee shall make available for inspection by Lessor's duly authorized agent a copy of all gaming tax reports filed with the State of Nevada for the purposes of determining Gross Gaming Revenues and copies of the result of any audits of the gaming revenue by representatives of the State of Nevada. In addition, the independent auditors of the Lessee shall provide the Lessor written confirmation after the completion of their examination of Lessee's financial statements for each year, that their opinion on the financial statements was unqualified, or if their opinion was qualified in any respect related to the Gross Gaming Revenues, the independent auditors shall provide the reasons for such qualification to the Lessor. The Lessor may, at any time and at its own expense, obtain its own independent audit of the Gross Gaming Revenues, provided that

it does not interfere with the conduct of normal business operations by the Lessee or the audits which are in progress by the State of Nevada or the Lessee's independent auditors.

2. Paragraph 7 entitled "Improvements and Repairs" on pages 3, 4 and 5, and paragraph 29 entitled "Security" on page 19 of the Lease, paragraph 2 on pages 3, 4, and 5 of the First Amendment, and paragraph 4 on pages 4 and 5 of the Second Amendment are hereby deleted in their entirety and the following provisions shall fully amend, supersede and be substituted for such provisions:

IMPROVEMENTS, REPAIRS, SECURITY AND SUBORDINATION:

It is the intention of Lessee to construct the Phase II Project and other income



producing improvements on the Eldorado Block Property, and the nature, extent and use of such improvements, if made, shall be in the discretion of Lessee. All improvements, alterations, additions, deletions, modifications and repairs to the Eldorado Block Property shall be at the sole cost of Lessee and Lessee agrees to pay for all labor and materials used, and said improvements shall be the property of Lessee during the term of the Lease. All improvements on the Eldorado Block Property shall be the property of Lessee during the term of the Lease. On termination of the Lease, Lessor shall have an undivided two-thirds (2/3) interest and Lessee shall have an undivided one-third (1/3) interest in the total of all improvements then existing on the CS&Y Parcel and Shell Property taken as a whole and considered as one entity without regard to the physical characteristics of the improvements then existing on either the CS&Y Parcel or the Shell Property when considered separately. Lessor shall have no right, title or interest to any of the Eldorado Block Property (except for the CS&Y Parcel) other than the right to receive rentals as provided in paragraph 1 hereinabove during the term of the Lease and upon termination of the Lease shall have no right, title or interest in any of the Eldorado Block Property except for the CS&Y Parcel and the Shell Property as provided hereinabove.

Improvements to the CS&Y Parcel shall not be removed therefrom, unless the same shall be rebuilt or replaced with improvements of equal or greater value, or unless the removal shall be for the economic betterment of the Eldorado Hotel and Casino facility.

Lessee will comply at its sole expense with all requirements of public authorities. The expenses of all repairs, alterations or improvements heretofore or hereafter ordered by any public authority relative to the Eldorado Block Property shall be the responsibility of Lessee and paid for by it. This covenant shall apply not only to incidental repairs, alterations or improvements required by public authorities, but also to those of substantial or structural nature. It shall also apply to safety requirements by public authorities.

Lessee shall have the right to secure a loan or loans, from time to time during the term of this Lease, by a first mortgage or first deed of trust encumbering the Eldorado Block Property and such other property or properties owned by Lessee which Lessee may elect, in its discretion, to so encumber. Such loan or loans may be for any purpose in



the sole and absolute discretion of Lessee and need not be for the purpose of making improvements, alterations or construction on the CS&Y Parcel or any other portion of the Eldorado Block Property. This Lease and the CS&Y Parcel and the Shell Property shall be automatically subordinated to such first mortgage or first deed of trust without any further act of Lessor and Lessor hereby consents thereto so long as the aggregate principal amount secured by such first mortgage or first deed of trust does not exceed the principal sum of Fifty Million Dollars ($50,000,000). Lessee shall further have the right to secure a loan or loans, from time to time during the term of this Lease, with an aggregate principal amount in excess of Fifty Million Dollars ($50,000,000), secured by a first mortgage or first deed of trust encumbering the Eldorado Block Property and such other property or properties owned by Lessee which Lessee may elect, in its discretion, to so encumber and the CS&Y Parcel and the Shell Property shall be automatically subordinated to such first mortgage or first deed of trust without any further act of Lessor and Lessor hereby consents thereto on the following terms and conditions:

(a) That Lessee shall have commenced or is about to commence construction of the Phase II Project.

(b) That the aggregate principal amount to which the Lease is subordinated as provided hereinabove be limited to Seventy-Five Million Dollars ($75,000,000) or sixty percent (60%) of the Fair Market Value of the Eldorado Block Property, together with any other property or properties which Lessee in its sole discretion encumbers as additional security for the loan or loans, whichever is greater. "Fair Market Value" as used herein shall mean the value which is agreed upon by Lessor and Lessee as being the Fair Market Value of the Eldorado Block Property, together with such other property or properties which Lessee may encumber as additional security for the loan or loans. If Lessor and Lessee are unable to agree on the Fair Market Value, an M.A.I. designated appraiser shall be mutually selected by Lessor and Lessee who shall appraise the Eldorado Block Property together with such other property or properties to be encumbered by Lessee as additional collateral for such financing. The M.A.I. appraiser's determination of Fair Market Value shall be based upon the income method, market



approach or replacement value, whichever is higher, and such determination shall be deemed the Fair Market Value for the purposes of this provision and shall be binding upon Lessor and Lessee.

(c) To the extent by which the financing to which the CS&Y Parcel and Shell Property is subordinated exceeds the principal sum of $50,000,000, Lessee shall pay to Lessor, in addition to the rental set forth in paragraph 1 herein- above, an annual subordination fee ("Subordination Fee") to be determined and paid as follows:

Commencing on the Phase II C of O Date, Three Thousand, Five Hundred Dollars ($3,500) per annum, or prorata propor- tion thereof if for less than a full calendar year, shall be paid for each One Million Dollars ($1,000,000), or prorata proportion thereof

(rounded to the nearest thousandth), by which the outstanding balance of the principal owing on such financing exceeds $50,000,000, which Subordination Fee shall be payable quarterly, in arrears, based on the daily average of the unpaid principal balance (rounded to the nearest thousandth) outstanding on such financing in excess of $50,000,000 during the preceding calendar quarterly period.

Lessor agrees to execute and deliver any such first mortgage or first deed of trust or any other documents or instruments that may be required by a lender to effectuate the subordination of this Lease and the encumbrance of the CS&Y Parcel and the Shell Property as provided hereinabove. Such financing shall be at a prevailing rate of interest, shall not extend beyond the term of the Lease and shall be with a financial institution authorized to do business in the State of Nevada or a group of recognized financial institutions for which a financial institution authorized to do business in the State of Nevada is acting as lead bank or agent bank for the purpose of providing funds for such financing. After July 1, 2007, the automatic subordination as set forth hereinabove shall continue so long as the repayment schedule of such financing is based upon an amortization which will cause such financing to be fully paid by the expiration date of the term of this Lease. All other subordinations, other than as provided in this Third Amendment, will require the written approval of Lessor.



3. Lessor consents that at such time as the Parking Garage is constructed on the Petricciani Property that Lessee may procure the release of the Fourth Street Parking Property from any first mortgage or first deed of trust or other security documents that may also encumber the Eldorado Block Property.

4. All other terms and conditions of the Lease, Addendum, First Amendment and Second Amendment, except as otherwise provided herein or inconsistent with the terms and conditions set forth herein, shall remain in full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Third Amendment to be executed as of the day and year first above written.

LESSOR:

C.S.&Y. ASSOCIATES,

/s/ George L. Siri, Jr.
George L. Siri, Jr.

/s/ Susan B. Siri
Susan B. Siri

/s/ George Yori
George Yori

/s/ Genevieve Yori
Genevieve Yori

/s/ Lena M. Carano
Lena M. Carano, Executrix of the Estate of William Carano

/s/ Lena M. Carano
Lena M. Carano

/s/ Donald L. Carano
Donald L. Carano

/s/ Donald L. Carano
Donald L. Carano, Trustee for the Sonja Carano Trust

/s/ Mildred Carano Lewis
Mildred Carano Lewis

LESSEE:

ELDORADO HOTEL ASSOCIATES

By: Recreational Enterprises, Inc., a Nevada corporation,

By /s/ Donald L. Carano
Donald L. Carano

By: Hotel-Casino Management, Inc., a Nevada corporation

By /s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.



STATE OF NEVADA )
) SS
County of Washoe )

On this 5th day of January, 1988, personally appeared before me, a Notary Public, GEORGE L. SIRI, JR., known to me to be the person described in and who acknowledged that he executed the foregoing instrument.

/s/ Christine L. Gerwin
Notary Public

[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF NEVADA )
) SS
County of Washoe )

On this 5th day of January, 1988, personally appeared before me, a Notary Public, SUSAN B. SIRI, known to me to be the person described in and who acknowledged that she executed the foregoing instrument.

/s/ Christine L. Gerwin
Notary Public

[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF NEVADA )
) SS
County of Washoe )

On this 5th day of January, 1988, personally appeared before me, a Notary Public, GEORGE YORI, known to me to be the person described in and who acknowledged that she executed the foregoing instrument.

/s/ Robert B. MacKay
Notary Public

[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF NEVADA )
) SS
County of Washoe )

On this 5th day of January, 1988, personally appeared before me, a Notary Public, GENEVIEVE YORI, known to me to be the person described in and who acknowledged that she executed the foregoing instrument.

/s/ Robert B. MacKay
Notary Public

[SEAL OF NOTARY PUBLIC APPEARS HERE]



STATE OF NEVADA )
) ss
County of Washoe )

On this 28th day of December, 1987, personally appeared before me, a Notary Public, LENA M. CARANO, known to me to be the person described in and who acknowledged that she executed the foregoing instrument.

/s/ Robert B. MacKay
Notary Public

[NOTARY PUBLIC SEAL APPEARS HERE]

STATE OF NEVADA )
) ss
County of Washoe )

On this 24th day of December, 1987, personally appeared before me, a Notary Public, DONALD L. CARANO, known to me to be the person described in and who acknowledged that he executed the foregoing instrument.

/s/ Robert B. MacKay
Notary Public

[NOTARY PUBLIC SEAL APPEARS HERE]

STATE OF CALIFORNIA )

) ss
County of Cortra Costa )

On this 11th day of January, 1988, personally appeared before me, a Notary Public, MILDRED CARANO LEWIS, known to me to be the person described in and who acknowledged that she executed the foregoing instrument.

[NOTARY PUBLIC SEAL APPEARS HERE]

/s/ Eleanor M. Sinton
Notary Public

STATE OF )
) ss
County of )

On this 18th day of January, 1988, personally appeared before me, a Notary Public, RAYMOND J. PONCIA, JR., known to me to be the person described in and who acknowledged that he executed the foregoing instrument.

[NOTARY PUBLIC SEAL APPEARS HERE]

/s/ E. Kay Vierra
Notary Public

**REIMBURSEMENT AND INDEMNIFICATION AGREEMENT**
**AND LEASE AMENDMENT**

This Agreement is entered this 24 day of March, 1994, by and between ELDORADO HOTEL ASSOCIATES LIMITED PARTNERSHIP, a Nevada limited partnership (hereinafter "Eldorado"), and CS&Y ASSOCIATES, a Nevada general partnership (hereinafter "CS&Y").

WHEREAS, Eldorado and CS&Y have entered into a Lease Agreement originally dated July 21, 1972, as amended by an Addendum dated March 20, 1973, an Amendment to Lease dated January 1, 1978, an Amendment to Lease dated January 31, 1985 and a Third Amendment to Lease dated December 24, 1987 (collectively, the "Lease"), for the lease of certain real property located in Reno, Nevada (the "Premises"). The Premises constitute a portion of the Eldorado Hotel and Casino (the "Eldorado Property"); and

WHEREAS, pursuant to the terms of the Lease, CS&Y has agreed to execute a Deed of Trust and Assignment of Rents (hereinafter "Deed of Trust") that will encumber the Premises and the Eldorado Property as security for a loan to Eldorado; and

WHEREAS, Eldorado has entered into a Loan Agreement with the Bank of America National Trust and Savings Association and other participating banks (hereinafter collectively "Banks") for a $130,000,000 credit facility (the "Loan"); and

WHEREAS, in connection with the Loan, the Banks have required the Deed of Trust to encumber the Eldorado Property, including the Premises; and

WHEREAS, CS&Y has agreed to execute the Deed of Trust on the condition that Eldorado agrees to indemnify and reimburse CS&Y in the event of any losses with respect to certain provisions of the Deed of Trust.

NOW, THEREFORE, in consideration of the execution of the Deed of Trust and other valuable consideration, Eldorado and CS&Y hereby agree as follows:

1. Rents. In the event that the Banks exercise their rights to receive any payment of rent under the Lease as provided in Section 3.1 of the Deed of Trust, or any other provision of the Deed of Trust, and the Banks collect or receive all or any lease payments payable or paid by Eldorado to CS&Y under the Lease ("Diverted Lease Payments"), or if for any other reason the Banks receive direct payment from Eldorado of any Diverted Lease Payments, then Eldorado shall immediately reimburse and pay to CS&Y the amount of any such Diverted Lease Payments and Eldorado shall indemnify, defend, protect and hold CS&Y harmless from and against any and all costs, expense or fees (including reasonable attorneys fees) incurred by CS&Y in connection therewith.

2. Condemnation. In the event that, during any period of time that the Deed of Trust remains outstanding, there is a condemnation of all or any portion of the Premises and the Banks receive all or any portion of any award, damages or other payment or settlement made in



connection with, or arising out of, such condemnation (collectively, a "Condemnation Award"), and if the Banks do not immediately reimburse and pay to CS&Y the value of CS&Y's fee interest in the Premises as it may appear and be valued at the time of the Condemnation Award (the "Premises Value"), then Eldorado shall, within 30 days of payment of such Condemnation Award, reimburse and pay to CS&Y, in cash, that portion of the Condemnation Award which represents the Premises Value, calculated and determined as being encumbered by the Lease (as such value is reasonably determined by CS&Y), and Eldorado shall indemnify, defend, protect and hold CS&Y harmless from and against any and all loss, costs, expenses or fees (including reasonable attorneys fees) incurred by CS&Y in connection with the condemnation and the Condemnation Award. Eldorado shall have the option of paying to CS&Y all amounts payable under this Section 2 in full in cash or may amortize such payment over a five (5) year period, together with interest at the prime rate or reference rate of the Bank of America, N.T. & S.A. as published from time to time, plus one percent (1%).

3. Partial Release. The parties acknowledge that the Deed of Trust encumbers the Eldorado Property, which is described in the Deed of Trust as Parcels 1, 2, 3, 4 and 5. Eldorado hereby agrees that Eldorado shall not request or seek the full or partial release or reconveyance of Parcels 1, 2, 3 or 5 from the lien of the Deed of Trust without obtaining CS&Y's prior written consent, which consent may be withheld in the sole and absolute discretion of CS&Y; provided, however, that if, as of the date of the release or reconveyance, the maximum permitted principal amount of the Loan (excluding Protective Advances, as defined in the Deed of Trust) is not in excess of 60% of the Fair Market Value (as defined in the Lease) of the portion of the Eldorado Property that will remain subject to the lien of the Deed of Trust, then CS&Y shall be obligated to consent to such release or reconveyance; provided further, however, that Eldorado shall have the right, without the consent of CS&Y, to obtain a release of a portion of Parcel 5 for road purposes (the "Road Portion").

4. Loan to Value Ratio. Notwithstanding any provision of the Deed of Trust or the Lease to the contrary, Eldorado shall have absolutely no right to request or permit the aggregate principal balance of all obligations secured by the Deed of Trust (the "Total Debt") to exceed at any time an amount equal to sixty percent (60%) of the Fair Market Value of the Eldorado Block Property as determined pursuant to the Third Amendment to the Lease (the "Maximum Debt Cap"). If CS&Y at any time determines that the Total Debt exceeds the Maximum Debt Cap (as determined by CS&Y, and not by appraisal), then CS&Y shall deliver written notice to Eldorado (the "Debt Notice") describing the amount of the Total Debt and the CS&Y's calculation of the Maximum Debt Cap. Within sixty (60) days after receipt of a Debt Notice, Eldorado shall either: (i) reduce the amount of the Total Debt to an amount less than the Maximum Debt Cap as calculated by CS&Y, or (ii) deliver a written notice to CS&Y requesting a determination of the then current Maximum Debt Cap pursuant to appraisal in accordance with the provisions of the Third Amendment to Lease (an "Appraisal Notice"). If CS&Y does not receive an Appraisal Notice within such sixty (60) day period, or if Eldorado does not reduce the Total Debt below the Maximum Debt Cap within such sixty (60) day period, then Eldorado shall be in default under the Lease and CS&Y shall have the right, in addition to all of its other rights and remedies under the Lease, at any time thereafter, to terminate the Lease by delivery of written notice of termination to Eldorado. If Eldorado timely delivers an Appraisal Notice to CS&Y, then Eldorado and CS&Y shall fully cooperate, in good faith, to select an appraiser and cause an appraisal to be conducted in accordance with the terms of the Third Amendment to the Lease. If

the Total Debt exceeds sixty percent (60%) of the Fair Market Value as determined pursuant to such appraisal, then Eldorado shall immediately reduce the Total Debt to an amount less than sixty percent (60%) of the Fair Market Value as determined by such appraisal. If Eldorado does not so reduce the Total Debt within sixty (60) days after completion of such appraisal, then CS&Y shall have the right, in addition to all of its other rights and remedies under the Lease, at any time thereafter, to terminate the Lease by delivery of written notice of termination to Eldorado. Notwithstanding any provision of this Section 4 to the contrary, so long as the Deed of Trust fully encumbers Parcels 1, 2, 3 and 5 (excluding the Road Portion), and so long as the improvements on the Eldorado Property have not been damaged, destroyed or condemned in any material manner, then Eldorado shall have no obligation to reduce the principal balance of the Loan below $130,000,000; provided, however that this sentence shall have no force or effect after retirement or refinance of the Loan.

5. Lease Default. A default by Eldorado under any provision of this Agreement shall constitute a material default by Eldorado under the Lease. To the extent necessary to enforce the provisions of this Section 5, this Agreement shall constitute an amendment to the Lease. Except as amended by this Agreement, the Lease shall remain in full force and effect.

6. Successors and Assigns. The terms, covenants and conditions herein contained shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

7. Severability. The unenforceability, invalidity or illegality of any provision hereof with respect to any person or circumstance shall not render the same provision unenforceable, illegal or invalid as to other persons or circumstances, or render other provisions unenforceable, invalid or illegal; in such event, the other provisions of this Agreement shall remain in full force and effect, unless enforcement of this Agreement as partially invalidated would be unreasonable or grossly inequitable under all circumstances or would frustrate the purposes of this Agreement.

8. Notices. All notices, demands, requests or other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given or served if sent by (i) hand-delivery, (ii) registered or certified mail, postage prepaid and return receipt requested, or (iii) telecopy, which shall be effective only if followed by registered or certified mail, and, in each case, addressed to the party intended at its respective address set forth below. Hand-delivery may be accomplished through the use of a reputable courier service, including, without limitation, Federal Express Company. By giving at least seven (7) days' prior written notice thereof, any party shall have the right to change its address and specify any other address within the United States of America. The initial addresses of the parties are as follows:

If to CS&Y:

C.S. & Y. Associates
c/o Daniel E. Siri
7 Rita Way
Orinda, California 94563

With a copy to:

Jeffery L. Siri
45 Scattergun Ct.
Reno, Nevada 89509



If to Eldorado:

Eldorado Hotel Associates
295 North Virginia Street
Reno, Nevada 89501
Attn: Robert Jones

All notices shall be deemed received on the date of hand-delivery or the date of receipt by the addresses thereof, as shown upon the return receipt. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice sent. In the case of a notice given by telecopy and followed by registered or certified mail, such notice shall be deemed given upon receipt of such telecopy.

9. Interpretation. The captions of this Agreement are provided for convenience of reference only and shall not be deemed to restrict or control the meaning of any provision hereof. References to a "party" or the "parties" shall mean CS&Y or Eldorado and their respective successors and assigns as herein specified. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, and any prior correspondence, memoranda or agreement, whether oral or written, are replaced in their entirety by this Agreement. Provisions of this Agreement shall be construed reasonably, as a whole and in accordance with the express intent of the language of this Agreement and such construction shall not be presumed to be in favor of or against any party hereto, all in order to effectuate the intent of the parties. As used in this Agreement, the words "including" or "such as", or words of similar import, when following any general statement shall not be construed to limit such statement to the specific items mentioned, whether or not language of non-limitation such as "without limitation" or "but not limited to", or words of similar import, are used with reference thereto, but rather shall be deemed to refer to all other terms or matters that could reasonably fall within the broadest possible scope of such statement.

10. Attorneys' Fees. If any action or other proceeding (including arbitration) is commenced in order to obtain a declaration of rights or seek other relief hereunder or by reason of the transactions created hereby or otherwise arising out of this Agreement or any breach hereof, the prevailing party in such action or proceeding shall be entitled to an award of reasonable attorneys' fees, in addition to costs of suit and such other relief as the court or other entity may grant.

11. Amendment. This Agreement may be modified only by a written instrument signed by the parties.

12. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Nevada.

13. Time. Time is of the essence of this Agreement and each and every provision hereof.

14. Counterparts. This Agreement may be signed in counterparts each of which shall be deemed an original and all of which, when taken together, shall be deemed but one agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the day and year first written above.

ELDORADO HOTEL ASSOCIATES LIMITED PARTNERSHIP, a Nevada Limited
Partnership

By: RECREATIONAL ENTERPRISES, INC.,
a Nevada Corporation
Its: General Partner

By: /s/ Donald L. Carano
Donald Carano
Its: President

By: HOTEL CASINO MANAGEMENT, INC.,
a Nevada Corporation
Its : General Partner

By: /s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr.
Its: Secretary

C.S.&Y. ASSOCIATES,
a Nevada General Partnership

By: /s/ Donald L. Carano
Donald L. Carano individually and as Trustee
of The Sonya Carano Trust under Agreement
dated January 16, 1979
General Partner

By: /s/ George E. Yori
George E. Yori, as Co-Trustee of The George
Yori and Genevieve Yori Family Trust under
Agreement dated September 28, 1981
General Partner

By: /s/ Genevieve K. Yori
Genevieve K. Yori, as Co-Trustee of The
George Yori and Genevieve Yori Family Trust
under Agreement dated September 28, 1991
General Partner



By: /s/ George L. Siri
George L. Siri, as Co-Trustee of The Siri
Family Trust, under Agreement dated
December 13, 1991
General Partner

By: /s/ Susan B. Siri
Susan B. Siri, as Co-Trustee of The Siri
Family Trust, under Agreement dated
December 13, 1991
General Partner

By: /s/ Lena Carano
Lena Carano, as Trustee of The William and
Lena Carano Family Trust - Exemption Trust,

under Trust Agreement dated April 10, 1984
General Partner

By: /s/ Lena Carano
Lena Carano, as Trustee of The William and
Lena Carano Family Trust - Survivors Trust,
under Trust Agreement dated April 10, 1984
General Partner

By: /s/ Caryl Stringham
Caryl Stringham, as Trustee of The Caryl
Stringham Trust, under Trust Agreement dated
January 28, 1992
General Partner

By: /s/ Lawrence Yori
Lawrence Yori, as Trustee of The Lawrence
Yori Trust, under Trust Agreement dated
November 2, 1992
General Partner

By: /s/ Daniel E. Siri
Daniel E. Siri, as Co-Trustee of The Siri
1993 Irrevocable Trust, under Trust Agreement
dated June 18, 1992
General Partner



By: /s/ Jeffery L. Siri
Jeffery L. Siri, as Co-Trustee of The Siri
1993 irrevocable Trust, under Trust Agreement
dated June 18, 1992
General Partner

By: /s/ Sally Dennison-Steinhauser
Sally Dennison-Steinhauser, as Co-Trustee of
The Siri 1993 Irrevocable Trust, under Trust
Agreement dated June 18, 1992
General Partner

**FOURTH AMENDMENT TO REIMBURSEMENT AND INDEMNIFICATION AGREEMENT AND LEASE AMENDMENT**

THIS FOURTH AMENDMENT TO REIMBURSEMENT AND INDEMNIFICATION AGREEMENT AND LEASE AMENDMENT (hereinafter "Amendment") is entered into this 1 day of June, 2011, by and between ELDORADO RESORTS LLC, a Nevada limited liability company (hereinafter "Eldorado"), and CS&Y ASSOCIATES, a Nevada general partnership (hereinafter ("CS&Y").

**R E C I T A L S :**

This Amendment is entered into upon the basis of the following facts, understandings and intentions of the parties:

A. CS&Y and Eldorado Hotel Associates Limited Partnership, a Nevada limited partnership (the "Eldorado Partnership"), the predecessor in interest to Eldorado, entered into that certain Reimbursement and Indemnification Agreement and Lease Amendment dated March 24, 1994 (the "Original Reimbursement Agreement").

B. The Eldorado Partnership and CS&Y entered into a Lease Agreement originally dated July 21, 1972, as amended by an Addendum dated March 20, 1973, an Amendment to Lease dated January 1, 1978, an Amendment to Lease dated December 24, 1987, and the Original Reimbursement Agreement (collectively, the "Lease"), the lease of certain real property located in Reno, Nevada (the "Premises"). The Premises constitute a portion of the Eldorado Hotel and Casino (the "Eldorado Property").

C. Eldorado Partnership has merged with and into Eldorado effective June 28, 1996, pursuant to an Agreement and Plan of Merger of even date therewith and Eldorado has assumed all of the Eldorado Partnership's rights and obligations under the Lease.

D. Pursuant to the terms of the Lease, CS&Y executed a Deed of Trust and Assignment of Rents (the "Original Deed of Trust") that encumbers the Premises and the Eldorado Property as security for a loan to Eldorado Partnership (the "Original Loan").

E. Eldorado entered into an Amended and Restated Loan Agreement with the Bank of America National Trust and Savings Association and other participating banks (collectively "Banks") dated July 31, 1996, amending and restating the Original Loan and providing for a credit facility (hereinafter "Amended and Restated Loan") comprised of a Fifty Million Dollar ($50,000,000) revolving loan, plus letters of credit for which the aggregate amount available to draw plus the amount of all unreimbursed draws will not in the aggregate at any time exceed Three Million Dollars ($3,000,000).

F. In connection with the Amended and Restated Loan, the Banks required an Amended and Restated Deed of Trust (the "Amended and Restate Deed of Trust") to encumber the Eldorado Property, including the Premises.

G. CS&Y agreed to execute the Amended and Restated Deed of Trust on the condition that Eldorado agreed to indemnify and reimburse CS&Y in the event of any losses with respect to certain provisions of the Amended and Restated Deed of Trust in the same Reimbursement Agreement and pursuant thereto Eldorado and CS&Y entered in the First Amendment to Reimbursement and Indemnification Agreement and Lease Amendment dated August 21, 1996.

H. Whereas Eldorado has entered into a Second Amended and Restated Deed of Trust Agreement with Bank of America, N.A., and other participating banks (collectively "Banks") dated June 29, 2001, amending and restating the Original Loan and providing for a credit facility of a Forty Million Dollar ($40,000,000) revolving loan, plus letters of credit for which the aggregate amount available to draw, plus the amount of all unreimbursed draws will not in the aggregate at any time exceed Three Million Dollars ($3,000,000).

I. In connection with the Second Amendment and Restated Deed of Trust, the Banks have required a Second Amended and Restated Deed of Trust to encumber the Eldorado Property, including the Premises.

J. CS&Y agreed to execute this Second Amended and Restated Deed of Trust on the condition that the Eldorado agreed to indemnify and reimburse CS&Y in the event of any losses with respect to certain provisions of the Second Amended and Restated Deed of Trust in the same amount and to the same extent as provided in the Original Reimbursement Agreement and the First Amendment to Reimbursement Agreement.

K. Whereas, Eldorado has entered into a Third Amended and Restated Loan Agreement with Bank of America, N.A., and other participating banks (collectively "Banks") dated the 28th day of February, 2006, amending and restating the Original Loan and providing for a credit facility of Thirty Million Dollars ($30,000,000) revolving loan, plus letters of credit for which the aggregate amount available to draw, plus the amount of all unreimbursed draws will not in the aggregate at any time exceed Three Million Dollars ($3,000,000).

L. In connection with the Third Amendment and Restated Loan Agreement, the Banks required a Third Amended and Restated Deed of Trust to encumber the Eldorado Property, including the Premises.

M. CS&Y executed the Third Amended and Restated Deed of Trust ("2011 Reno Deed of Trust") on the condition that the Eldorado agreed to indemnify and reimburse CS&Y in the event of any losses with respect to certain provisions of

the Third Amended and Restated Deed of Trust in the same amount and to the same extent as provided in the Original Reimbursement Agreement, the First Amendment to Reimbursement Agreement and the Second Amendment to Reimbursement Agreement.

N. Eldorado has entered into a new loan agreement for a Credit Facility with Bank of America and other participating banks dated June 1, 2011, together with a Bond Indenture Agreement in the amount of One Hundred and Eighty Million Dollars ($180,000,000.00) at 8 5/8% interest, payable in 8 years, together constituting a total funding at close in the amount of One Hundred Ninety-Five Million Dollars ($195,000,000.00) with an additional credit revolver of $15,000,000.00 (hereinafter collectively referred to as "Transaction").

O. In connection with the Transaction, the Banks and Bond Holders have required Deeds of Trust to Encumber the Eldorado Property, and Deeds of Trust encumbering the Premises ("2011 Reno Deeds of Trust). CS&Y has agreed to execute the Deeds of Trust encumbering the Premises to secure the Back Facility and the Bond Indenture on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the execution of the Deeds of Trust and other valuable consideration, Eldorado and CS&Y hereby agree as follows:

1. Subordination of Lease. CS&Y agrees to execute and deliver the Deeds of Trust encumbering the Premises as security for the Transaction, and any other documents or instruments that may be required by the Bank or the Bond Indenture to effectuate the Transaction and to encumber the Premises.

2. Subordination Fee. The annual Subordination Fee as set forth in Section 2 of the Third Amendment to Lease dated December 24, 1987 shall be amended to provide that the Annual Subordination Fee shall be $100,000.00 per year payable in advance during the term of the Bond Indenture, with the first payment due on close of the Bond Indenture.

3. Guaranty. So long as the 2011 Reno Deeds of Trust encumbers the Premises, Eldorado Shreveport Joint Venture, the owner and operator of Eldorado Shreveport, agrees to guarantee the performance of Eldorado of all of the terms, covenants, conditions and obligations under the Lease as amended to and for the benefit of CS&Y.

4. Ratification of Remaining Terms. Except as otherwise specifically provided herein, all other terms of the Lease and all amendments to the Lease and Amendment to the Reimbursement and Indemnification Agreement and Lease Agreements shall remain in full force and effect.

5. Counterparts. This Fourth Amendment may be signed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall be deemed but one agreement.



IN WITNESS WHEREOF, the undersigned have executed this Agreement on the day and year first written above.

ELDORADO RESORTS LLC,
a Nevada limited liability company

By: /s/ Gary Carano
GARY CARANO
Its: President

CS&Y ASSOCIATES,
a Nevada general partnership

By: /s/ Donald L. Carano
DONALD L. CARANO
Individually and as Trustee of The Sonya Carano Trust
Under Agreement dated January 16, 1979
Its: General Partner

By: /s/ Lawrence G. Yori
LAWRENCE G. YORI
As Trustee of the George and Genevieve Yori Exemption
Trust Dated October 22, 2004
Its: General Partner

By: /s/ George L. Siri
GEORGE L. SIRI, JR.
As Trustee of The Siri Family Trust
Under Agreement dated December 13, 1991
Its: General Partner

By: /s/ Caryl Rabedeaux
CARYL RABEDEAUX
As Trustee of the Caryl Rabedeaux Trust
Under Agreement dated November 3, 2000
Its: General Partner

By: /s/ Lawrence G. Yori
LAWRENCE G. YORI
As Trustee of The Lawrence Yori Trust
Under Agreement dated November 2, 1992
Its: General Partner



By: /s/ Daniel E. Siri
DANIEL E. SIRI
As Co-Trustee of The Siri 1993 Irrevocable Trust
Under Trust Agreement dated June 18, 1992
Its: General Partner

By: /s/ Jeffery L. Siri
JEFFERY L. SIRI
As Co-Trustee of The Siri 1993 Irrevocable Trust
Under Trust Agreement dated June 18, 1992
Its: General Partner

ELDORADO SHREVEPORT JOINT VENTURE,
as Guarantor
By Eldorado Shreveport #1, a Nevada Limited Liability Company,
Managing Member

By: /s/ Gary Carano
GARY CARANO
Its: President and Manager

**OPERATING AGREEMENT**

**OF**

**CIRCUS AND ELDORADO JOINT VENTURE, LLC**

**Dated as of July 1, 2013**

**OPERATING AGREEMENT**

**OF**

**CIRCUS AND ELDORADO JOINT VENTURE, LLC**

**TABLE OF CONTENTS**

**OPERATING AGREEMENT**

**OF**

**CIRCUS AND ELDORADO JOINT VENTURE, LLC**

This OPERATING AGREEMENT (this "Agreement") of CIRCUS AND ELDORADO JOINT VENTURE, LLC (the "Company") is entered into as of July 1, 2013, by and between GALLEON, INC., a Nevada corporation ("Galleon"), as a Member and Manager, and ELDORADO LIMITED LIABILITY COMPANY, a Nevada limited liability company ("Eldorado"), as a Member, on the following terms and conditions. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in Section 2.1.

The Manager is owned and controlled by MANDALAY RESORT GROUP, a Nevada corporation ("MRG"), and Eldorado is owned and controlled by ELDORADO RESORTS LLC, a Nevada limited liability company ("ERLLC").

**RECITALS**

1. WHEREAS, the Company was previously organized as a Nevada general partnership (the "Partnership") under the Nevada Uniform Partnership Act and pursuant to the terms and conditions set forth in that certain Amended and Restated Agreement of Joint Venture of Circus and Eldorado Joint Venture, dated as of January 1, 2001 and amended as of May 14, 2012, by and between the Members;

2. WHEREAS, the Partnership was converted into a Nevada limited liability company in accordance with Chapter 92A of the Nevada Revised Statutes pursuant to that certain Plan of Conversion of Circus and Eldorado Joint Venture and Circus and Eldorado Joint Venture, LLC adopted by the Members as of July 1, 2013;

3. WHEREAS, the Articles of Conversion of the Company were filed with the Office of the Secretary of State of Nevada on July 1, 2013; and

4. WHEREAS, the Members desire to enter into an Operating Agreement on the terms and conditions set forth herein.

**AGREEMENT**

NOW THEREFORE, in consideration of the mutual covenants, agreements and promises made herein, the parties hereto agree as follows:

Article 1. FORMATION OF THE COMPANY

1.1 Formation. The Company was formed as a limited liability company under Chapters 86 and 92A of the Nevada Revised Statutes by the filing of the Articles of Organization with the Office of the Secretary of State of Nevada on July 1, 2013. The Company shall accomplish all filing, recording, publishing and other acts necessary or appropriate for compliance with all requirements for operation of the Company as a limited liability company under this Agreement and the laws of the State of Nevada and such other jurisdictions in which the Company determines that it may conduct business.



1.2 Name. The name of the Company is CIRCUS AND ELDORADO JOINT VENTURE, LLC and all such business of the Company shall be conducted in such name. The Company shall hold all of its property in the name of the Company and not in the name of any Member.

1.3 Purpose. Subject to the limitations on the activities of the Company otherwise specified in this Agreement, the purpose of the Company is to own and operate the Silver Legacy Resort & Casino in Reno, Nevada (the "Casino"). The Company shall conduct only the business specified in this Section 1.3. Except as otherwise provided in this Agreement, the Company shall not engage in any other activity or business and no Member shall have any authority to hold himself out as the agent of the other Member in any other business or activity.

1.4 Place of Business. The principal place of business of the Company shall be at 407 North Virginia Street, Reno, Nevada or at such other place within Reno, Nevada, as may be determined by the Manager.

1.5 Registered Agent. The registered agent for the Company shall be Sierra Corporate Services, Reno or such other registered agent as the Manager may designate from time to time.

1.6 Term. The term of the Company commenced on the date of filing of the Articles of Conversion, and shall be perpetual unless the Company is earlier dissolved and terminated in accordance with the provisions of this Agreement.

1.7 Percentage Interest. The ownership interest of each Member (the "Percentage Interest") shall be fifty percent (50%).

1.8 Statutory Compliance. The Company shall exist under and be governed by, and this Agreement shall be construed in accordance with, the applicable laws of the State of Nevada including the Nevada Gaming Control Act embodied in Chapter 463 of the Nevada Revised Statutes and the regulations promulgated thereunder. The Members shall make all filings and disclosures required by, and shall otherwise comply with, all such laws. The Members shall execute and file in the appropriate records any assumed or fictitious name certificates and other documents and instruments as may be necessary or appropriate with respect to the formation of, and conduct of business by, the Company.

1.9 Title to Property. All real and personal property owned by the Company shall be owned by and in the name of the Company as an entity and no Member shall have any ownership interest in such property in its individual name or right, and each Member's interest in the Company shall be personal property for all purposes.

1.10 Payments of Individual Obligations. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for or in payment of any separate obligation of a Member.



1.11 Independent Activities. The Manager and each Member shall be required to devote only such time to the affairs of the Company as the Manager or such Member, as applicable, determines in its sole discretion may be necessary to manage and operate the Company, and the Manager and each Member shall be free to serve any other Person or enterprise in any capacity that it may deem appropriate. Nothing in this Agreement shall prevent the Manager or either Member from engaging in other business ventures of every nature, including, but not limited to, the ownership, management, improvement, development and operation of any other hotels and/or casinos wherever located, and this Agreement shall not grant the Company, the Manager or any Member any right in any such independent venture or business or to the income and profits derived therefrom. Each Member specifically acknowledges that the other Member or an Affiliate of the other Member is the owner and operator of a competing hotel casino adjacent to the Casino and connected to the Casino, and that this Agreement shall not be deemed or construed to prevent, hinder or inhibit in any way the present operation or future expansion of said properties.

1.12 Expenses of Members. Except as specifically provided in this Agreement, no Member shall be paid for services rendered to the Company by such Member. However, each party shall be entitled to reimbursement from the Company for the actual out-of-pocket expenses reasonably incurred by

such Member in furtherance of the Company's business to the extent such expenses are contemplated by a budget approved by the Members, upon the presentation of reasonable supporting documentation of the amount and purpose of such expense.

Article 2. DEFINITIONS

2.1 Definitions. The following terms used in this Agreement shall have the following meanings.

"Accountant" has the meaning ascribed to it in Section 6.4(b).

"Affiliate" means when used with respect to any entity, shall mean any other entity directly or indirectly controlling, controlled by or under common control with such entity.

"Agreement" means this Operating Agreement, as amended, modified or supplemented from time to time.

"Annual Business Plan" has the meaning ascribed to it in Section 6.2.

"Applicable Tax Rate" has the meaning ascribed to it in Section 5.2.

"Articles of Conversion" means the Articles of Conversion of the Company filed with the Secretary of the State of Nevada on June 26, 2013, as amended, modified or supplemented from time to time.

"Breaching Member" has the meaning ascribed to it in Section 12.2.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required to close in New York City, New York.



"Capital Account" means with respect to each Member the account established and maintained for such Member on the books of the Company in compliance with Regulation §§ 1.704-1(b)(2)(iv) and 1.704-2, as amended.

"Capital Contribution" means a contribution to the capital of the Company.

"Casino" means the Silver Legacy Resort & Casino in Reno, Nevada.

"Code" means the Internal Revenue Code of 1986, as amended from time to time (or any succeeding law).

"Company" means the limited liability company formed by the filing of the Articles of Conversion and governed by this Agreement under the name "Circus and Eldorado Joint Venture, LLC."

"Eldorado" means Eldorado Limited Liability Company, a Nevada limited liability company.

"Election Date" has the meaning ascribed to it in Section 13.3(f).

"ERLLC" means Eldorado Resorts LLC, a Nevada limited liability company.

"Estimated Tax Period" has the meaning ascribed to it in Section 5.1(a).

"Event of Bankruptcy" has the meaning ascribed to it in Section 15.1.

"Galleon" means Galleon, Inc., a Nevada corporation.

"Liquidating Events" has the meaning ascribed to it in Section 14.1.

"Manager" means Galleon and each replacement Manager appointed pursuant to Section 6.4.

"Member" means each of Eldorado and Galleon as well as each additional Member admitted to the Company pursuant to Section 11.2(b).

"MRG" means Mandalay Resort Group, a Nevada corporation.

"Net Cash From Operations" has the meaning ascribed to it in Section 5.1.

"Notice of Election" has the meaning ascribed to it in Section 13.2.

"Offer" has the meaning ascribed to it in Section 13.2.

"Partnership" means the predecessor to the Company, a Nevada general partnership organized under the Nevada Uniform Partnership Act.

"Permitted Transferee" has the meaning ascribed to it in Section 11.2.

"Person" means any individual, partnership, limited liability company, association, corporation, trust or other entity.

"Purchase Price" has the meaning ascribed to it in Section 13.2.

"Purchasing Member" has the meaning ascribed to it in Section 13.2.

"Regulation" means a Treasury Regulation promulgated under the Code.

"Sales Price" has the meaning ascribed to it in Section 13.2.

"Selling Member" has the meaning ascribed to it in Section 13.2.

"Specified Valuation Amount" has the meaning ascribed to it in Section 13.2.

"Tax Amount" has the meaning ascribed to it in Section 5.2.

"Tax Matters Partner" has the meaning ascribed to it in Section 9.4.

"Tax Shortfall" has the meaning ascribed to it in Section 5.2.

"Third Party Manager" has the meaning ascribed to it in Section 6.4.

## Article 3. CAPITAL CONTRIBUTIONS

3.1 Capital Contributions. Each Member has previously contributed or caused to be contributed to the Partnership in connection with its formation, as its Capital Contribution, cash and/or property in the amount of $51.9 million and its Member's Capital Account has been credited accordingly. In addition, each Member's Capital Account has been adjusted through the date hereof, as provided in Section 3.3. As of May 31, 2013, the Capital Accounts of the Members have the balances set forth on Schedule A attached hereto.

3.2 No Further Capital Contributions. The Members shall not be permitted or required to contribute additional capital to the Company without the consent of both Members, which consent may be given or withheld in each Member's sole and absolute discretion.

3.3 Capital Accounts. An individual Capital Account shall be established and maintained for each Member. The Capital Account of each Member shall be equal to the aggregate amount of cash contributed by such Member to the Company, increased by (i) the fair market value of property contributed by such Member to the Company, net of liabilities secured by such property that the Company assumes or takes the property subject to, (ii) the amount of any Company liabilities assumed by such Member other than liabilities secured by property distributed to such Member, (iii) such Member's allocable share of Profits of the Company, (iv) any items in the nature of income and gain which are excluded from the definitions of Profits and Losses and allocated to such Member and (v) any other increases required by Treasury Regulation Section 1.704-1(b)(2)(iv), and reduced by (i) such Member's distributive share of Losses, (ii) the amount of any distributions of cash to such Member, (iii) the amount of liabilities of such Member assumed by the Company, (iv) the fair market value of property (net of liabilities to which such distributed property is subject) distributed to such Member, (v) any



items in the nature of deductions or losses which are excluded from the definitions of Profits and Losses and allocated to such Member and (vi) any other decreases required by Treasury Regulation Section 1.704-1(b)(2)(iv). The provisions of this Agreement relating to the maintenance of Capital Accounts have been included in this Agreement to comply with Section 704(b) of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder and will be interpreted and applied in a manner consistent with those provisions.

3.4 Other Matters.

(a) Except as otherwise provided in this Agreement, no Member shall demand or receive a return of his Capital Contributions or withdraw from the Company without the consent of all Members. Under circumstances requiring a return of any Capital Contributions, no Member shall have the right to receive property other than cash, except as may be specifically provided herein.

(b) No Member shall receive any interest, salary, or draws with respect to its Capital Contributions or its Capital Account or for services rendered on behalf of the Company or otherwise in its capacity as Member, except as otherwise provided in this Agreement.

(c) Except as provided in Article 11, no Person shall be admitted to the Company as a Member without the unanimous consent of the Members.

(d) The Manager, on behalf of the Company, may contract with an Affiliate of the Manager for the provision of accounting, bookkeeping, computer services and management information and similar central office services at a cost not to exceed the reasonable direct costs incurred by such Affiliate in providing such services.

3.5 Interest on Capital Contributions. No Member shall be entitled to interest on or with respect to any Capital Contribution.

## Article 4. ALLOCATIONS

4.1 Allocations of Profit and Loss. Items of income, gain, loss, deduction and credit of the Company shall be allocated among the Members in the manner specified in Section 13.3(f) and Annex I hereto.

## Article 5. DISTRIBUTIONS

5.1 Net Cash From Operations. The term "Net Cash From Operations" for any period shall mean the gross cash proceeds received by the Company, less the following amounts: (i) cash operating expenses and payments of other expenses and obligations of the Company, including interest and scheduled principal payments on Company indebtedness, including indebtedness owed to the Members, if any; (ii) all capital expenditures made by the Company, and (iii) such reasonable reserves as the Members deem necessary in good faith and in the best interests of the Company to meet anticipated future obligations and liabilities of the Company (less any release of reserves previously established, as similarly determined). Subject to Sections 12.2(d) and 13.3(f) and to any contractual restrictions to which the Company is subject,



and prior to the occurrence of a Liquidating Event, the Company shall make the following distributions:

(a) The Manager shall determine the estimated taxable income allocable to each Member for the periods (each, an "Estimated Tax Period") beginning January 1 and ending March 31, May 31, August 31 and December 31 of each year, and not later than the fifteenth (15th) day of the following April, June, September and January, respectively, make the distributions described in this Section 5.1(a). To the extent of the sum of Net Cash from Operations for each Estimated Tax Period (reduced by any prior distributions pursuant to Section 5.1(a) with respect to such period) and available drawings under the Company's revolving credit line, the Company shall distribute to the Members, in proportion to the Members' Percentage Interests, an amount equal to the Tax Amount with respect to such Estimated Tax Period (as determined pursuant to Section 5.2 hereof).

(b) As soon as practicable following the completion of each annual financial statement audit of the Company, the Net Cash From Operations for the year covered by such audit (reduced by any distributions pursuant to Section 5.1(a)) shall be distributed to the Members in proportion to their Percentage Interests.

(c) Nothing in this Section 5.1 shall be construed to limit the ability of the Company to distribute Net Cash From Operations in amounts or at times that differ from those set forth, provided that both Members agree in writing to such distribution in advance thereof.

5.2 Tax Amount. The "Tax Amount" with respect to each Estimated Tax Period shall equal an amount necessary to cause the cumulative distributions by the Company with respect to the calendar year including such Estimated Tax Period (which for greater clarity, shall not include (i) distributions described in Section 5.1(b) made during such calendar year with respect to the prior calendar year and (ii) the Remaining Priority Distribution) to be no less than the result of the following calculation when performed with respect to whichever Member produces the largest Tax Amount: (a) twice the product of (i) the net taxable income of the Company for that Estimated Tax Period allocable to such Member (plus any net taxable income of the Company allocable to such Member with respect to any prior year pursuant to an audit adjustment that becomes final during that Estimated Tax Period, without duplication of any amount included in the calculation of any Tax Shortfall with respect to such Estimated Tax Period) (taking capital losses for the year into account only to the extent of capital gains), multiplied by (ii) the Applicable Tax Rate for that period, plus (b) any Tax Shortfall from the immediately preceding calendar year (provided that there shall be no Tax Shortfall for any period prior to January 1, 2001). The "Applicable Tax Rate" for an Estimated Tax Period shall equal the greater of the maximum marginal federal income tax rate applicable to individuals for such period or the maximum marginal federal income tax rate applicable to corporations for such period; provided, however, that if the State of Nevada enacts an income tax (including any franchise tax based on income), the Applicable Tax Rate for any Tax Amount subsequent to the effective date of such income tax shall be increased by the higher of the maximum marginal individual tax rate or corporate income tax rate imposed by such tax (after reduction for the federal tax benefit for the deduction of state taxes, using the maximum marginal federal individual or corporate rate, respectively). A "Tax Shortfall" with respect to a calendar year



shall equal the excess, if any, of the aggregate of the Tax Amount with respect to that year over the distributions made pursuant to Section 5.1 with respect to that year.

## Article 6. MANAGEMENT

6.1 Day-to-Day Management by Manager. Galleon shall be and hereby is appointed the Manager for the Company and is hereby charged with, and Galleon hereby agrees to assume the responsibility and authority for, the prudent day-to-day management of the business affairs of the Company.

Subject to the limitations and restrictions set forth in this Agreement and the Annual Business Plan, the Manager may exercise the following specific rights and powers without any further consent of the other Members being required:

(a) Oversee and manage the day-to-day operations of the Casino and other Company business;

(b) Direct and oversee the legal, architectural, engineering, construction and other work necessary for the care and improvement of the Casino and other Company business;

(c) Prepare budgets and appropriate development schedules for the improvement and operation of the Casino;

(d) Implement decisions made by both Members;

(e) Utilize due diligence to operate, on behalf of and for the sole benefit of the Company, the Casino and such other business and activities which are customary and usual in connection with such operation;

(f) Care for and distribute Company funds in accordance with the provisions of this Agreement;

(g) Contract on behalf of the Company for the services of independent contractors such as lawyers and accountants;

(h) Establish, maintain and supervise the deposit of monies or securities of the Company with federally insured banking institutions or other banking institutions as may be selected by the Manager; the Manager is authorized to sign on behalf of the Company on all accounts with such banking institutions;

(i) Prepare and submit the Annual Business Plan for review and approval of the Executive Committee as provided herein (the Manager shall provide the other Member with an opportunity to provide its views on the Annual Business Plan, but the Manager may in its sole and absolute discretion choose not to reflect such views in the Annual Business Plan);

(j) Acquire by purchase, lease, or otherwise such personal property which may be necessary, convenient, or incidental to the accomplishment of the purposes of the Company consistent with the Annual Business Plan; and



(k) Execute any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the management, maintenance, and operation of the Casino, or in connection with managing the affairs of the Company, including, without limitation, adequate insurance as provided in the Annual Business Plan.

6.2 Annual Business Plan. No later than forty-five (45) days prior to the end of the then current fiscal year, the Manager shall cause to be prepared a business plan (the "Annual Business Plan") for the next fiscal year. The Annual Business Plan shall be subject to the review and approval of the Executive Committee. After approval of the Annual Business Plan, there shall be no material changes in the Annual Business Plan without the approval of the Executive Committee. The Annual Business Plan shall include, but not be limited to, the following:

(a) A narrative description of any activities proposed to be undertaken including the physical development of the Casino;

(b) A projected annual income statement (accrual basis) on a monthly basis for the upcoming fiscal year;

(c) A projected balance sheet as of the end of the upcoming fiscal year;

(d) A capital budget and an operating budget for the Casino by department, including the establishment and amount of working capital, capital improvement, and contingency reserves;

(e) A schedule of projected operating cash flow, including itemized operating revenues, Casino costs, expenses, and a schedule of projected operating deficits, if any, on a monthly basis;

(f) A marketing plan indicating the nature, type and timing of advertising, public relations, complimentaries, and promotions (e.g., print, television, food/beverage, billboard, signage, and other media), contemplated distribution and amounts payable to contractors;

(g) An operating plan, including executive and other key employee and department staffing needs;

(h) An entertainment plan and budget;

(i) Proposed personal property acquisitions; and

(j) Anticipated insurance needs of the Company, including comprehensive, general liability, casualty, fire and extended coverage, workers' compensation, fidelity insurance protecting against employee loss or theft and business interruption insurance in an amount agreed to by all Members, together with assurance that each Member is named as an additional insured on the Company insurance policies.

6.3 Restrictions on the Members. The following shall require the unanimous approval of all Members:



(a) The admission of an additional Member;

(b) The purchase of additional real property;

(c) Any other transaction which is unrelated to the purposes of the Company;

(d) Except as otherwise provided herein, incurring any indebtedness that encumbers the real property of the Casino;

(e) Sales or other dispositions of all or substantially all of the assets of the Company;

(f) Capital improvements in the aggregate in excess of $250,000, not included in the approved Annual Business Plan;

(g) Refinancing existing indebtedness, or the incurrence of any indebtedness in excess of $250,000 other than in the ordinary course of business of the Company;

(h) Any obligation, contract, agreement, or commitment of any type whatsoever with a Member or an Affiliate of a Member, other than those specifically described in this Agreement;

(i) Except as provided in Article 11, the sale, assignment, pledge, mortgage, encumbrance or disposal of all or any portion of such Member's interest in the Company; except as specifically provided herein, nothing herein shall prohibit or limit a Member's right to assign or pledge its proceeds from the Company;

(j) The assignment, pledge or transfer of any debt in excess of $250,000 due the Company or the release of any such debt, except on payment in full, other than in the ordinary course of the business of the Company;

(k) The compromise of any claim due to the Company in excess of $250,000 or submission to arbitration of any dispute or controversy involving the Company, other than in the ordinary course of the business of the Company;

(l) Transfer or conveyance of the Casino, or the grant of easements or other property rights relating to the Casino; and

(m) Cancellation of any insurance as set forth in the approved Annual Business Plan.

6.4 Replacement of Manager. (a) Except as provided herein, the Manager may only be changed by the unanimous agreement of all Members. If the actual net operating results of the business of the Company for any four (4) consecutive quarters are less than eighty percent (80%) of the projected amount as set forth in the Annual Business Plan, after appropriate adjustments for factors affecting similar business in the vicinity of the Casino, then the other Member may require the Manager to resign.



(b) In the event that there is any dispute with respect to whether the Manager has performed in accordance with the standards set forth in this Section 6.4, such dispute shall be submitted to the CPA firm of Ernst & Young, LLP (or such other nationally recognized accounting firm as is mutually agreeable to the Members) (the "Accountant") for resolution. The Accountant shall consider the positions of both Members and shall render a decision with respect to the performance of the Manager, which decision shall be final and binding on the Members.

(c) The Manager reserves the right to resign as the Manager. In the event that the Manager resigns, the other Member will have the right and option to become the Manager of the Company and assume all the obligations of the Manager as required by this Agreement. In the event that the other Member does not exercise its option to become the Manager, then the Members shall attempt to appoint a third party ("Third Party Manager") to manage the day-to-day business affairs of the Company. In the event that the Members are unable to agree on the Third Party Manager, then the Company shall be dissolved and liquidated in accordance with the provisions of Article 14, with the last active Manager being responsible for the dissolution and liquidation as provided in Article 14.

6.5 Implementation of Annual Business Plan. The Manager shall use due diligence to implement the Annual Business Plan. The business of the Company will be conducted consistent with prudent business practices, with the objective of maximizing the profits of the Company, and each Member will use due diligence to achieve that objective. The Manager shall promptly notify the other Member of any transaction, notice, event or proposal relating to the management and operation of the Casino which could significantly affect, either adversely or favorably, the Casino or the Company or otherwise cause a significant deviation from the Annual Business Plan.

6.6 Executive Committee. There shall be established an Executive Committee. The Executive Committee shall consult with, review, monitor and oversee the performance of the management of the Casino.

6.7 Membership; Voting Executive Committee.

(a) Membership. The Executive Committee shall consist of five (5) members, with three (3) members appointed by the Manager so long as it is a Member and two (2) members appointed by the other Member. In the event that neither of the Members is the Manager, then the Executive Committee shall consist of five (5) members, with two (2) members appointed by each party, and the Third Party Manager appointed pursuant to Section 6.4 shall be the fifth member of the Executive Committee. Each Member may, at any time, appoint alternate members to the Executive Committee and such alternates will have all the powers of a regular committee member in the absence or inability of a regular committee member to serve. The current members of the Executive Committee are Robert M. Jones, Corey I. Sanders, Donald D. Thrasher, John M. McManus and Thomas R. Reeg. Each Member shall notify the other Member in writing of its appointments to the Executive Committee within ten (10) Business Days of such appointment.

(b) Voting. Except as provided below in subsections (c) and (d) of this Section 6.7, each member of the Executive Committee shall have one vote on any decision of the



Executive Committee. A member of the Executive Committee may give his written proxy to another member of the Executive Committee to vote on his behalf in his absence. All actions of the Executive Committee must be approved by a majority of all of the members of the Executive Committee, who may be present or voting by proxy.

(c) Special Voting Rules for the Annual Business Plan. In voting to approve the Annual Business Plan as provided in Section 6.9(a), below, the members of the Executive Committee appointed by the Member that is the Manager shall have two (2) votes and the members of the Executive Committee appointed by the other Member shall have two (2) votes (and the Manager appointed pursuant to Section 6.4, if any, shall not have any vote). The Member that is the Manager shall designate which two of the three members of the Executive Committee appointed by the Member that is the Manager are to exercise the two (2) votes, and such designation shall be recorded in the minutes of the Executive Committee. If the Executive Committee is deadlocked in deciding whether to approve the Annual Business Plan, then the meeting may be adjourned to another meeting date. If the Executive Committee remains deadlocked on such matters until the end of the second month of the fiscal year described in the Annual Business Plan, then either Member may by written notice to the Company and the other Member cause the approval of the Annual Business Plan to be submitted to the Accountant for resolution. The Accountant shall consider the positions of the members of the Executive Committee and the Members, and shall decide whether to approve the Annual Business Plan, or to modify the Annual Business Plan and approve it with such modifications. The decision of the Accountant on these matters shall have the same effect as the approval of the Annual Business Plan by the Executive Committee, and that decision shall be final and binding on the Executive Committee and the Members.

(d) Special Voting Rules for the Appointment and Compensation of the General Manager. In voting to approve the appointment of the General Manager and the determination of the compensation of the General Manager, as provided in Section 6.9(g), below, the members of the Executive Committee appointed by the Member that is the Manager shall have two (2) votes and the members of the Executive Committee appointed by the other Member shall have two (2) votes (and the Manager appointed pursuant to Section 6.4, if any, shall not have any vote). The Member that is the Manager shall

designate which two of the three members of the Executive Committee appointed by the Member that is the Manager are to exercise the two (2) votes, and such designation shall be recorded in the minutes of the Executive Committee. If the Executive Committee is deadlocked in deciding whether to approve the appointment of the General Manager or the determination of the compensation of the General Manager, then the meeting may be adjourned to another meeting date. If the Executive Committee remains deadlocked on the appointment of the General Manager for a period of one (1) month following the effective date of the resignation or removal of the previous the General Manager, then the Executive Committee shall assume the duties of the General Manager until such time as the Executive Committee can reach a decision on the appointment and compensation of a General Manager. In exercising the duties of the General Manager, the Executive Committee shall act and vote pursuant to the procedures and rules described in this Subsection 6.7(d) for approving the appointment of the General Manager. If the Executive Committee remains deadlocked on the determination of the compensation of the General Manager for a period of one (1) month following the first meeting on the proposed compensation, then either Member may by written notice to the Company and the other Member



cause the determination of such compensation to be submitted to the Accountant for resolution. The Accountant shall consider the positions of the members of the Executive Committee, and shall adopt a compensation arrangement consistent with the position advocated by at least one member of the Executive Committee. The decision of the Accountant on these matters shall be final and binding on the Executive Committee and the Members.

6.8 Meetings of the Executive Committee; Time and Place. Regular meetings of the Executive Committee shall be held quarterly at such time and at such place as the Executive Committee shall determine. At such regular meetings, the Manager's representatives and the General Manager shall report on the financial performance and condition of the Company on a year-to-date basis (including cash flows, reserves, outstanding loans, and compliance efforts), give progress reports on capital projects, compliance with the Annual Business Plan, material contracts entered into, material litigation, marketing efforts and such other matters relevant to the operation of the Company. The Executive Committee may make use of telephones and other electronic devices to hold meetings, provided that each member of the Executive Committee must simultaneously participate with all of the other members of the Executive Committee with respect to all discussions and votes of the Executive Committee. The Executive Committee may act without a meeting if the action taken is reduced to writing (either prior to or thereafter) and approved by members of the Executive Committee in accordance with the voting provisions of this Agreement. Written minutes shall be taken at each meeting of the Executive Committee. Any Member may call for a special meeting of the Executive Committee by giving three (3) days prior written notice to all members of the Executive Committee.

6.9 Duties of the Executive Committee. Subject to the unanimous approval requirements of Section 6.3, the duties of the Executive Committee shall include, but not be limited to, the following:

(a) Reviewing, adjusting, approving, developing, and supervising the Annual Business Plan;

(b) Reviewing and approving the terms of any loans made to the Company;

(c) Determining, except as otherwise provided in this Agreement, the capital requirements of the Company;

(d) Appointment of a firm of independent certified public accountants to perform an annual audit and issue an opinion letter with respect to the financial statements of the Company;

(e) Appointment of those individuals who will have the authority to open and draw checks on bank accounts in the name of the Company, or endorse checks for deposit to such accounts;

(f) Approving all material purchases, sales, leases or other dispositions of Company property, other than in the ordinary course of business; and

(g) Approving of the appointment of the General Manager, who shall be the Chief Executive Officer of the Company, and the Controller, who shall be the Chief Financial



Officer and Accounting Officer of the Company, and determining the compensation of the General Manager and the Controller.

6.10 General Manager.

(a) The Manager shall appoint the General Manager (subject to subsection (d) of Section 6.7, above) and other principal senior management of the Company and the Casino, who shall serve at the direction and pleasure of the Manager (subject to subsection (c) of this Section 6.10). The General Manager and other principal senior officers shall perform those functions, duties, and responsibilities as the Manager may assign.

(b) The General Manager shall consult with the Manager on a weekly basis and review results of operations and proposals for future operations.

(c) Either Member may cause the Company to terminate the General Manager, which right may be exercised by providing to the Company and the other Member thirty (30) days written notice of such decision. Such notice period shall not create any rights in the General Manager, and may be waived by the Company and the other Member without the agreement of the General Manager.

## Article 7. INDEMNIFICATION OF PARTNERS

7.1 General. The Company shall indemnify, save harmless, and pay all judgments and claims of third parties against the Manager, each Member or any officer, shareholder, member, partner, or director of such Manager or Member and members of the Executive Committee relating to any liability or damage, including attorneys' fees to be paid as incurred, arising by reason of any act performed or omitted to be performed by such Manager,

Member, officer, shareholder, member, partner, director or member of the Executive Committee in connection with the business of the Company, except for any conduct of the Manager or a Member that constitutes fraud, bad faith or breach of fiduciary duty.

7.2 Company Expenses.

(a) The Company shall indemnify, hold harmless, and pay all expenses, costs, or liabilities of the Manager or any Member who for the benefit of the Company makes any deposit, acquires any option, or makes any other similar payment or assumes any obligation in connection with any property proposed to be acquired by the Company in accordance with this Agreement and who suffers any financial loss as the result of such action.

(b) Notwithstanding anything to the contrary in any of Sections 7.1 and 7.2, in the event that any provision in any of such Sections is determined to be invalid in whole or in part, such Section shall be enforced to the maximum extent permitted by law.

## Article 8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties. Each Member hereby represents and warrants that:



(a) If such Member is a corporation, limited liability company, or a partnership, it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation and has the corporate, company, statutory, or partnership power and authority to own its property and carry own its business as owned and carried on at the date hereof and as contemplated hereby.

(b) Such Member has the individual, corporate, company, statutory, or partnership power and authority to execute and deliver this Agreement and to perform its obligations hereunder and, if such partner is a corporation, limited liability company, or partnership, the execution, delivery, and performance of this Agreement has been duly authorized by all necessary corporate, company, statutory, or partnership action.

(c) This Agreement constitutes the legal, valid, and binding obligation of such Member, and is enforceable in accordance with its terms and does not violate the terms and conditions of any law, regulation, order or award of any court of governmental agency or otherwise violate or result in a breach or default of the terms and conditions of any mortgage, agreement or other written document by which a Member may be bound.

## Article 9. ACCOUNTING, BOOKS AND RECORDS

9.1 Accounting, Books and Records. The Company shall maintain at its principal place of business separate books of account for the Company which shall show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the operation of the Company business in accordance with generally accepted accounting principles and casino industry guidelines consistently applied and, to the extent inconsistent therewith, in accordance with this Agreement. The Company shall use the accrual method of accounting in preparation of its annual reports and for tax purposes and shall keep its books accordingly. The Company's books and records shall be independently audited annually at the Company's expense. Each Member shall, at its sole expense, have the right, without notice to any other Member, to examine, copy, and audit the Company's books and records during normal business hours.

9.2 Reports.

(a) In General. The Manager shall cause the General Manager and the Controller to be responsible for the preparation of financial reports of the Company and the coordination of financial matters of the Company with the Company's accountants.

(b) Reports. Within ninety (90) days after the end of each fiscal year and within forty-five (45) days after the end of any fiscal quarter, and within twenty (20) days after the end of any calendar month, the Manager shall cause each Member to be furnished with a copy of the balance sheet of the Company as of the last day of the applicable period, a statement of income or loss for the Company for such period, and a statement of the Company's cash flow for such period. The Manager shall determine the fiscal year of the Company for financial reporting requirements and for federal income tax purposes. Annual statements shall also include a statement of the Members' Capital Accounts and changes therein for such fiscal year. Annual statements shall be examined by the Company's independent accountants.



9.3 Tax Returns; Information. The Manager shall cause the Company's accountants to prepare all income and other tax returns of the Company and shall cause the same to be filed in a timely manner. The Manager shall furnish to each Member a copy of each such return, together with any schedules or other information which each Member may require in connection with such Member's own tax affairs.

9.4 Tax Matters Partner. The Manager is specially authorized to act as the "Tax Matters Partner" under the Code and any state or local law. If an agreement, settlement or compromise regarding any tax matter could materially and adversely affect a Member, the Tax Matters Partner shall not enter into such agreement or settle or compromise such tax matter without the prior written consent of the affected Member, which consent shall not be unreasonably withheld.

## Article 10. AMENDMENT OF AGREEMENT

10.1 Amendments. This Agreement may only be amended by the consent and approval of both Members. Any such amendment shall be in writing and executed by both Members.

## Article 11. TRANSFERS OF INTERESTS

11.1 Restrictions on Transfers. Except as expressly permitted by this Agreement, no Member shall transfer all or any portion of its interest in the Company or any rights therein without the unanimous consent of the Members. Any transfer or attempted transfer by any Member in violation of the preceding sentence shall be null and void and of no force or effect whatever. The Members acknowledge and agree that they are relying on the experience,

expertise, reputation and financial condition of the other Member in entering into this Agreement and that the nature of the relationship between the parties is personal. Each Member hereby acknowledges the reasonableness of the restrictions on transfers imposed by this Agreement in view of the Company purposes and the relationship of the Members. Accordingly, the restrictions on transfers contained herein shall be specifically enforceable. Each Member hereby further agrees to hold the Company and each Member (and each Member's successors and assigns) wholly and completely harmless from any cost, liability, or damage (including, without limitation, liabilities for income taxes and costs of enforcing this indemnity) incurred by any of such indemnified Members as a result of a transfer or an attempted transfer in violation of this Agreement.

11.2 Permitted Transfers.

(a) General. A Member shall be entitled to transfer or convey all or any portion of its interest in this Company to any of the following persons or entities ("Permitted Transferee"):

(i) An Affiliate of such Member, subject to the provisions of Section 11.3;

(ii) Members of the Member's family, which includes the Member's spouse, natural or adoptive lineal descendants, and trusts for their benefit;



(iii) Any other Member;

(iv) A personal representative of such Member, which includes any person or entity who succeeds to the Member's estate as a result of the Member's death, legal incompetence or bankruptcy; and

(v) Any person or entity approved by the unanimous consent of the Members.

(b) Admission of Permitted Transferee as a Member. A Permitted Transferee of an interest in the Company shall be admitted as a Member in the Company only upon the unanimous consent of the Members, and only after executing this Agreement and assuming the obligations of the transferring Member hereunder with respect to the interest so transferred. The rights of a Permitted Transferee who is not admitted as a Member shall be limited to the right to receive allocations and distributions from the Company with respect to the interest transferred, as provided by this Agreement. A Permitted Transferee that is not admitted as a Member shall not be a partner with respect to such interest and, without limiting the foregoing, shall not have the right to inspect the Company's books, act for or bind the Company, or otherwise interfere in its operations.

(c) Effect of Permitted Transfer on Company. The Members intend that the Permitted Transfer of an interest in the Company shall not cause the dissolution of the Company under Nevada law; however, if determined by a court of competent jurisdiction that a dissolution has occurred, the Members shall continue to hold the Company's assets and operate its business in Company form under this Agreement as if no such dissolution has occurred.

(d) Notice and Costs of Transfer. In the event of any Permitted Transfer, the Member making the transfer shall notify the other Member of the transfer and shall furnish the Company with the Permitted Transferee's tax identification number and sufficient information to determine the Permitted Transferee's interest and tax basis in the Company and any other information reasonably necessary to permit the Company to file all required federal and state tax returns. The Member making a transfer permitted hereunder of all or a portion of his Company interest shall pay all costs and expenses incurred by the Company in connection with such transfer.

11.3 Limitation on Ownership of Members.

(a) Unless otherwise agreed by Galleon, Donald L. Carano or one or more members of his immediate family acceptable to Galleon, which acceptance will not be unreasonably withheld, or one or more Affiliates controlled by (i) Donald L. Carano, or (ii) one or more members of his immediate family acceptable to Galleon, which acceptance will not be unreasonably withheld, shall be the manager of and shall control Eldorado (and any Permitted Transferee to which Eldorado has transferred all or any portion of its interest in the Company, or any subsequent Permitted Transferee or such interest). Nothing herein shall prohibit, restrict or otherwise limit an Affiliate's right and ability to become a publicly traded entity so long as the above restriction on control of Eldorado is met.



(b) Unless otherwise agreed by Eldorado, which shall not be unreasonably withheld, Galleon (and any Permitted Transferee to which Galleon has transferred all or any portion of its interest in the Company, or any subsequent Permitted Transferee or such interest) shall be controlled by MRG.

(c) In the event that the provisions of this Section 11.3 are breached, the Non-Defaulting Member shall have the right (but shall not be required) to exercise the Buy-Sell provisions of Sections 13.2 and 13.3.

## Article 12. WITHDRAWALS; ACTION FOR PARTITION; BREACHES

12.1 Waiver of Partition and Covenant Not to Withdraw. Each Member hereby covenants and agrees that the Members have entered into this Agreement based on their mutual expectation that both Members will continue as Members and carry out the duties and obligations undertaken by them hereunder and that, except as otherwise expressly required or permitted hereby, each Member hereby covenants and agrees not to (a) take any action to require partition or to compel any sale with respect to its Company interest, (b) take any action to file a certificate of dissolution or its equivalent with respect to itself, (c) take any action that would cause a bankruptcy of such Member, (d) withdraw or attempt to withdraw from the Company, (e) exercise any power under Nevada law to dissolve the Company, (f) transfer all or any portion of its interest in the Company (other than as permitted hereunder), (g) petition for judicial dissolution of the Company, or (h) demand a return of such Member's contributions or profits (or a bond or other security for the return of such contributions or profits) without the unanimous consent of the Members.

12.2 Consequences of Violation of Covenants. If a Member (a "Breaching Member") attempts to (i) cause a partition or (ii) withdraw from the Company or dissolve the Company or otherwise take any action in breach of Section 12.1 hereof, the Company shall continue and such Breaching Member shall be subject to this Section 12.2. In such event, the following shall occur:

(a) The Breaching Member shall immediately cease to have the authority to act as a Member and shall have no further power to act for or bind the Company (including as Manager);

(b) The other Member shall have the right (but shall not be obligated unless it was so obligated prior to such breach) to manage all of the affairs of the Company;

(c) The Breaching Member shall be liable in damages, without requirement of a prior accounting, to the Company for all costs and liabilities that the Company or any Member may incur as a result of such breach;

(d) Distributions to the Breaching Member shall be reduced to seventy-five percent (75%) of the distributions otherwise payable to the Breaching Member. The Company may apply any distributions otherwise payable to the Breaching Member to satisfy any claims it may have against the Breaching Member and the balance shall be distributed to the other Members.



(e) The Breaching Member shall continue to be liable to the Company for any obligations of the Company pursuant to this Agreement, and to be jointly and severally liable with the other Members for any debts and liabilities (whether actual or contingent, known or unknown) of the Company existing at the time the Breaching Member withdraws or dissolves.

## Article 13. BUY-SELL

13.1 Conditions Precedent to Buy-Sell. The Buy-Sell provisions of this Agreement may not be instituted by any Member if such Member is in default of any of the provisions of this Agreement.

13.2 Exercise of Right to Buy or Sell. At any time after the occurrence of the conditions precedent set forth in Section 13.1, either Member may make an offer to purchase ("Offer") the interest of the other Member. The Offer shall be in writing and shall set forth a statement of the aggregate dollar amount which the offering Member is willing to pay for all of the assets of the Company, free and clear of all monetary liabilities and obligations (other than non-delinquent property taxes and assessments secured by liens on the Company property) relating thereto (the "Specified Valuation Amount"). The Offer shall constitute an irrevocable offer by the Member giving the Offer either to (i) purchase all, but not less than all, of the interest of the Company of the other Member free of liens and encumbrances for an amount equal to the amount the other Member would be entitled to receive if the Company sold all of its assets and business for the Specified Valuation Amount on the date of such notice and immediately thereafter the Company, deducted customary closing costs that would be associated with a third-party sale, allocated all income, gain, loss, credit or other items therefrom in accordance with this Agreement, and distributed the net proceeds to each Member in liquidation of the Company pursuant to Section 14.2(c) hereof (the "Sales Price"), or (ii) sell all, but not less than all, of its interest in the Company free of liens and encumbrances to the other Member for an amount equal to the amount the offering Member would be entitled to receive if the Company sold all of its assets and business for the Specified Valuation Amount on the date of such notice and immediately thereafter the Company, deducted customary closing costs that would be associated with a third party sale, allocated all income, gain, loss, credit or other items therefrom in accordance with this Agreement, and distributed the net proceeds to each Member in liquidation of the Company pursuant to Section 14.2(c) hereof (the "Purchase Price"). The Member receiving the Offer shall have a period of two (2) months to accept the Offer to sell at the Sales Price or, in the alternative, to require that the Offering Member sell its interest to the other Member at the Purchase Price. The Member receiving the Offer shall give written notice ("Notice of Election") of its acceptance of the Offer to sell or purchase to the Offering Member within two (2) months of the receipt of the Offer. Failure to give the Notice of Election within such two (2) month period shall constitute an acceptance of the Offer to sell to the Offering Member on the terms set forth in the Offer, and for purposes of Section 13.3(f) shall be treated as the giving of a Notice of Election at the end of such two (2) month period. The closing of the transaction for the sale or purchase of the Company interest shall occur not later than six



(6) months after the Notice of Election or at such other time as may be required by the Nevada Gaming Authorities. Subject to any agreements to which the Company is a party, the Member purchasing the Company interest pursuant to this Section 13.2 (the "Purchasing Member") shall be entitled to encumber the Company property in order to finance the purchase, provided that the other Member (the "Selling Member") shall have no liability, contingent or otherwise, under such financing. The Purchasing Member may assign all or part of its right to purchase the Company interest of the Selling Member to an Affiliate of the Purchasing Member, provided that no such assignment shall relieve the Purchasing Member of its obligations under this Article 13 in the event of a default by such Affiliate. In the event of such an assignment, references in this Article 13 to the Purchasing Member shall include, where the context permits, such Affiliate.

13.3 Closing.

(a) At the closing of a transaction pursuant to this Article 13, the Members shall execute such documents and instruments of conveyance as may be necessary or appropriate to confirm the transaction contemplated hereby, including, without limitation, the transfer of the Company interest of the Selling Member and the assumption by the Purchasing Member of the Selling Member's obligations under the Agreement (other than any liability for past breaches of the Agreement). The reasonable costs of such transfer and closing, including, without limitation, attorneys' fees and filing fees, shall be divided equally between the Purchasing and Selling Members.

(b) The closing of the purchase and sale of the Member's interest shall be subject to the approval of the Nevada Gaming Board and Commission. The Purchasing Member shall file all necessary applications for approval of the transaction with the Nevada Gaming Board and Commission within sixty (60) days after the Notice of Election. The Purchasing Member shall pay all costs and fees in connection with the approval of the Nevada Gaming Board and Commission.

(c) At the close of the transaction contemplated under the provisions of Section 13.2, the Selling Member shall assign to the Purchasing Member all of the interest of the Selling Member in the Company, free and clear of all liens, claims and encumbrances, and shall execute and deliver to the Purchasing Member an amended Certificate of Fictitious Name (or cancellation thereof), together with all other documents as may be reasonably required to give effect to the transfer of the Selling Member's interest in the Company. In connection with such transfer, the Members shall take all necessary action to discharge or release any Affiliate of the Selling Member from any guarantee of any debt of the Company, but only if the Purchasing Member expressly consented to the guaranty by the Affiliate.

(d) The Purchasing Member shall use its best efforts to use the assets of the Company to discharge all loans and other indebtedness, liabilities or other obligations of the Company (but shall not be required to prepay any obligations under any permanent loans secured by the Company property) for which the Selling Member has any personal or corporate liability or otherwise obtain the release of the Selling Member from any such liability.

(e) The Purchasing Member shall indemnify and hold harmless the Selling Member from all indebtedness, liabilities and other obligations of the Company, whether the



same arose prior to or after the purchase, except that such indemnification shall not apply to liabilities, if any, of the Company which were created by the Selling Member while acting in fraud of either the Company or the rights of the Purchasing Member or in violation of the terms of this Agreement.

(f) Beginning with the day on which the Member receiving the Offer gives the Notice of Election (the "Election Date"), the Percentage Interest of the Selling Member shall be reduced to zero percent and no allocations of income, loss or other items (other than allocations of taxable income or loss pursuant to Section 704(c)) shall be made to the Selling Member with respect to periods following the Election Date; provided, for greater clarity, that such change in the Percentage Interests shall not affect the determination of the Sales Price or the Purchase Price. From and after the Election Date, no distributions shall be made by the Company to the Selling Member, except as provided in this Section 13.3(f). On the later of ten (10) Business Days following the Notice of Election or the end of the earliest Estimated Tax Period that includes the date of the Notice of Election, the Company shall distribute to the Selling Member an amount equal to (i) the taxable income, if any, allocated to the Selling Member for federal tax purposes for the calendar year including such Estimated Tax Period (other than allocations of taxable income or loss pursuant to Section 704(c)), (ii) multiplied by the maximum marginal federal income tax rate applicable to individuals for such period (if the Selling Member is an individual or is a pass-through entity the income of which is taxable to individuals) or the maximum marginal federal income tax rate applicable to corporations for such period (if the Selling Member is taxed as a Subchapter C corporation, or is a pass-through entity the income of which is taxable to an entity that is taxed as a Subchapter C corporation); provided, however, that if the State of Nevada enacts an income tax (including any franchise tax based on income) that is effective for such Estimated Tax Period, the tax rate shall be increased by the effective increase in the combined maximum income tax applicable to the Selling partner (after reduction for the federal tax benefit for the deduction of state taxes), and (iii) reduced by any prior distributions to the Selling Member pursuant to Section 5.1(a) with respect to the calendar year including such Estimated Tax Period. Allocations shall be made with respect to the period ending on the Election Date by means of a closing of the books of the Company as of the close of business on the Election Date. After an Offer has been made, and until the Election Date, the Company shall provide each Member with five (5) Business Days notice of any distribution to be made pursuant to Section 5.1(b), above.

## Article 14. DISSOLUTION AND WINDING UP

14.1 Liquidating Events. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

(a) January 1, 2053;

(b) The sale of all or substantially all of the property of the Company;

(c) The unanimous vote of the Members to dissolve, wind up, and liquidate the Company;



(d) The happening of any other event that makes it unlawful or impossible to carry on the business of the Company;

(e) The occurrence of an Event of Bankruptcy (as defined in Section 15.1) of a Member; or

(f) The Members are unable to agree upon a replacement Manager as provided in Section 6.4.

The Members hereby agree that, notwithstanding any provision of Nevada law, the Company shall not dissolve prior to the occurrence of a Liquidating Event. If it is determined by a court of competent jurisdiction that the Company has dissolved prior to the occurrence of a Liquidating Event, the Members hereby agree to continue the business of the Company without a winding up or liquidation.

14.2 Winding Up. Upon the occurrence of a Liquidating Event, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members and no Member shall take any action that is inconsistent with, or not necessary to or appropriate for, winding up the Company's business and affairs. To the extent not inconsistent with the foregoing, all covenants and obligations in this Agreement shall continue in full force and effect until such time as the Company property has been distributed pursuant to this Section and the Company has terminated. The Manager shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the Company's liabilities and assets, shall cause the assets to be liquidated as promptly as is consistent with obtaining the fair market value thereof, and shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;

(b) Second, to the payment and discharge of all of the Company's debts and liabilities to Members; and

(c) The balance, if any, to the Members in the amount of their respective Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods or portions thereof.

The Manager shall not receive any additional compensation for any services performed pursuant to this Section, but shall be entitled to reimbursement for all reasonable out-of-pocket costs and expenses incurred in connection therewith. Each Member understands and agrees that by accepting the provisions of this Section setting forth the priority of the distribution of the assets of the Company to be made upon its liquidation, such Member expressly waives any right which it, as a creditor of the Company, might otherwise have to receive distributions of assets *pari passu* with the other creditors of the Company in connection with a distribution of assets of the Company, and hereby subordinates to said creditors any such right.



Any gains or losses on the disposition of properties of the Company in the process of liquidation shall be credited or charged to the Members in accordance with Annex I hereto. Any property distributed in kind in the liquidation shall be valued by agreement of the Members and treated as though the property were sold and the cash proceeds distributed. The difference between the agreed value of the property distributed in kind and its book value shall be treated as a gain or loss on sale of the property and shall be credited or charged to the Members in accordance with Annex I hereto.

14.3 Compliance with Certain Requirements of Regulations. In the event the Company is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Section to the Members who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2).

It is the expectation of the Members that, as a result of the operation of the provisions of this Agreement for allocation of income and loss, distributions pursuant to Section 5.1, and keeping of Capital Accounts, upon a liquidation of the Company (including a deemed liquidation pursuant to the provisions of Section 13.2), the Capital Account of Eldorado will exceed the capital account of Galleon by $10 million and Eldorado receive $10 million more than Galleon pursuant to Section 14.2 (c) (or if the Capital Account of Eldorado has been reduced at the time of the liquidation to an amount less than $10 million, and the Capital Account of Galleon is zero or less, then Eldorado will receive all distributions made pursuant to Section 14.2(c)). Accordingly, the Members agree that this Agreement shall be interpreted consistently with such expectation.

14.4 Reserve for Contingent and Unforeseen Liabilities. In the discretion of the Manager, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to this Article 14 may be:

(a) distributed to a trust that qualifies as a "liquidating trust" for federal income tax purposes established for the benefit of the Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Members arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Manager, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Section; or

(b) withheld to provide a reasonable reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld amounts shall be distributed to the Members as soon as practicable.

14.5 Rights of Members. Except as otherwise provided in this Agreement, (a) each partner shall look solely to the assets of the Company for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Company and (b) no Member shall have priority over any other Member as to the return of its Capital Contributions, distributions, or allocations.



14.6 Notice of Dissolution. In the event a Liquidating Event occurs, the Manager shall, within thirty (30) days thereafter, (a) provide written notice thereof to each of the Members and to all other parties with whom the Company regularly conducts business (as determined in the discretion of the Manager), and (b) publish notice of such dissolution in a newspaper of general circulation in each place in which the Company regularly conducts business.

## Article 15. BANKRUPTCY OR DISSOLUTION OF A MEMBER

15.1 Event of Bankruptcy. Considering the personal nature of the relationship between the Members of this Company, upon occurrence of an Event of Bankruptcy with respect to a Member, the remaining Member shall have the right and option to dissolve and liquidate the Company in accordance with Article 14 of this Agreement.

For the purposes of this Agreement, any of the following shall constitute an "Event of Bankruptcy" with respect to the Member involved:

(i) the filing of an involuntary petition under the United States Bankruptcy Act or any other United States or state bankruptcy statute, as now in effect or as hereafter amended, against a Member, which involuntary petition is not dismissed within 120 days after the filing thereof;

(ii) the commencement by a Member of any proceeding of any type under the United States Bankruptcy Act or any other United States or state bankruptcy statute; or

(iii) if a Member makes an assignment for the benefit of creditors, or allows the appointment of a receiver, trustee, conservator or liquidator of all or any portion of the Member or its assets.

15.2 Status of Bankruptcy Assignee. After the date of an Event of Bankruptcy, the successor to the bankrupt Member shall be considered an assignee of the bankrupt Member's interest in the Company but shall not be entitled to interfere or participate in management or administration of the Company business or affairs, to receive or require information or an accounting with respect to the Company transactions or to inspect the books of the Company; provided, however, that the successor to the bankrupt Member's interest in the Company may inspect the books of the Company at reasonable times with reasonable notice for the sole purpose of assuring that the successor receives the appropriate distribution of profits and losses.

## Article 16. MISCELLANEOUS

16.1 Notices. Unless otherwise provided, all notices, demands or other communications hereunder shall be in writing and shall be deemed to have been given or submitted upon personal delivery or upon deposit in the United States mail by certified or registered mail, postage prepaid, with return receipt requested and addressed as follows:

(a) If to Galleon, at

Galleon, Inc.
3950 Las Vegas Blvd. South
Las Vegas, Nevada 89119
Attention: General Counsel



(b) If to Eldorado, at

Eldorado Limited Liability Company
c/o Eldorado Hotel Casino
345 N. Virginia Street
P.O. Box 3399 Reno, Nevada 89505

with a copy to:

McDonald Carano Wilson LLP
Attention: John Frankovich
P.O. Box 2670
Reno, Nevada 89505

Notices shall be deemed received upon personal delivery or three (3) days following deposit in the mail, if sent through the mail. Each Member may designate, from time to time, another address in place of the address hereinabove set forth by notifying the other Members of the new address in writing.

16.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legatees, legal representatives, successors, transferees, and assigns.

16.3 Time. Time is of the essence with respect to this Agreement.

16.4 Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof.

16.5 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

16.6 Counterparts. This agreement may contain more than one counterpart of the signature page and this Agreement may be executed by the affixing of the signatures of each of the Members to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

16.7 Further Action. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

16.8 Attorneys' Fees. In case of any action or proceeding to compel compliance with, or for a breach of, the provisions of this Agreement, the prevailing party shall be entitled to recover all costs of such action or proceeding, including, but not limited to, reasonable attorneys' fees and court costs as determined by the court.



16.9 Governing Law. The laws of the State of Nevada shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Members.

16.10 Loans. Any Member may, only with the approval of the Members or as provided by this Agreement, lend or advance money to the Company; provided, however, that a Member may make a loan to the Company without the approval of the other Member if (i) the Member making such loan provides ten (10) Business Days notice to the other Member of the proposed amount and terms of the loan, and within such ten day notice period the other Member does not agree in writing that both Members shall make such loan in an amount pro rata to the Members' Percentage Interests; (ii) the terms of the loan are reasonable in light of the circumstances in which it is proposed; and (iii) the Member proposing the loan has made reasonable efforts to arrange financing for the Company from a third party. If any Member shall make any loan or loans to the Company or advance money on its behalf, the amount of any such loan or advance shall not be treated as a contribution to the capital of the Company, but shall be a debt due from the Company. The amount of any such loan or advance by a lending Member shall be repaid in accordance with its terms or, after a Liquidating Event, as provided in Section 14.2. Except as otherwise provided herein, none of the Members shall be obligated to make any loan or advance to the Company.

16.11 Membership Interest Certificates. The Manager shall cause all Percentage Interests of the Company issued concurrently with or following the effectiveness of this Agreement to be represented by certificates issued by the Company and signed by the Company. Such certificates (and the Percentage Interests represented thereby) shall constitute "securities" governed by Article 8 of the UCC.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

**ELDORADO LIMITED LIABILITY COMPANY,**
a Nevada limited liability company

By: **ELDORADO RESORTS LLC**
Its Manager

By: /s/ Donald L. Carano
Donald L. Carano, Manager

By: **RECREATIONAL ENTERPRISES, INC.**
Manager

By: /s/ Donald L. Carano
Donald L. Carano, President

By: **HOTEL-CASINO MANAGEMENT, INC.**
Manager

By: /s/ Raymond J. Poncia, Jr.
Raymond J. Poncia, Jr., President

**GALLEON, INC.,**
a Nevada corporation

By: /s/ Andrew Hagopian III
Andrew Hagopian III,
Assistant Secretary



**Annex I**

ALLOCATIONS

Terms not otherwise defined herein or in the Operating Agreement have the meanings set forth in Section A1.2(i).

A1.1 Allocations of Net Profits and Net Losses. For each taxable year or portion thereof, Net Profits and Net Losses shall be allocated among the Members in accordance with their Percentage Interests.

A1.2 Special Allocations. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Income Tax Regulations promulgated under the Code, as amended from time to time ("Regulations"), notwithstanding any other provision of this Agreement, if there is a net decrease in Minimum Gain during any fiscal year, each Member shall be specially allocated items of Company income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Member's share of the net decrease in Minimum Gain, determined in accordance with Regulations Section 1.704-2(f) and (g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f)(6) and 1.704-2(j)(2) of the Regulations. This Section A1.2(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-1(f) of the Regulations and shall be interpreted consistently therewith.

(b) Member Nonrecourse Debt. Any item of Company loss, deduction or Section 705(a)(2)(B) expenditure that is attributable to Member Nonrecourse Debt shall be allocated to the Member or Members that bear the economic risk of loss with respect to such Member Nonrecourse Debt in accordance with Regulations Section 1.704-2(i). Notwithstanding any other provisions of this Agreement except Section A1.2(a) hereof, if there is a net decrease during any fiscal year in the minimum gain attributable to a Member Nonrecourse Debt (within the meaning of Regulations Section 1.704-2(i)(3)), then any Member with a share of the minimum gain attributable to such Member Nonrecourse Debt at the beginning of such fiscal year shall be allocated items of Company income and gain for such fiscal year (and, if necessary, for subsequent fiscal years) equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain as provided in Regulations Section 1.704-2(i)(4).

(c) [Intentionally left blank]

(d) Allocations Relating to Taxable Issuance of Company Interests. Any income, gain, loss or deduction realized by the Company as a direct or indirect result of the issuance of an interest in the Company to a Member (the "Issuance Items") shall be allocated among the Members so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to each Member, shall be equal to the net amount that would have been allocated to each such Member if the Issuance Items had not been realized.

(e) Limitations on Allocation of Losses. Notwithstanding the provisions of this section, in no event shall any allocation of Net Losses (or any other loss, deduction or Section 705(a)(2)(B) expenditure) to any Member cause such Member to have or increase a deficit balance in its Capital Account. If Net Loss (or items thereof) are reallocated under this Section A1.2(e), subsequent allocations of Profits and Losses shall be made so that, to the extent possible, the net amount allocated under this Section A1.2(e) equals the amount that would have been allocated to each Member if no reallocation had occurred under this Section A1.2(e).

(f) Qualified Income Offset. If a Member receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which creates or increases a deficit balance (taking into account distributions, other than distributions in liquidation of the Company, reasonably expected to be made) in the Member's Capital Account (as provided in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6)), the Manager shall allocate items of income or gain (as those terms are used in Regulations Section 1.704-1(b)(2)(ii)(d)) to such Member in an amount and manner to eliminate the Member's Capital Account deficit attributable to such adjustment, allocation or distribution as quickly as possible to the extent required by the "qualified income offset" provisions of such Regulations.

(g) Capital Account Deficits. For purposes of determining whether a Member has a deficit balance in its Capital Account in applying Sections A1.2(a), A1.2(b), A1.2(e) and A1.2(f) hereof, there shall be added to each Member's Capital Account any amount such Member is obligated to restore to its Capital Account under Regulations Section 1.704-1(b)(2)(ii)(c), as well as any addition thereto pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) after taking into account thereunder any changes during such fiscal year in Minimum Gain and Member Nonrecourse Debt Minimum Gain.

(h) [Intentionally left blank]

(i) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows: (a) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the Members; and (b) the Gross Asset Value of all assets whose Gross Asset Value has been adjusted pursuant to Section A1.5(a) hereof shall be adjusted pursuant to the last sentence of Section A1.5(a) hereof. It is intended that Gross Asset Value of an asset be commensurate with its "book value" as determined under Regulations Section 1.704-1(b).



"Losses" means, for each taxable year or other period, an amount equal to the Company's items of taxable deduction and loss for such year or other period, determined in accordance with Section 703(a) of the Code (including all items of loss or deduction required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures under Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Loss, will be considered an item of Loss;

(b) Loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of such property, notwithstanding that the adjusted tax basis of such property may differ from its Gross Asset Value;

(c) In lieu of depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there will be taken into account Depreciation for the taxable year or other period;

(d) Any items of deduction and loss comprising Regulatory Allocations (as defined in Section A1.3) shall not be considered in determining Loss; and

(e) Any decrease to Capital Accounts as a result of any adjustment to the Gross Asset Value of Company assets pursuant to Treasury Regulation Section 1.704-1(b)(2) (iv)(f), (g) or (m) and Section A1.5 hereof shall constitute an item of Loss.

"Member Nonrecourse Debt" means "partner nonrecourse debt" as defined in Regulations Section 1.704-2(b)(4).

"Member Nonrecourse Debt Minimum Gain" means Minimum Gain attributable to Member Nonrecourse Debt.

"Minimum Gain" means "partnership minimum gain" as defined in Regulations Section 1.704-2(d).

"Net Loss" means, for any period, the excess of Losses over Profits, if applicable, for such period.

"Net Profit" means, for any period, the excess of Profits over Losses, if applicable, for such period.

"Profits" means, for each taxable year or other period, an amount equal to the Company's items of taxable income and gain for such year or other period, determined in accordance with Section 703(a) of the Code (including all items of income and gain required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profit will be added to Profit;

(b) Gain resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of such property, notwithstanding that the adjusted tax basis of such property may differ from its Gross Asset Value;

(c) Any items of deduction and loss comprising Regulatory Allocations (as defined in Section A1.3) shall not be considered in determining Profit; and

(d) Any increase to Capital Accounts as a result of any adjustment to the Gross Asset Value of Company assets pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f), (g) or (m) and Section A1.5(a) hereof shall constitute an item of Profit.

A1.3 Curative Allocations. The allocations set forth in Sections A1.2(a), A1.2(b), A1.2(e) and A1.2(f) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, over the life of the Company all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section A1.3. Therefore, notwithstanding any other provision of this Agreement (other than the Regulatory Allocations), the Manager shall make such offsetting special allocations of Company income, gain, loss or deduction so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Section A1.1 hereof. In making allocations under this Section A1.3, the Manager shall take into account future Regulatory Allocations under Section A1.2 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section A1.2.

A1.4 Code Section 704(c) Allocations.

(a) Solely for federal income tax purposes and not with respect to determining any Member's Capital Account, distributive share of profit or losses, distributions or other items, a Member's distributive share of income, gain, loss or deduction with respect to any property (other than money) contributed to the Company shall be determined in accordance with Code Section 704(c) and Regulations thereunder.

(b) For purposes of allocation of income, gain, loss, or deduction under Code Section 704(c), the Company adopts the "traditional method with curative allocations" as identified in Regulations Section 1.704-3(c).

(c) In the event the Gross Asset Value of any Company property is adjusted (other than for Depreciation) subsequent allocations of income, gain, loss and deduction with respect to such property shall take account of any variation between the adjusted basis of such property and its Gross Asset Value in the same manner as under Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocation shall be made in a manner that reasonably reflects the purpose and intention of this Agreement.



A1.5 Other Allocation Rules.

(a) The Gross Asset Values of all Company assets may be adjusted by the Manager, after consultation with the other Member, in accordance with Regulations Section 1.704-1(b)(2)(iv) to equal their respective gross fair market values as reasonably determined by the Manager as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) the distribution by the Company to a retiring or continuing Member as consideration for an interest in the Company of more than a de minimis amount of money or other Company property; and (iii) the liquidation of the Company. In such event, if the Gross Asset Value of an asset does not equal its adjusted basis for federal income tax purposes, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

(b) The Members are aware of the income tax consequences of the allocations made by this section and agree to be bound by the provisions of this section in reporting their shares of Company income and loss for income tax purposes.

(c) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Manager using any permissible method under Code Section 706 and the Regulations thereunder.

**Exhibit 21.1**

## LIST OF THE REGISTRANT'S SUBSIDIARIES

| Name | Jurisdiction of Organization |
|---|---|
| Eldorado HoldCo LLC | Nevada |
| Eldorado Resorts LLC (dba Eldorado Hotel & Casino) | Nevada |
| Circus and Eldorado Joint Venture, LLC (dba Silver Legacy Resort Casino) | Nevada |
| Eldorado Capital Corp. | Nevada |
| Eldorado Shreveport #1, LLC | Nevada |
| Eldorado Shreveport #2, LLC | Nevada |
| Eldorado Casino Shreveport Joint Venture (dba Eldorado Casino Shreveport) | Louisiana |
| Shreveport Capital Corporation | Louisana |
| MTR Gaming Group, Inc. | Delaware |
| Mountaineer Park, Inc. (dba Mountaineer Race Track and Resort) | West Virginia |
| Presque Isle Downs, Inc. (dba Presque Isle Downs & Casino) | Pennsylvania |
| Scioto Downs, Inc. (dba Scioto Downs) | Ohio |

QuickLinks -- Click here to rapidly navigate through this document

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-198830 on Form S-8 of our reports dated March 16, 2015 with respect to the consolidated financial statements of Eldorado Resorts, Inc. and the effectiveness of internal control over financial reporting of Eldorado Resorts, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 16, 2015

QuickLinks

**Exhibit 31.1**

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

I, Gary L. Carano, 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 we 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 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 16, 2015

/s/ GARY L. CARANO

Gary L. Carano
*Chief Executive Officer*

QuickLinks

**Exhibit 31.2**

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

I, Robert M. Jones, 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 we 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 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 16, 2015

/s/ ROBERT M. JONES

Robert M. Jones
*Executive Vice President and Chief Financial Officer*

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

**Exhibit 32.1**

**CERTIFICATION**
**of**
**Gary L. Carano**
**Chief Executive Officer**

I, Gary L. Carano, 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, 2014 (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 16, 2015

/s/ GARY L. CARANO

Gary L. Carano
*Chief Executive Officer*

QuickLinks

**Exhibit 32.2**

**CERTIFICATION**
**of**
**Robert M. Jones**
**Executive Vice President and Chief Financial Officer**

I, Robert M. Jones, Executive Vice President and Chief Financial 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, 2014 (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 16, 2015

/s/ ROBERT M. JONES

Robert M. Jones
*Executive Vice President and Chief Financial Officer*

QuickLinks

**Exhibit 99.1**

**Description of Governmental Gaming Regulations**

We are subject to extensive regulation under laws, rules and supervisory procedures primarily in the jurisdictions where our facilities are located or docked. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a significant adverse effect on us. From time to time, various proposals have been introduced in legislatures of jurisdictions in which we have operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and us. We do not know whether or when such legislation will be enacted. Gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. Any material increase in these taxes or fees could adversely affect us.

Some jurisdictions, including those in which we are licensed, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to periodic reports respecting those gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions.

Under provisions of gaming laws in jurisdictions in which we have operations, and under our organizational documents, certain of our securities are subject to restriction on ownership which may be imposed by specified governmental authorities. The restrictions may require a holder of our securities to dispose of the securities or, if the holder refuses, or is unable, to dispose of the securities, we may be required to repurchase the securities.

The indenture governing our notes provides that if a holder of a note or beneficial owner of a note is required to be licensed, qualified, or found suitable under the applicable gaming laws and such holder or owner is not so licensed, qualified or found suitable within any time period specified by the applicable gaming authority, we would be permitted to require the holder or owner to dispose of its notes within a time period that either we prescribe or such other time period prescribed by the applicable gaming authority. Under such circumstances, the redemption price would be the lesser of the holder's or owner's cost for such notes and the principal amount thereof, or such other amount as is required by applicable gaming authorities.

***Nevada Regulation and Licensing.*** The ownership and operation of casino gaming facilities in the State of Nevada are subject to the Nevada Gaming Control Act (the "Nevada Act") and regulations promulgated under the Nevada Act and various local regulations. Resorts' gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and the City of Reno, which we refer to collectively as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices;
- the maintenance of a Gaming Compliance and Reporting Plan, including the establishment of a Gaming Compliance Committee and the retention of a Corporate Compliance Officer; and
- the provision of a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on ERI's gaming operations and its related businesses, financial condition, and results of operations.

---

Business organizations that operate casinos in Nevada are required to be licensed by the Nevada Gaming Authorities. A gaming license requires the periodic payment of fees and taxes and is not transferable. ERI is registered by the Nevada Commission as a publicly traded corporation (a "Registered Corporation") that is authorized to own all of the membership interests of HoldCo, the owner of the Nevada gaming subsidiaries. As a Registered Corporation, ERI is required to submit periodic detailed financial and operating reports to the Nevada Commission and to furnish any other information which the Nevada Commission may require. HoldCo is approved and registered as a private holding company authorized to own and control all of the membership interests of Resorts, the licensed operator of the Eldorado Reno and the owner of 48.1% of the membership interests of the Silver Legacy Joint Venture, which owns the Silver Legacy in Reno, Nevada. Through various subsidiaries, Resorts also owns and operates the Louisiana Partnership, the operator of the Eldorado Shreveport in Shreveport, Louisiana.

No person may become a more than 5% stockholder or holder of more than a 5% interest in, or receive any percentage of profits from, HoldCo or its subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities. We refer to all of the foregoing Nevada entities collectively as the Nevada Licensed Subsidiaries. ERI and all of its Nevada Licensed Subsidiaries have obtained from the Nevada Gaming Authorities all of the various registrations, approvals, permits and licenses required in order to continue gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, ERI and its Nevada Licensed Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Certain officers, directors, and certain key employees of ERI and its subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities within 30 days as prescribed by law and, in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with ERI or any of its subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada

Commission may require ERI or any of its subsidiaries to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

ERI and its Nevada Licensed Subsidiaries are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Nevada Licensed Subsidiaries must be reported to, and/or approved by, the Nevada Commission.

If it were determined that the Nevada Gaming Control Act was violated by any of the Nevada Licensed Subsidiaries, the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, ERI and the persons involved could be subject to substantial fines for each separate violation of the Nevada Gaming Control Act or the regulations adopted thereunder at the discretion of the Nevada Commission. Further, a supervisor could be nominated by the Nevada Commission for court appointment to operate our gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for reasonable rental value of our gaming properties) could be forfeited to the State of Nevada. Supervisors appointed under such provisions of law have powers similar to those of court appointed receivers. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect ERI's gaming operations and its related businesses, financial condition and results of operations.

Any beneficial holder of ERI's voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his suitability reviewed as a beneficial holder of ERI's voting securities if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada

---

Gaming Authorities in conducting any such investigation. Refusal to comply with such requirements can result in the person being found unsuitable to be involved with any licensed Nevada gaming operation including all businesses affiliated therewith.

The Nevada Gaming Control Act requires any person who acquires more than 5% of the voting securities of a Registered Corporation to report the acquisition to the Nevada Commission. The Nevada Gaming Control Act requires that beneficial owners of more than 10% of the voting securities of a Registered Corporation to apply to the Nevada Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 25%, of a Registered Corporation's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor that has obtained such a waiver may, in certain circumstances, hold up to 29% of a Registered Corporation's voting securities and maintain its waiver for a limited period of time. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the Registered Corporation's board of directors, any change in the Registered Corporation's corporate charter, bylaws, management, policies or operations, or of any of its Nevada Licensed Subsidiaries' charters, bylaws, operating agreements operations, or any other action which the Nevada Commission finds to be inconsistent with holding the Registered Corporation's voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes include only:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in our management, policies or operations; and
- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. ERI may be subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with ERI, or any of its Nevada Licensed Subsidiaries, ERI:

- pays the unsuitable person any dividend or interest upon voting securities of ERI;
- allows the unsuitable person to exercise, directly or indirectly, any voting right conferred through securities held by the person;
- pays remuneration in any form to the unsuitable person for services rendered or otherwise; or
- fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value.

Further, the Nevada Commission may, at its discretion, require the holder of any debt security of a Registered Corporation or any of the Nevada Licensed Subsidiaries to file applications, be investigated and be found suitable to own the debt security of the issuer. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Gaming Control Act, the Registered Corporation and its Licensed Subsidiaries that are involved can be sanctioned, including the loss of approvals and licenses, if without the prior approval of the Nevada Commission, it or they:

- pay to the unsuitable person any dividend, interest, or any distribution whatsoever;

---

- recognize any voting right by such unsuitable person in connection with such securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

ERI is required to maintain a current stock ledger in Nevada which may be examined by the Nevada 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 the Nevada Gaming

Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. ERI will also be required to render maximum assistance in determining the identity of the beneficial owner.

ERI is not be permitted to make a public offering of its securities without the prior approval of the Nevada Commission if the securities or the proceeds derived therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. Any representation to the contrary is unlawful. Any approval granted by the Nevada Commission for such offerings may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board.

Changes in control of a Registered Corporation through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Persons seeking to acquire control of a Registered Corporation must satisfy the Nevada Gaming Authorities in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with any entity proposing to acquire control, to be investigated, and be licensed or found suitable as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchase of voting securities and corporate defense tactics affecting Nevada gaming licensees and Registered Corporations that are affiliated with those licensees, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Nevada Commission before a Registered Corporation can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. Registered Corporations are also required under the Nevada Gaming Control Act to apply for and obtain the prior approval of the Gaming Commission of any plan of recapitalization proposed by its board of directors in response to a tender offer made directly to its stockholders for the purposes of acquiring control of the Registered Corporation.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and the City of Reno. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon:

- a percentage of the gross revenues received;
- the number of gaming devices operated; and
- the number of table games operated.

An excise tax is also paid by casino operations upon admission to certain facilities offering live entertainment, including the selling of food, refreshment and merchandise in connection therewith. Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons, which we refer to as Licensees, and who proposes to become involved in a gaming venture outside of Nevada is required to

---

deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The sale of food or alcoholic beverages at our Nevada casinos is subject to licensing, control and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could, and a revocation would, have a significant adverse effect upon the operations of the affected casino or casinos.

***Louisiana Regulation and Licensing***. In the State of Louisiana, ERI owns and operates, through HoldCo's subsidiaries, the Eldorado Shreveport in Shreveport, Louisiana. The operation and management of this riverboat casino operation are subject to extensive state regulation. The Louisiana Riverboat Economic Development and Gaming Control Act, or the Riverboat Act, became effective on July 19, 1991.

The Riverboat Act states, among other things, that certain of the policies of the State of Louisiana are:

- to develop a historic riverboat industry that will assist in the growth of the tourism market;
- to license and supervise the riverboat industry from the period of construction through actual operation;
- to regulate the operators, manufacturers, suppliers and distributors of gaming devices; and
- to license all entities involved in the riverboat gaming industry.

The Riverboat Act provides that no holder of a license or permit possesses any vested interest in such license or permit and that the license or permit may be revoked at any time. In a special session held in April 1996, the Louisiana legislature passed the Louisiana Gaming Control Act, or the Gaming Control Act, which created the Louisiana Gaming Control Board, or the Gaming Control Board. Pursuant to the Gaming Control Act, all of the regulatory authority, control and jurisdiction of licensing for riverboat operations was transferred to the Gaming Control Board. The Gaming Control Board came into existence on May 1, 1996 and is made up of nine members and two ex-officio members (the Secretary of Revenue and Taxation and the superintendent of Louisiana State Police). It is domiciled in Baton Rouge and regulates riverboat gaming, the land-based casino in New Orleans, racetrack slot facilities and video poker.

The Louisiana Attorney General acts as legal counsel to the Gaming Control Board. Any material alteration in the method whereby riverboat gaming, slot facilities or video draw poker is regulated in the State of Louisiana could have an adverse effect on the operations of the Eldorado Shreveport.

***Riverboats.*** The Riverboat Act approved the conducting of gaming activities on a riverboat, in accordance with the Riverboat Act, on twelve separate waterways in Louisiana. The Riverboat Act allows the Gaming Control Board to issue up to fifteen licenses to operate riverboat gaming projects within the state, with no more than six in any one parish. There are presently fifteen licenses issued and operating.

ERI and certain of our directors and officers and certain of our key personnel have been found suitable to operate riverboat gaming in the State of Louisiana. New directors, officers and certain key employees associated with gaming must also be found suitable by the Gaming Control Board prior to working in gaming-related areas. These approvals may be immediately revoked for a number of causes as determined by the Gaming Control Board. The Gaming Control Board may deny any application for a certificate, permit or license for any cause found to be reasonable by the Gaming Control Board. The Gaming Control Board has the authority to require any riverboat operator to sever its relationships with any persons for any cause deemed reasonable by the Gaming Control Board or for the failure of that person to file necessary applications with the Gaming Control Board. HoldCo and the

---

subsidiaries, as well as relevant key employees of Eldorado Shreveport, hold all currently required licenses and approvals for operation of the casino. The current Louisiana riverboat gaming license of Eldorado Shreveport is valid for five years and will expire on October 14, 2019.

*Gaming Control Board.* At any time, the Gaming Control Board may investigate and require the finding of suitability of any stockholder, beneficial stockholder, officer or director of ERI or of any of its subsidiaries. The Gaming Control Board requires all holders of more than a 5% interest in the license holder to submit to suitability requirements. Additionally, if a shareholder who must be found suitable is a corporate or partnership entity, then the shareholders or partners of the entity must also submit to investigation. The sale or transfer of more than a 5% interest in any riverboat or slot project is subject to Gaming Control Board approval.

Pursuant to the regulations promulgated by the Gaming Control Board, all licensees are required to inform the Gaming Control Board of all debt, credit, financing and loan transactions, including the identity of debt holders. In addition, the Gaming Control Board, in its sole discretion, may require the holders of such debt securities to file applications and obtain a finding of suitability from the Gaming Control Board. Although the Riverboat Act does not specifically require debt holders to be licensed or to be found suitable, the Gaming Control Board retains the discretion to investigate and require that any holders of debt securities be found suitable under the Riverboat Act. Additionally, if the Gaming Control Board finds that any holder exercises a material influence over the gaming operations, a finding of suitability will be required. If the Gaming Control Board determines that a person is unsuitable to own such a security or to hold such indebtedness, the Gaming Control Board may propose any action which it determines proper and necessary to protect the public interest, including the suspension or revocation of the license. The Gaming Control Board may also, under the penalty of revocation of license, issue a condition of disqualification naming the person(s) and declaring that such person(s) may not:

- receive dividends or interest in debt or securities;
- exercise directly or through a nominee a right conferred by the securities or indebtedness;
- receive any remuneration from the licensee;
- receive any economic benefit from the licensee; and
- continue to hold an ownership or economic interest in a licensee or remain as a manager, director or partner of a licensee.

The Riverboat Act or rules adopted pursuant thereto contain certain restrictions and conditions relating to the operation of riverboat gaming, including the following: (1) agents of the Gaming Control Board are permitted on board at any time during gaming operations; (2) gaming devices, equipment and supplies may only be purchased or leased from permitted suppliers; (3) gaming may only take place in the designated gaming area while the riverboat is upon a designated river or waterway; (4) gaming equipment may not be possessed, maintained or exhibited by any person on a riverboat except in the specifically designated gaming area, or a secure area used for inspection, repair or storage of such equipment; (5) wagers may be received only from a person present on a licensed riverboat; (6) persons under 21 are not permitted on gaming vessels; (7) except for slot machine play, wagers may be made only with chips or electronic cards purchased from the licensee aboard a riverboat; (8) licensees may only use docking facilities for which they are licensed and may only board and discharge passengers at the riverboat's licensed berth; (9) licensees must have adequate protection and indemnity insurance; (10) licensees must have all necessary federal and state licenses, certificates and other regulatory approvals prior to operating a riverboat; and (11) gaming may only be conducted in accordance with the terms of the license, the Riverboat Act and the rules and regulations adopted by the Gaming Control Board.

Fees for conducting gaming activities on a riverboat include (1) $50,000 per riverboat for the first year of operation and $100,000 per year per riverboat thereafter plus (2) a percentage of net gaming proceeds (gross revenue). In March 2001, Louisiana passed Act 3 of the 1st Extraordinary Legislative Session, which allows riverboat gaming licensees to operate dockside. In consideration of this change, the tax on gaming revenues was increased to 21.5%.

---

The Riverboat Act also authorizes the City of Shreveport to assess a boarding fee, up to $3.00. In lieu of the boarding fee, our previous owner negotiated a payment in an amount equal to 3.225% of the gross revenues ("Net Gaming Proceeds") of our riverboat to be paid to the City of Shreveport and 0.5375% of the Net Gaming Proceeds of our riverboat to be paid to the Bossier Parish School Board. In May 2005, our previous owner and the Bossier Parish Police Jury concluded an agreement under which we began paying a percentage of our Net Gaming Proceeds, to the Bossier Parish Police Jury. Such payments were initially in the amount of 0.3% of our Net Gaming Proceeds during 2006, and subsequently increased to 0.4% and 0.5% effective January 1, 2007 and 2008, respectively. The payments are in addition to those under our ground lease and are in lieu of both admission fees and any sales or use tax for complimentary goods or services.

Any violation of the Riverboat Act or the rules promulgated by the Gaming Control Board could result in substantial fines, penalties (including a revocation of the license) and criminal actions. Additionally, all licenses and permits issued by the Gaming Control Board are revocable privileges and may be revoked at any time by the Gaming Control Board.

***West Virginia Regulation and Licensing.*** In the State of West Virginia, ERI owns and operates, through MTR and its wholly owned subsidiary, Mountaineer Park, Inc., Mountaineer Casino, Racetrack & Resort in Chester, West Virginia, which offers live thoroughbred racing with pari-mutuel wagering, simulcast racing with pari-mutuel wagering, televised racing with pari-mutuel wagering, racetrack video lottery games and lottery racetrack table games. The operation and management of Mountaineer are subject to extensive regulation by the West Virginia Racing Commission (the "WV Racing Commission") and the West Virginia Lottery Commission (the "WVLC"). The racing and pari-mutuel wagering activities are licensed and regulated by the WV Racing Commission. Racetrack video lottery games and lottery racetrack table games are licensed and regulated by the WVLC. Holding a valid racing license is required in order to be issued and hold a racetrack video lottery license and a lottery table games license cannot be issued unless the applicant for the license holds a racetrack video lottery license.

*Horse Racing and Pari-Mutuel Wagering.* The WV Racing Commission, which is comprised of three members appointed by the Governor of West Virginia, regulates live racing, simulcast racing, televised racing and pari-mutuel wagering. Racing and pari-mutuel wagering are governed by the applicable West Virginia statutes and legislative rules promulgated by the WV Racing Commission. Mountaineer is licensed by the WV Racing Commission, which license is renewed annually unless the WV Racing Commission rejects the application for renewal for good cause. The licensee pays an annual license tax as well as daily license taxes and pari-mutuel wagering taxes to the WV Racing Commission. The racing statutes including the taxes are subject to change by the West Virginia legislature. The legislative rules promulgated by the WV Racing Commission are subject to amendment by the WV Racing Commission, but changes to the rules need to be approved by the West Virginia legislature. Licenses are not transferable.

As part of its application for renewal of its license, Mountaineer must disclose substantial information to the WV Racing Commission and notify the WV Racing Commission of changes in material information during the license year. This information includes the following:

- the names and addresses of all Mountaineer directors and stockholders;
- the names and addresses of key employees of Mountaineer;
- the dates and locations of race meetings;
- the hours of operation on each race day;
- a list of names of all required race officials;
- a current and accurate financial statement of Mountaineer certified by an independent certified public accountant; and
- any other information required by the WV Racing Commission.

Employees of Mountaineer engaged in racing and/or pari-mutuel wagering must have permits issued by the WV Racing Commission before they engage in employment in a racing or pari-mutuel wagering occupation. The WV Racing Commission charges each applicant for a permit, or for renewal of a permit, a permit fee that may be paid by the licensee.

---

The WV Racing Commission may suspend, revoke or not renew licenses and permits in the event the licensee or permit holder violates the racing statutes or rules promulgated by the WV Racing Commission.

The WV Racing Commission may require fingerprints and background checks from all applicants for a permit as well as from officers, board members and key employees of Mountaineer.

The WV Racing Commission approves live racing days as wells as simulcast and televised racing. The WV Racing Commission has broad powers to investigate, monitor and oversee all aspects of racing and pari-mutuel wagering. The WV Racing Commission and its personnel have the right of access to any and all parts of the grounds of Mountaineer, and the WV Racing Commission may audit or examine the books and records of Mountaineer.

If the WV Racing Commission were to suspend, revoke or not renew Mountaineer's racing license, Mountaineer would have to stop offering racetrack video lottery games for play and stop offering lottery race track table games.

West Virginia levies various taxes and fees on racing and pari-mutuel wagering activities, imposes limits on the commissions Mountaineer may receive from these activities and specifies how some portions of these commissions must be expended by the licensee. Changes in these laws could have a significant impact on the profitability of Mountaineer.

*Racetrack Video Lottery.* Racetrack video lottery is regulated by the WVLC, which is comprised of seven members appointed by the Governor of West Virginia including the executive director of the WVLC (the "WV Executive Director"). The WVLC has promulgated rules approved by the West Virginia legislature under which racetrack video lottery games are played and conducted.

Under West Virginia law, Mountaineer's racetrack video lottery license is not transferrable. Additionally, the transfer of more than five percent of the equity interest, or voting interest, in Mountaineer or any other licensee must be approved by the WVLC before the transfer is finalized.

In order to lawfully conduct racetrack video lottery, Mountaineer must maintain its racing license issued by the WV Racing Commission as well as it racetrack video lottery license. Only the holder of a racing license is authorized to hold a racetrack video lottery license.

In order to maintain its racetrack video lottery license, Mountaineer is required to inform the WVLC when information provided in its last renewal application changes. Updating may be required because of changes in Mountaineer's direct or indirect ownership, changes in management including members of the board of directors, changes in key personnel or changes in financing. Mountaineer must annually apply to renew its race track video lottery license. This information includes but is not limited to:

- information about all holding companies, intermediaries, subsidiaries and affiliates of Mountaineer;
- any criminal charges or convictions of Mountaineer and employees engaged in gaming related activity;
- name, address, employer identification number or social security number, date of birth, compensation, any criminal charges or convictions and fingerprints for each of Mountaineer's officers and directors as well as key employees having the ability to control or influence gaming activity. This requirement extends to officers, directors and key employees of a parent corporation;
- a description of the stock of Mountaineer, and of all holding companies, intermediaries, subsidiaries and affiliates of Mountaineer;
- proof that Mountaineer holds a racing license issued by the WV Racing Commission;
- audited financial statements for Mountaineer and for any parent or holding company;
- information about all of the stock or equity interests Mountaineer holds in other entities;
- a description of any civil litigation to which Mountaineer, or any holding company, subsidiary or affiliate of Mountaineer, is or was a party;

- information about any judgment, order or consent order pertaining to a violation of federal antitrust, trade regulation or securities laws, or of similar laws of any state, province or country, entered against Mountaineer or any holding company of Mountaineer;
- information regarding any bankruptcy or insolvency proceedings of Mountaineer or any director, officer or key employee of Mountaineer or of any parent corporation or other holding company;
- information regarding the licensing history of Mountaineer, any director, officer or key employee of Mountaineer or of any parent or other holding company;
- Mountaineer's security and surveillance plan;
- consent to background checks for Mountaineer officers, directors and key employees and similar personnel of any parent corporation or holding company having directly or indirectly the power to control or influence gaming decisions by Mountaineer or any of its employees, which includes furnishing fingerprints;
- a commitment to deliver acceptable forms of credit (e.g., surety bond) and evidence of insurance, meeting the requirements of the WVLC;
- a commitment to purchase only authorized video lottery terminals and to maintain and timely repair such terminals using authorized technicians and parts;
- a commitment to acquire video lottery terminals only from technology providers approved by the WVLC; and
- any other information or agreement the WVLC may require.

Each time Mountaineer submits additional information to the WVLC in connection with Mountaineer's racetrack video lottery license, or fails to timely submit such information, the WVLC and the WV Executive Director have discretion to suspend, revoke or reconsider the application for Mountaineer's racetrack video lottery license. If the racetrack video lottery license is suspended, revoked or not renewed, Mountaineer would have to cease operation of its racetrack video lottery games, as well as its lottery racetrack table games.

Mountaineer's racetrack video lottery license is subject to suspension, revocation or nonrenewal as provided for in the racetrack video lottery statutes and rules of the WVLC. Civil money penalties and criminal penalties may be imposed for certain violations of the lottery statutes and rules of the WVLC.

The racetrack video lottery license may be suspended or revoked or not renewed in the event Mountaineer does any of the following:

- fails to comply with West Virginia's racetrack video lottery statutes;
- fails to comply with the rules, terms and conditions, policies, orders and directives of the WVLC or of the WV Executive Director;
- fails to maintain any required surety bond, insurance, or insurance coverage required by the WVLC;
- makes a false or fraudulent statement or representation in connection with its application for renewal of its racetrack video lottery license or in any other document reasonably required by the WVLC or the WV Executive Director;
- fails to promptly and accurately settle accounts of racetrack video lottery transactions and pay the WVLC amounts due to the WVLC from racetrack video lottery transactions;
- fails to credit or pay a winning racetrack video lottery participant;
- allows an underage person to play racetrack video lottery games, or pays an underage person a video lottery prize payment;
- fails to maintain adequate and sufficient security;
- offers a video lottery game that has not been approved by the WV Executive Director or the WVLC;
- allows a video lottery terminal to be repaired by an unauthorized person;
- uses a video lottery terminal that has not been authorized and approved by the WV Executive Director;
- fails to comply with the Americans with Disabilities Act of 1990;
- fails to provide required notice or to obtain required approval prior to relocating or transporting a video lottery terminal;
- fails to make capital improvements as required by the WVLC by rule, policy, order or directive;
- fails to meet financial obligations necessary for the continued operation of racetrack video lottery;

- acts in a manner that impacts or has the likelihood of impacting the efficient operation or integrity of video lottery; or
- fails to adhere to any terms and conditions set forth in the order of the WVLC approving Mountaineer's application for a license or for renewal thereof.

The WV Executive Director or the WVLC may also suspend or revoke Mountaineers racetrack video lottery license if Mountaineer or any officer or director or any employee engaged in gaming activity, or any officer or director or key employee of any parent corporation or holding company is convicted of criminal violations that may negatively impact the integrity of the lottery, or if any of them have experience, character or general fitness that the WV Executive Director believes would be inconsistent with the public interest, convenience or trust.

As necessary for reasons related to public safety, convenience or trust which require immediate action, the WV Executive Director may order the immediate and indefinite disabling of all or a portion of Mountaineer's racetrack video lottery terminals in accordance with rules of the WVLC.

The WVLC and the WV Executive Director have broad powers under the racetrack video lottery statutes to investigate and monitor racetrack video lottery operations. All racetrack video lottery terminals in operation for play must be connected to the WVLC's computer system. The WV Executive Director and employees of the Commission may at any time examine, inspect, test or access for any purposes all records, files, equipment, other documents, video lottery terminals, and hardware and software used in connection with video lottery. Mountaineer must allow inspections of its licensed premises at any time as authorized by the WV Executive Director.

The WVLC also has the power and authority, for good cause and without notice or a warrant, at any time, to do any of the following:

- inspect any racetrack video lottery terminals, central monitoring system, or associated equipment and software about, on or around Mountaineer's facilities;
- inspect and examine all premises in which Mountaineer conducts racetrack video lottery gaming or has any authorized video lottery terminals, central monitoring system, or associated equipment and software designed, built, constructed, assembled, manufactured, sold, distributed, or serviced, or in which records of those activities are prepared or maintained;

- seize summarily and remove from Mountaineer's premises and impound, assume physical control of, or disable any video lottery terminals, central monitoring system, or associated equipment and software for the purposes of examination and inspection;
- inspect, examine and audit books, records, and documents concerning Mountaineer's racetrack video lottery gaming activities, including financial records of parent corporations, subsidiary corporations, affiliate corporations or similar business entities related to Mountaineer's racetrack video lottery gaming activities; and
- seize, impound, or assume physical control of books, records, ledgers, cash boxes and their contents, a counting room or its equipment, or other physical objects relating to racetrack video lottery gaming.

Pursuant to the racetrack video lottery statues, Mountaineer receives a commission equal to 46.5% of the net terminal income from the play of racetrack video lottery games. "Net terminal income" is generally defined as credits played less video lottery prize winnings, less an amount deducted by the WVLC to reimburse the WVLC for its actual costs for administering racetrack video lottery at the licensed racetrack.

Additionally, the West Virginia Legislature has established a fund for modernization of racetrack video lottery terminals into which the WVLC annually deposits a portion of the amount it retains for administration of racetrack video lottery games. An account is established for Mountaineer and for each of the other racetracks. Mountaineer may draw annually from its account matching dollars to help pay the expense of upgrading and modernizing it racetrack video lottery terminals. For every two dollars a licensee spends on certain equipment, it is authorized to receive one dollar in recoupment from the fund. In the event there remains a balance unspent by a licensee at the end of the year, that amount may be carried forward for one year, after which such amount reverts to the West Virginia State Lottery Fund. The West Virginia Licensed Racetrack Modernization Fund is currently authorized to be funded through the fiscal year ending June 30, 2020.

---

A change to these statutes could have a significant impact on the profitability of Mountaineer's racetrack video lottery gaming business and revenues.

Mountaineer employees involved with racetrack video lottery gaming are also required to obtain and maintain a license from the WVLC prior to being involved in racetrack video lottery gaming. An application for a racetrack video lottery gaming employee license may be denied if the applicant has been convicted of certain offenses involving moral turpitude, illegal gambling, fraud or misrepresentation or if the person is not qualified for the position for which the application for a license is submitted.

*Lottery Racetrack Table Games.* Lottery racetrack table games are regulated by the WVLC. The WVLC has promulgated rules approved by the West Virginia legislature under which lottery racetrack table games are played.

Under West Virginia law, Mountaineer's lottery racetrack table games license is not transferrable. Additionally, the transfer of more than five percent of the equity interest or voting interest in Mountaineer or any parent corporation or holding company must be approved by the WVLC before the transfer is finalized.

In order to lawfully conduct lottery racetrack table games, Mountaineer must maintain its racing license issued by the WV Racing Commission and its racetrack video lottery license issued by the WVLC as well as its lottery table games license. Only the holder of a racing license and a racetrack video lottery license is authorized to hold a lottery racetrack table games license.

In order to maintain its racetrack lottery table games license, Mountaineer is required to inform the WVLC when information provided in its last renewal application changes. Updating may be required because of changes in Mountaineer's direct or indirect ownership, changes in management including members of the board of directors, changes in key personnel or changes in financing. Mountaineer must annually apply to renew its lottery racetrack table games license. The information required for this license is similar to that previously discussed for renewal of a racetrack video lottery license.

Each time Mountaineer submits additional information to the WVLC in connection with Mountaineer's lottery racetrack table games license, or fails to timely submit such information, the WVLC and the WV Executive Director have discretion to suspend, revoke or reconsider Mountaineers lottery racetrack table games license.

Mountaineers lottery racetrack table games license is subject to suspension, revocation or nonrenewal as provided for in the lottery racetrack table games statutes and rules of the WVLC. Civil money penalties and criminal penalties may be imposed for certain violations of the lottery statutes and rules of the WVLC.

The lottery racetrack table games license may be suspended or revoked or not renewed for the same reasons previously discussed for suspension, revocation or nonrenewal of a racetrack video lottery license.

The WV Executive Director or the WVLC may also suspend or revoke Mountaineers lottery racetrack table games license if Mountaineer or any officer or director or any employee engaged in gaming activity, or any officer or director or key employee of any parent corporation or holding company is convicted of criminal violations that may negatively impact the integrity of the West Virginia Lottery, or if any of them have experience, character or general fitness that the WV Executive Director believes would be inconsistent with the public interest, convenience or trust.

The WVLC and the WV Executive Director have broad powers under the lottery racetrack table game statutes to investigate and monitor racetrack table game operations. The WV Executive Director and employees of the WVLC may at any time examine, inspect, test or access for any purposes all records, files, equipment, and other documents used in connection with lottery racetrack tables games operation and play. Mountaineer must allow inspections of its licensed premises at any time as authorized by the WV Executive Director.

The WVLC also has the power and authority, for good cause and without notice or a warrant, to at any time, to do any of the following:

---

- inspect any racetrack table games or related equipment on or around Mountaineers facilities;
- inspect and examine all premises in which Mountaineer conducts lottery racetrack table games or stores related equipment;
- seize summarily and remove from Mountaineer's premises and impound, assume physical control of, any racetrack table games or associated equipment for the purposes of examination and inspection;

- inspect, examine and audit books, records, and documents concerning Mountaineers lottery racetrack table games activities, including financial records of parent corporations, subsidiary corporations, affiliate corporations or similar business entities related to Mountaineers racetrack lottery table gaming activities; and
- seize, impound, or assume physical control of books, records, ledgers, cash boxes and their contents, a counting room or its equipment, or other physical objects relating to lottery racetrack table gaming activity.

Pursuant to the lottery racetrack table games statute, Mountaineer must annually pay to the WVLC a lottery racetrack table games license fee of $2.5 million that is due when the application for renewal is filed with the WVLC. Additionally, Mountaineer pays a weekly tax equal to 35% of the adjusted gross receipts from table game activity during the preceding week.

A change to these statutes could have a significant impact on the profitability of Mountaineer's lottery racetrack table game gaming business and revenues.

Mountaineer employees involved with lottery racetrack table games are also required to obtain and maintain a license from the WVLC prior to being involved in racetrack table gaming activity. An application for a racetrack video lottery gaming employee license may be denied if the applicant has been convicted of certain offenses involving moral turpitude, illegal gambling, fraud or misrepresentation or if the person is not qualified for the position for which the application for a license is submitted.

***Pennsylvania Regulation and Licensing.*** In the State of Pennsylvania, ERI owns and operates, through MTR and its wholly owned subsidiary, Presque Isle Downs, Inc., Presque Isle Downs & Casino in Erie, Pennsylvania. Presque Isle Downs is subject to rules and regulations promulgated the Pennsylvania Gaming Control Board ("PGCB"), the Pennsylvania Racing Commission (the "PA Racing Commission") and the requirements of other agencies.

*Pennsylvania Gaming Control Board.* The PGCB was created in 2004 by the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act"). The PGCB consists of seven voting members, three are appointed by the Governor of the Commonwealth of Pennsylvania and one by each of the four legislative caucuses. A supermajority vote consisting of each of the legislative commissioners and at least one gubernatorial commissioner is required for PGCB decisions. The Secretary of Revenue, the Secretary of Agriculture, and the Treasurer of the Commonwealth serve as ex officio members of the PGCB. Generally, the PGCB is mandated to protect the public through the regulation and policing of all activities involving gaming.

Under the Gaming Act, the PGCB is authorized to issue licenses to three categories of operators. Presque Isle Downs is a "Category 1" licensee, which is reserved for owners and operators of horse race tracks. Initially, slot machines were the only form of gaming that could be provided by Category 1 licensees (other than pari-mutuel betting on horse races). Category 1 licensees are permitted up to 5,000 slot machines. In January 2010, the Pennsylvania legislature amended the Gaming Act to permit Category 1 licensees to operate table games, including poker, black jack, baccarat, roulette, and craps. Category 1 licensees may petition the PGCB for permission to operate up to 250 tables. Presque Isle Downs currently has 1,720 slot machines and 46 table games.

Category 1 licensees, like Presque Isle, are assessed an initial license fee of $50,000,000. The license fee for the Table Games Certificate was $16,500,000. Licensees also must pay taxes on slot machine "gross terminal revenues" (the difference between wagers and pay-outs) in the following amounts:

- 34% to the Commonwealth of Pennsylvania;
- 2% to the local county in which the gaming facility is located;
- 2% to the local municipality in which the gaming facility is located, subject to a minimum of $10.0 million;

---

- 5% to the Pennsylvania Gaming Economic Development Tourism Fund; and
- 12% to support the horse race industry.

There is an additional requirement to repay a loan obtained from the Commonwealth of Pennsylvania to cover the initial regulatory start-up costs before any of Pennsylvania's casinos began operations. The repayment amount of $63.8 million is a ten-year requirement assessed against each property's gross terminal revenue according to a formula established per a pronouncement of the PGCB dated July 11, 2011. The formula averages the property's percentage annual gross terminal revenue of the total from all properties each year with its cumulative percentage of all gross terminal revenue generated since gaming commenced in the Commonwealth of Pennsylvania. The average obtained is applied against the $6.38 million payment to be made each year, the final payment to be due on January 1, 2021.

The following tax rates apply to table games and are based on "daily gross table games revenue" (calculated in essentially the same manner as "gross terminal revenue"):

- 12% to the Commonwealth of Pennsylvania on non-electronic table games;
- 34% to the Commonwealth of Pennsylvania on fully electronic table games; and
- 2% to the local municipalities in which the gaming facility is located on all games.

A deposit of $1.5 million to cover weekly withdrawals of the property's share of the cost of regulation is required to be maintained and the amount withdrawn must be replenished weekly.

Any person who acquires beneficial ownership of 5% or more of the voting securities of the licensee or an entity that controls the licensee will be required to apply to the PGCB for licensure, obtain licensure and remain licensed. Licensure requires, among other things, that the applicant establish by clear and convincing evidence the applicant's good character, honesty and integrity. Additionally, any trust that holds 5% or more of the voting securities of a licensee or any entity that controls the licensee is required to be licensed by the PGCB and each individual who is a grantor, trustee or beneficiary of the trust is also required to be licensed by the PGCB. Under certain circumstances and under the regulations of the PGCB, an "institutional investor" as defined under the regulations of the PGCB, which acquires beneficial ownership of 5% or more, but less than 10%, of the voting securities of a licensee or of any entity that controls the licensee, may be waived from licensure by the PGCB provided the institutional investor files an Institutional Notice of Ownership Form with the PGCB Bureau of Licensing and has filed, and remains eligible to file, a statement of beneficial ownership on Schedule 13G with the SEC as a result of this ownership interest. In addition, any beneficial owner of our voting securities, regardless of the number of shares beneficially owned, may be required at the discretion of the PGCB to file an application for licensure.

In the event a security holder is required to be found qualified and is not found qualified, the security holder may be required by the PGCB to divest its interest at a price not exceeding the cost of the interest. Key employees, vendors, suppliers, slot machine manufacturers and management companies are also required to be licensed.

The PGCB reserves the right to require any investor or person associated with a licensee to be licensed. Licensees are prohibited from making any political contributions to Pennsylvania candidates or political parties.

The Gaming Act also requires that a slot machine licensee shall notify the PGCB and receive the PGCB's consent prior to any "change in control" of the slot machine licensee. A change in control is defined as the acquisition by a person or group of persons acting in concert of more than twenty percent of the slot machine licensee's securities or other ownership interests or the purchaser of the assets, other than in the ordinary course of business, of any slot machine licensee. The person or entity purchasing the assets which results in a change of control is required to: (1) independently qualify for a license in accordance with the licensing requirements of the Gaming Act and (2) pay a license fee of up to $50,000,000. The Gaming Act provides that the PGCB may in its discretion reduce but not eliminate the requirement that a license fee of $50,000,000 be paid. On December 18, 2007, the PGCB approved a presumptive fee for a change of control of $2.5 million, unless special circumstances would dictate otherwise. The PGCB may provide up to 120 days for any person who is required to apply for a license and who is found not qualified to completely divest the person's ownership interest.

---

*Pennsylvania Racing Commission.* Under the Race Horse Industry Reform Act (the "Racing Act"), the PA Racing Commission is mandated to supervise thoroughbred horse race meetings in Pennsylvania at which pari-mutuel betting is conducted. The PA Racing Commission is also charged with licensing operators of thoroughbred horse race tracks and other persons involved in the thoroughbred horse race industry in Pennsylvania. The Racing Act authorizes the PA Racing Commission to issue up to six operator licenses. The Pennsylvania Harness Racing Commission is authorized to issue up to five licenses to operate harness racing tracks.

The Racing Act and regulations promulgated by the PA Racing Commission provide detailed regulations relating to such things as wagering, simulcasting, sale of liquor, maintenance of grounds and facilities, and operation of races. However, the provisions in the Racing Act and the PA Racing Commission's regulations relating to licensing are quite general in nature. They provide that 17 types of persons and/or entities must be licensed, including owners, trainers, jockeys, veterinarians, and all track employees. The PA Racing Commission's regulations provide that all licenses will be issued at the discretion of the PA Racing Commission's director of licensing, subject to review by the PA Racing Commission. In exercising this discretion, the director is mandated to consider if the applicant:

- has been convicted of a crime involving moral turpitude;
- has engaged in bookmaking or another form of illegal gambling;
- has been found guilty of fraud or misrepresentation in connection with racing or breeding;
- has been found guilty of a violation or attempt to violate a law, rule or regulation of racing in a jurisdiction for which suspension from racing might be imposed in the jurisdiction;
- has violated rules, regulations or order of the PA Racing Commission; and
- is not financially responsible.

Prospective licensees are required to file an application on forms prescribed by the PA Racing Commission, agree to be fingerprinted as required by the PA Racing Commission, and agree to full disclosure and investigation of criminal and employment records. The PA Racing Commission also requires payment of application fees and licensing fees for each person and entity licensed ranging from an annual license fee for track employees of $5 to an application fee for an operator's license of $1,000.

The PA Racing Commission's regulations also provide that a person or corporation to whom a licensee's stock is "transferred" must, contemporaneously with the transfer, submit to the PA Racing Commission an affidavit containing certain information regarding the transferee. A "transfer" is defined as a sale, transfer or exchange of stock or the creation of a beneficial, legal or equitable interest therein.

As a matter of practice, the PA Racing Commission typically requires applications to be filed by entities and individuals that are also required to file applications with the PGCB under the Gaming Act. Additionally, the PA Racing Commission typically does not conduct its own background investigation into applicants if the PGCB is conducting background investigations regarding those applicants. Rather, the PA Racing Commission will review the investigation conducted by the PGCB when deciding whether to grant a license.

As the holder of a Category 1 license, Presque Isle Downs has the obligation to create a fund to be used for the improvement and maintenance of the backside area of its racetrack with an amount of not less than $250,000 or more than $1.0 million annually for a five-year period beginning in 2017.

***Ohio Regulation and Licensing.*** In the state of Ohio, ERI owns and operates, through MTR and its wholly owned subsidiary, Scioto Downs, Inc. (together with its own wholly owned subsidiaries, "SDI"), the Scioto Downs Racino in Columbus, Ohio. Scioto Downs offers live harness racing, onsite pari-mutuel wagering, and thoroughbred, harness and greyhound race simulcast and wagering (collectively, "Live Racing"), and VLTs.

The operation and management of Scioto Downs are subject to extensive state regulation. Live Racing and VLT gaming are each regulated by statute, regulation and rule. SDI's VLT gaming operations are also regulated by the terms and conditions of SDI's Video Lottery Sales Agent License ("VLT Gaming License") from the Ohio Lottery Commission ("OLC").

---

*Live Racing.* The Ohio State Racing Commission ("OSRC"), which is comprised of 5 members appointed by the Governor of the State of Ohio, has regulatory oversight of Live Racing in Ohio. The OSRC establishes the rules and conditions for Live Racing and the forms of wagering that are permitted, and issues permits for Live Racing. SDI must maintain a permit with OSRC in order to lawfully offer Live Racing. Such permits are issued for one year and are renewable. OSRC shall renew Live Racing permits unless OSRC rejects the application for renewal for good cause.

In connection with obtaining and maintaining its Live Racing permit, SDI must disclose substantial information to OSRC, including the following:

- the names and addresses of all SDI directors and stockholders;
- the dates and locations of race meetings;
- the hours of operation on each racing day;
- a list of names of all required race officials;
- current accurate financial statements of SDI prepared and certified by an independent certified public accountant; and
- other information as OSRC requires.

SDI's Live Racing permit is neither assignable nor transferrable.

OSRC may suspend, diminish or revoke SDI's Live Racing permit in the event that SDI violates the rules or conditions prescribed and promulgated by OSRC.

OSRC has broad authority to regulate Live Racing. OSRC regulation of SDI's Live Racing includes regulating the days and hours that SDI may conduct live harness racing, the number of live races conducted by SDI, the number of days each year that SDI provides simulcast wagering, the races for which SDI may provide simulcast wagering and the equipment and facility requirements for Live Racing.

OSRC has broad powers to investigate, monitor and police Live Racing. OSRC has the right of full and complete entry to any and all parts of the grounds of SDI. OSRC may at any time engage auditors to examine the books and records of SDI. Upon demand from OSRC, SDI must furnish OSRC a full and complete statement of receipts, expenditures, attendance and such other information as OSRC may require.

If OSRC were to suspend, diminish, revoke or refuse to renew SDI's Live Racing permit, SDI would have to stop providing Live Racing and VLT gaming (see below).

Ohio law assesses special taxes on money wagered on Live Racing and sets the limit on the amount of money wagered on Live Racing that SDI may retain. Changes in these laws could have a significant impact on the profitability of SDI's Live Racing business.

SDI employees and other persons ("Live Racing Personnel") involved in providing Live Racing at SDI facilities must have licenses issued by OSRC prior to such employment or involvement. It is SDI's responsibility to have all Racing Personnel fingerprinted before gaining access to SDI's racing premises. OSRC may issue, deny, suspend or revoke licenses to Live Racing Personnel as is in the public interest for the purpose of maintaining a proper control over horse racing. OSRC, as is in the public interest for the purpose of maintaining proper control over horse racing, also may rule any person off SDI's Live Racing premises.

*VLT Gaming.* VLT gaming is regulated by OLC, which is comprised of 9 members appointed by the Governor of the State of Ohio. The executive officer of OLC is a director ("Ohio Director") who is appointed by the Governor of the State of Ohio. OLC has the authority to promulgate rules under which VLT gaming may be conducted, and issues and oversees VLT gaming licenses.

Under Ohio law, SDI's VLT Gaming License is not transferrable for five years after its initial issuance. Any ownership interest in SDI, directly or indirectly, through the immediate holding company of SDI, that is acquired after the date that SDI's VLT Gaming License was issued by a person or entity not previously holding an ownership

---

interest in SDI, which would result in such person or entity obtaining control of SDI is considered a "transfer." In this context, "control" means any of the following:

- holding fifty per cent or more of the outstanding voting securities of SDI;
- having the right in the event of dissolution to fifty per cent or more of the assets of SDI; or
- having the contractual power presently to designate fifty percent or more of the directors of SDI.

SDI's VLT Gaming License was issued on or about May 22, 2012. Any strategic transaction involving SDI that constitutes a "transfer" of SDI, within the meaning discussed above, before the fifth anniversary of the issuance of SDI's VLT Gaming License may result in the suspension, modification or revocation of SDI's VLT Gaming License. A suspension or revocation of SDI's VLT Gaming License would necessitate the cessation of SDI's VLT Gaming operations.

In order to lawfully conduct VLT Gaming, SDI must maintain a Live Racing permit from OSRC and a VLT Gaming License from OLC. Only the holder of a Live Racing permit from OSRC is authorized to hold a VLT Gaming License.

In order to maintain its VLT Gaming License, SDI is required to keep its VLT Gaming License application updated and complete. Updates may be required because of changes to SDI's ownership, management or business, or because the Ohio Director updates the application requirements. SDI must annually make application to renew its VLT Gaming License and every three years SDI must resubmit a complete VLT Gaming License application.

The amount of information SDI is required to disclose and keep updated on its VLT Gaming License application is extensive. SDI's VLT Gaming License application includes information about SDI and SDI's Principals (defined below), including, but not limited to:

- information about all holding companies, intermediaries, subsidiaries and affiliates of SDI;
- any criminal charges or convictions of SDI;
- name, address, employer identification number or social security number, date of birth, compensation and any criminal charges or convictions for each of SDI's officers, directors, and shareholders having directly or indirectly an ownership interest of five percent or more in SDI (collectively, "SDI's Principals");
- a description of all bonus, profit sharing, pension, retirement, deferred compensation and similar plans of SDI;
- a description the stock of SDI, and of all holding companies, intermediaries, subsidiaries and affiliates of SDI;
- proof that SDI holds a Live Racing permit;
- a description of all debt of SDI, and of all holding companies, intermediaries, subsidiaries and affiliates of SDI;
- a list of the holders of debt of SDI, and all holding companies, intermediaries, subsidiaries and affiliates of SDI;
- a description of any securities options of SDI and the identification of persons holding such options;

- information regarding the banks, savings and loan associations and other financial institutions of SDI;
- information about all the stock that SDI holds in other entities;
- a description of any civil litigation to which SDI, or any holding company, subsidiary or affiliate of SDI, is or was a party;
- information about any judgment, order, consent decree or consent order pertaining to a violation of federal antitrust, trade regulation or securities laws, or of similar laws of any state province or country, entered against SDI;
- information regarding any bankruptcy or insolvency proceedings of SDI or certain SDI Principals;
- information regarding the licensing history of SDI and SDI Principals;
- information relating to contributions and disbursements of SDI and SDI Principals;
- a business plan for the Scioto Downs Racino;
- SDI's security and surveillance plan;
- consent to background checks for SDI and SDI's Principals;

---

- a commitment to deliver acceptable forms of credit (e.g., surety bond) and evidence of insurance, meeting the requirements of the Ohio Director;
- a schedule of all fixtures and equipment;
- a commitment to maintain and timely repair video lottery terminals;
- a commitment to purchase or lease video lottery terminals only from technology providers approved by the Ohio Director;
- an agreement to clearly separate between the Live Racing wagering and the VLT gaming areas at the Scioto Downs Racino;
- an agreement to a capital improvement plan in accordance with the Ohio Director's standards and timetable; and
- disclosure of all employees of SDI who earn over $150,000 in annual compensation.

Each time SDI submits additional information of OLC in connection with SDI's VLT Gaming License, the Ohio Director maintains discretion to suspend, revoke or reconsider the application or otherwise modify the conditions of the issuance of SDI's VLT Gaming License. If SDI's VLT Gaming License is suspended, revoked or not renewed, SDI would have to cease its VLT Gaming business.

SDI's VLT Gaming License is subject to suspension, modification, revocation or fines as authorized by statute, rule, regulation, policy order or directive of OLC or the Ohio Director.

The Ohio Director may suspend or revoke SDI's VLT Gaming License in the event that SDI does any of the following:

- fails to comply with Ohio's lottery law;
- fails to comply with the rules, terms and conditions, policies, orders and directives of OLC or the Ohio Director;
- fails to maintain any insurance, coverage and bonds required by the Ohio Director;
- makes a fraudulent misrepresentation in connection with its VLT Gaming License application;
- fails to promptly and accurately settle the accounts of lottery transactions and pay OLC amounts due to OLC from video lottery sales;
- fails to credit or pay a winning video lottery participant;
- allows an underage person to play video lottery games, or pays an underage person a video lottery prize payment;
- fails to maintain adequate and sufficient security;
- offers a video lottery game that has not been approved by the Ohio Director or OLC;
- uses a video lottery terminal that has not been authorized and approved by the Ohio Director;
- fails to comply with the Americans with Disabilities Act of 1990;
- knowingly possesses, buys, sells, uses, alters, accepts, or transfers supplemental nutrition assistance program benefits, money, coupons, delivery verification receipts, other documents, food, or other property received directly or indirectly pursuant to section 17 of the Child Nutrition Act of 1966, as amended, or any electronically transferred benefit, in any manner not authorized by the Food and Nutrition Act of 2008 or section 17 of the Child Nutrition Act of 1966, as amended;
- knowingly allows an employee or agent to sell, transfer, or trade items or services, the purchase of which is prohibited by the Food and Nutrition Act of 2008 or section 17 of the Child Nutrition Act of 1966, as amended, in exchange for supplemental nutrition assistance program benefits, money, coupons, delivery verification receipts, other documents, food, or other property received directly or indirectly pursuant to section 17 of the Child Nutrition Act of 1966, as amended, or any electronically transferred benefit;
- fails to provide required notice or to obtain required approval prior to relocating or transporting a video lottery terminal;
- fails to make capital improvements as required by OLC rule, regulation, policy, order or directive;
- fails to meet financial obligations necessary for the continued operation of video lottery;
- acts in a manner that impacts or has the likelihood of impacting the efficient operation or integrity of video lottery; or
- fails to adhere to all the terms and conditions set forth in SDI's licensing agreement with OLC.

---

The Ohio Director may also suspend or revoke SDI's VLT Gaming License if SDI or any SDI Principal is convicted of criminal violations that may negatively impact the integrity of the lottery, or if any of them have experience, character or general fitness that the Ohio Director believes would be inconsistent with the public interest, convenience or trust.

As necessary for reasons related to public safety, convenience or trust which require immediate action, the Ohio Director may order the immediate and indefinite disabling of all or a portion of SDI's VLT Gaming operations and removal of video lottery equipment at SDI's VLT Gaming facility. In the event of such action, the Ohio Director must give SDI a subsequent opportunity for an adjudication hearing.

OLC and the Auditor of the State of Ohio have broad powers under Ohio law to investigate and monitor VLT Gaming operations. They may at any time examine, inspect, test or access for any purposes all records, files, equipment, other documents, video lottery terminals, and hardware and software used in connection with video lottery. SDI must allow inspections of its licensed premises at any time as authorized by the Ohio Director.

Under the terms and conditions of SDI's VLT Gaming License, SDI has also consented to OLC having the power and authority with good cause shown, without notice and without warrant at any time, to do any of the following:

- inspect any video lottery terminals, central monitoring system, or associated equipment and software about, on or around SDI's facilities;

- inspect and examine all premises in which SDI conducts VLT gaming or any authorized video lottery terminals, central monitoring system, or associated equipment and software designed, built, constructed, assembled, manufactured, sold, distributed, or serviced, or in which records of those activities are prepared or maintained;
- seize summarily and remove from SDI's premises and impound, assume physical control of, or disable any video lottery terminals, central monitoring system, or associated equipment and software for the purposes of examination and inspection;
- inspect, examine and audit books, records, and documents concerning SDI's VLT gaming activities, including financial records of parent corporations, subsidiary corporations, affiliate corporations or similar business entities related to SDI's VLT gaming activities; and
- seize, impound, or assume physical control of books, records, ledgers, cash boxes and their contents, a counting room or its equipment, or other physical objects relating to VLT Gaming.

Pursuant to paragraph (A) of rule 3770:2-3-08 of the Ohio Administrative Code and the terms of SDI's VLT Gaming License, OLC will pay SDI a commission in the amount of 66.5% of the video lottery terminal income generated by SDI. "Video lottery terminal income" is defined as credits played, less value credits, less video lottery prize winnings.

Additionally, by rule of OSRC or by agreement between SDI and the horseman's association, a percentage of SDI's VLT Gaming commission shall be paid to OSRC for the benefit of horse breeding and racing in Ohio. Accordingly, pursuant to an agreement with the relevant horseman's association, effective January 1, 2014, 10.5% of SDI's VLT Gaming commission will be paid to OSRC for the benefit of the horseman's association.

A change to these regulations could have a significant impact on the profitability of SDI's VLT Gaming business.

SDI employees involved with VLT gaming are also required to obtain and maintain a license from OLC prior to being involved in video lottery licensed activities. An application for a VLT gaming employee license may be denied if the applicant has been convicted of certain offenses involving moral turpitude, illegal gambling, fraud or misrepresentation.

## REPORT OF INDEPENDENT AUDITORS

The Partners
Circus and Eldorado Joint Venture, LLC
(doing business as Silver Legacy Resort Casino)

We have audited the accompanying consolidated financial statements of Circus and Eldorado Joint Venture, LLC (doing business as Silver Legacy Resort Casino) and subsidiary which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Circus and Eldorado Joint Venture, LLC and subsidiary at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**Report of Other Auditors on the 2011 Financial Statements**

The consolidated financial statements of Circus and Eldorado Joint Venture, LLC and subsidiary for the year ended December 31, 2011, were audited by other auditors whose report dated March 30, 2012 expressed a modified opinion for going concern on those financial statements. As described in Note 2, this uncertainty had been resolved at December 31, 2012.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 25, 2014

---

## CIRCUS AND ELDORADO JOINT VENTURE, LLC
**(doing business as Silver Legacy Resort Casino)**

## CONSOLIDATED BALANCE SHEETS

**As of December 31, 2013 and 2012**
**(In thousands)**

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 13,118 | $ 12,756 |
| Supplemental executive retirement plan assets | 7,423 | — |
| Accounts receivable, net | 3,113 | 3,989 |
| Inventories | 2,120 | 1,964 |
| Prepaid expenses and other | 3,791 | 3,055 |
| Total current assets | 29,565 | 21,764 |
| PROPERTY AND EQUIPMENT, NET | 198,150 | 206,790 |
| OTHER ASSETS, NET | 8,201 | 15,258 |
| Total Assets | $ 235,916 | $ 243,812 |

| | | |
|---|---|---|
| **LIABILITIES AND PARTNERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 4,085 | $ 6,270 |
| Accrued interest | 301 | 332 |
| Accrued and other liabilities | 9,482 | 8,969 |
| Supplemental executive retirement plan liability | 7,607 | — |
| Current portion of long-term debt | 6,000 | 8,000 |
| Total current liabilities | 27,475 | 23,571 |
| LONG-TERM DEBT | 84,500 | 117,871 |
| MEMBER NOTES, NET | 8,041 | 6,490 |
| OTHER LONG-TERM LIABILITIES | — | 10,480 |
| Total liabilities | 120,016 | 158,412 |
| COMMITMENTS AND CONTINGENCIES (Note 12) | | |
| MEMBERS' EQUITY | 115,900 | 85,400 |
| Total Liabilities and Members' Equity | $ 235,916 | $ 243,812 |

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



**CIRCUS AND ELDORADO JOINT VENTURE, LLC**
**(doing business as Silver Legacy Resort Casino)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**For the Years Ended December 31, 2013, 2012 and 2011**
**(In thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Casino | $ 70,565 | $ 63,031 | $ 68,852 |
| Rooms | 33,331 | 29,910 | 31,485 |
| Food and beverage | 33,719 | 30,765 | 32,695 |
| Other | 7,821 | 7,921 | 7,613 |
| | 145,436 | 131,627 | 140,645 |
| Less: promotional allowances | (19,595) | (16,827) | (17,790) |
| Net operating revenues | 125,841 | 114,800 | 122,855 |
| OPERATING EXPENSES: | | | |
| Casino | 37,290 | 34,959 | 37,250 |
| Rooms | 9,967 | 9,258 | 9,629 |
| Food and beverage | 21,785 | 20,427 | 22,065 |
| Other | 4,524 | 5,323 | 5,088 |
| Selling, general and administrative | 28,258 | 27,341 | 27,661 |
| Restructuring fees | — | 4,046 | 797 |
| Depreciation | 11,270 | 12,578 | 14,437 |
| Change in fair value of life insurance contracts | (602) | (558) | 23 |
| Loss on disposition of assets | 66 | 13 | 122 |
| Total operating expenses | 112,558 | 113,387 | 117,072 |
| OPERATING INCOME | 13,283 | 1,413 | 5,783 |
| OTHER (INCOME) EXPENSE: | | | |
| Interest expense | 8,354 | 14,770 | 15,056 |
| Interest income | — | (14) | (11) |
| Gain on extinguishment of debt, net | (23,960) | (2,568) | — |
| Total other (income) expense | (15,606) | 12,188 | 15,045 |
| NET INCOME (LOSS) BEFORE REORGANIZATION ITEMS | 28,889 | (10,775) | (9,262) |
| Reorganization items | 407 | 8,621 | — |
| NET INCOME (LOSS) | $ 28,482 | $ (19,396) | $ (9,262) |

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



**CIRCUS AND ELDORADO JOINT VENTURE, LLC**
**(doing business as Silver Legacy Resort Casino)**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**For the Years Ended December 31, 2013, 2012 and 2011**
**(In thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Net income (loss) | $ 28,482 | $ (19,396) | $ (9,262) |
| Other comprehensive income (loss): | | | |
| Other comprehensive income minimum pension liability adjustment | 3,544 | 354 | (1,372) |
| Cumulative effect of adoption of ASU No. 2011-16, Accrual for Casino Jackpot Liability Reserve | — | — | 646 |
| Other comprehensive income (loss) | 3,544 | 354 | (726) |
| Comprehensive income (loss) | $ 32,026 | $ (19,042) | $ (9,988) |

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



**CIRCUS AND ELDORADO JOINT VENTURE, LLC**
**(doing business as Silver Legacy Resort Casino)**

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

**For the Years Ended December 31, 2013, 2012 and 2011**
**(In thousands)**

| | Galleon, Inc. | Eldorado Resorts LLC | Total |
|---|---|---|---|
| BALANCE, January 1, 2011 | $ 47,915 | $ 57,915 | $ 105,830 |
| Comprehensive loss: | | | |
| Net loss | (4,631) | (4,631) | (9,262) |
| Other comprehensive income minimum pension liability adjustment | (686) | (686) | (1,372) |
| Cumulative effect of adoption of ASU No. 2011-16, Accrual for Casino Jackpot Liability Reserve | 323 | 323 | 646 |
| Total comprehensive loss | (4,994) | (4,994) | (9,988) |
| Balance, December 31, 2011 (1) | 42,921 | 52,921 | 95,842 |
| Comprehensive loss: | | | |
| Net loss | (9,698) | (9,698) | (19,396) |
| Other comprehensive income minimum pension liability adjustment | 177 | 177 | 354 |
| Total comprehensive loss | (9,521) | (9,521) | (19,042) |
| Discount on Member Notes | 4,300 | 4,300 | 8,600 |
| Balance, December 31, 2012 (2) | 37,700 | 47,700 | 85,400 |
| Comprehensive income: | | | |
| Net income | 14,241 | 14,241 | 28,482 |
| Other comprehensive income minimum pension liability adjustment | 1,772 | 1,772 | 3,544 |
| Total comprehensive income | 16,013 | 16,013 | 32,026 |
| Members' distributions | (763) | (763) | (1,526) |
| BALANCE, December 31, 2013 (3) | $ 52,950 | $ 62,950 | $ 115,900 |

(1) Balances include Accumulated Other Comprehensive Loss totaling ($2,134,000) comprised of ($1,067,000) each for Galleon, Inc. and ELLC.

(2) Balances include Accumulated Other Comprehensive Loss totaling ($1,780,000) comprised of ($890,000) each for Galleon, Inc. and ELLC.

(3) Balances include Accumulated Other Comprehensive Income totaling 1,764,000 comprised of 882,000 each for Galleon, Inc. and ELLC.

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



**CIRCUS AND ELDORADO JOINT VENTURE, LLC**
**(doing business as Silver Legacy Resort Casino)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2013, 2012 and 2011**
**(In thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | $ 28,482 | $ (19,396) | $ (9,262) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 11,270 | 12,578 | 14,437 |
| Amortization of debt discounts and issue costs | 2,320 | 389 | 597 |
| Pay-in-kind interest on Member Notes | 763 | 94 | — |
| Loss on disposition of assets | 66 | 13 | 122 |
| Gain on extinguishment of debt, net | (23,960) | (2,568) | — |

| | | | |
|---|---|---|---|
| Increase in accrued pension cost | 670 | 753 | 533 |
| Provision for (benefit of) doubtful accounts | 73 | 162 | (66) |
| (Increase) decrease in cash value of insurance policies in excess of premiums paid | (602) | (558) | 23 |
| Reorganization items | 407 | 8,621 | — |
| Changes in current assets and current liabilities: | | | |
| Accounts receivable | 803 | (289) | (1,338) |
| Inventories | (156) | (29) | 78 |
| Prepaid expenses and other | (797) | (106) | (299) |
| Accounts payable | (2,225) | 1,872 | 46 |
| Accrued interest | 63 | (4,582) | — |
| Accrued and other liabilities | 540 | 1,142 | 72 |
| Net cash provided by (used in) operating activities before reorganization items | 17,717 | (1,904) | 4,943 |
| Net cash used for reorganization activities | (445) | (9,418) | — |
| Net cash provided by (used in) operating activities | 17,272 | (11,322) | 4,943 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds from sale of assets | 27 | 1 | 58 |
| Increase (decrease) in other assets | 235 | (387) | (226) |
| Purchase of property and equipment | (2,624) | (2,295) | (2,685) |
| Net cash used in investing activities | (2,362) | (2,681) | (2,853) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from New Credit Facility | 90,500 | — | — |
| Payments on Senior Credit Facility | (6,500) | — | — |
| Repayment of Senior Credit Facility | (63,500) | — | — |
| Extinguishment of Second Lien Notes | (29,416) | — | — |
| Fees and interest paid on extinguishment of Second Lien Notes | (2,481) | — | — |
| Distribution to Members | (1,526) | — | — |
| Debt issuance costs | (1,625) | (7,624) | — |
| Proceeds from Senior Credit Facility | — | 70,000 | — |
| Extinguishment of mortgage notes | — | (140,232) | — |
| Issuance of Second Lien Notes | — | 55,871 | — |
| Proceeds from Member Notes | — | 15,000 | — |
| Net cash used in financing activities | (14,548) | (6,985) | — |
| CASH AND CASH EQUIVALENTS: | | | |
| Net increase (decrease) for the year | 362 | (20,988) | 2,090 |
| Balance, beginning of year | 12,756 | 33,744 | 31,654 |
| Balance, end of year | $ 13,118 | $ 12,756 | $ 33,744 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid during period for interest | $ 6,682 | $ 18,021 | $ 14,459 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES: | | | |
| Payables for purchase of property and equipment | $ 43 | $ 35 | $ 446 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES: | | | |
| Discount on Member Notes | $ — | $ 8,600 | $ — |

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



**CIRCUS AND ELDORADO JOINT VENTURE, LLC**
**(doing business as Silver Legacy Resort Casino)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Organization, Basis of Presentation and Summary of Significant Accounting Policies**

*Principles of Consolidation and Operations*

Effective March 1, 1994, Eldorado Limited Liability Company (a Nevada limited liability company owned and controlled by Eldorado Resorts LLC) (“ELLC”) and Galleon, Inc. (a Nevada corporation owned and controlled by MGM Resorts International and previously owned and controlled by Mandalay Resort Group) (“Galleon” and, collectively with ELLC, the “Partners” and subsequent to the LLC conversion, “Members”), entered into a joint venture agreement to establish Circus and Eldorado Joint Venture, a Nevada general partnership. In connection with the reorganization of the Partnership in bankruptcy, on July 1, 2013, the Partnership was converted into a Nevada limited liability company known as Circus and Eldorado Joint Venture, LLC (see Note 2). As used herein, the “Partnership” refers to Circus and Eldorado Joint Venture prior to the conversion date and Circus and Eldorado Joint Venture,

LLC after the date of the conversion. The Partnership owns and operates a casino and hotel located in Reno, Nevada ("Silver Legacy"), which began operations on July 28, 1995. ELLC contributed land to the Partnership with a fair value of $25.0 million and cash of $26.9 million for a total equity investment of $51.9 million. Galleon contributed cash to the Partnership of $51.9 million to comprise their total equity investment. Each Member has a 50% interest in the Partnership.

The consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiary, Silver Legacy Capital Corp. ("Capital"). Capital was established solely for the purpose of serving as co-issuer along with the Partnership of $160 million in aggregate principal amount of 10 1/8% mortgage notes due March 1, 2012 (the "2012 Notes") which, as discussed below, are no longer outstanding. As such, Capital has no operations, assets or revenues.

Concurrent with the extinguishment of the 2012 Notes, the Partnership and Capital (collectively, the "Issuers") co-issued $27.5 million in aggregate principal amount of new second lien notes (the "Second Lien Notes") on November 16, 2012. On November 8, 2013, a notice of optional redemption was provided to the holders of the Second Lien Notes stating that the Partnership and Capital elected to redeem and pay all of the outstanding Second Lien Notes at a redemption price equal to 103.0% of the principal amount of the Second Lien Notes on December 17, 2013. The redemption was conditioned upon the receipt of financing by the Issuers in an amount not less than $89.5 million pursuant to an amended and restated credit facility that was on terms and conditions satisfactory to the Issuers. On December 16, 2013, the Partnership entered into a new $90.5 million senior secured credit facility (the "New Credit Facility") and subsequently redeemed the Second Lien Notes on December 17, 2013 (see Note 8).

All intercompany accounts and transactions have been eliminated in consolidation. The Partnership operates as one segment.

*Reclassifications*

Certain reclassifications, which have no effect on previously reported net loss, have been made. The Partnership reclassified $0.8 million representing restructuring fees incurred during the year ended December 31, 2011 from "Selling, general and administrative" to "Restructuring fees" to conform to the 2012 presentation.

*Use of Estimates*

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Those principles require the Partnership's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.



*Certain Concentrations of Risk*

The Partnership's sole operations are in Reno, Nevada. Therefore, the Partnership is subject to risks inherent within the Reno market. To the extent that new casinos enter into the market or hotel room capacity is expanded, competition will increase. The Partnership may also be affected by economic conditions in the United States and globally affecting the Reno market or trends in visitation or spending in the Reno market.

*Outstanding Chips and Tokens*

The Partnership recognizes the impact on gaming revenues on an annual basis to reflect an estimate of the change in the value of outstanding chips and tokens that are not expected to be redeemed. This estimate is determined by measuring the difference between the total value of chips and tokens placed in service less the value of chips and tokens in the inventory of chips and tokens under our control. This measurement is performed on an annual basis utilizing methodology in which a consistent formula is applied to estimate the percentage value of chips and tokens 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 and tokens.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, as well as investments purchased with maturities of three months or less at the date of acquisition. The carrying values of these investments approximate their fair values due to their short-term maturities.

*Supplemental Executive Retirement Plan ("SERP") Assets*

Upon liquidation of the SERP life insurance contracts (see Note 4), the Partnership invested the funds in fixed income short-term investments, including certificates of deposits and bonds, with a maturity of less than twelve months. The assets will remain in the SERP trust custodial account until the payment of the benefits is made to the participants in October of 2014. The carrying value of these assets are representative of their fair value due to the short-term maturity of these instruments.

*Accounts Receivable and Credit Risk*

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of casino accounts receivable. The Partnership 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 Partnership'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, 2013, there are no significant concentrations of credit risk (see Note 4).

*Inventories*

Inventories consist of food and beverage, retail merchandise and operating supplies, and are stated at the lower of cost or market. Cost is determined primarily by the average cost method for food and beverage and operating supplies or the specific identification method for retail merchandise.



*Property and Equipment*

Property and equipment and other long-lived assets are stated at cost. Depreciation is computed using the straight-line method, which approximates the effective interest method over the estimated useful life of the asset as follows:

| | Estimated Service Life (Years) |
|---|---|
| Building and other improvements | 15-45 |
| Furniture, fixtures, and equipment | 3-15 |

Costs of major improvements are capitalized, while costs of normal repairs and maintenance that neither materially add to the value of the property nor appreciably prolong its life are expensed as incurred. Gains or losses on dispositions of property and equipment are included in the determination of operating income (loss).

The Partnership reviews its property and equipment and its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Partnership then compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying amount 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 amount then an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. If the asset is still under development, future cash flows include remaining construction costs. An estimate of undiscounted future cash flows produced by the asset is compared to the carrying value to determine whether an impairment exists. If it is determined that the asset is impaired based on expected undiscounted future cash flows, a loss, measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset, would be recognized. For assets to be disposed of, the Partnership recognizes the asset at the lower of carrying value or fair market value, less cost of disposal, as estimated based on comparable asset sales or solicited offers. As of December 31, 2013 and 2012, no events or changes in circumstances indicated that the carrying values of our long-lived assets may not be recoverable.

*Revenue Recognition and Promotional Allowances*

The Partnership recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses. Hotel, food and beverage, and other operating revenues are recognized as services are performed. Advance deposits on rooms and advance ticket sales are recorded as accrued liabilities until services are provided to the customer. Gaming revenues are recognized net of certain cash sales incentives and free play. The retail value of food, beverage, rooms and other services furnished to customers on a complimentary basis is included in gross revenues and then deducted as promotional allowances. The Partnership rewards customers, through the use of loyalty programs, with complimentaries based on amounts wagered or won that can be redeemed for a specified time period. The retail value of complimentaries is recorded as revenue and then is deducted as promotional allowances as follows (in thousands):

| | Years ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Food and beverage | $ 10,592 | $ 8,975 | $ 9,606 |
| Rooms | 6,637 | 5,865 | 6,150 |
| Other | 2,366 | 1,987 | 2,034 |
| | $ 19,595 | $ 16,827 | $ 17,790 |



The estimated costs of providing such promotional allowances are included in casino expenses and consist of the following (in thousands):

| | Years ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Food and beverage | $ 7,379 | $ 6,303 | $ 6,789 |
| Rooms | 1,941 | 1,859 | 1,741 |
| Other | 1,742 | 1,688 | 1,901 |
| | $ 11,062 | $ 9,850 | $ 10,431 |

*Advertising*

Advertising costs are expensed in the period the advertising initially takes place. Advertising costs included in selling, general and administrative expenses were $6.5 million, $6.0 million and $6.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

*Federal Income Taxes*

The Partnership is not subject to income taxes; therefore, no provision for income taxes has been made, as the Members include their respective share of the Partnership income (loss) in their income tax returns. The Partnership limited liability company agreement provides for the Partnership to make distributions to the Members in an amount equal to the maximum marginal federal income tax rate applicable to any Member multiplied by the income (loss) of the Partnership for the applicable period (see Note 13). The Partnership made tax distributions totaling $1.5 million to the Members during the year ended December 31, 2013. No such distributions were made during the years ended December 31, 2012 and 2011.

Under the applicable accounting standards, the Partnership may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits

recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The accounting standards also provide guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions. The Partnership had recorded no liability associated with uncertain tax positions at December 31, 2013 and 2012.

*Debt Issuance Costs*

The Partnership capitalizes debt issuance costs, which include legal and other direct costs related to the issuance of debt. The capitalized costs are amortized into interest expense over the contracted term of the debt using methods which approximate the effective interest method.

*Fair Value of Financial Instruments*

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 are based upon quoted prices (unadjusted) in active markets for identical assets or liabilities which are accessible as of the measurement date.

*Level 2*: Inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations for the asset or liability that are derived principally



from or corroborated by market data for which the primary inputs are observable, including forward interest rates, yield curves, credit risk and exchange rates.

*Level 3*: Inputs for the valuations are unobservable and are based on management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques such as option pricing models and discounted cash flow models.

The Partnership's financial instruments consist primarily of cash and cash equivalents, SERP assets, accounts receivable, accounts payable, accrued liabilities and debt. Management believes that the carrying value of cash and cash equivalents, SERP assets, accounts receivable, accounts payable and accrued liabilities are representative of their respective fair values due to the short maturities of these instruments. The fair value of the New Credit Facility, based on quoted market prices, was approximately $90.5 million as of December 31, 2013. The fair values of our senior secured term loan and the Second Lien Notes, based on quoted market prices, were approximately $70.0 million and $23.1 million, respectively, as of December 31, 2012.

The Partnership valued its Member Notes using a discounted cash flow analysis incorporating contractual cash flows. The discount rate used in the analysis considered the credit worthiness of the Partnership and the seniority of the Member Notes based on Level 3 inputs. The fair value of our promissory notes due to the Members was approximately $7.2 million and $6.4 million as of December 31, 2013 and 2012, respectively (see Note 8).

*Recently Issued Accounting Standards*

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02 ("ASU 2013-02") Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which is an amendment to Topic 220-10 of the Accounting Standards Codification ("ASC"). The objective of ASU 2013-12 is to amend ASC Topic 220-10 and requires entities to provide information about amounts reclassified out of other comprehensive income by component. The Partnership is required to present, either on the face of the financial statements or in the notes, the amounts reclassified from other comprehensive income to the respective line items in the Statements of Comprehensive Income (Loss). ASU 2013-02 was effective for the Partnership for fiscal years beginning after December 15, 2012. The Partnership adopted ASU 2013-02 in 2013 and it did not have a material impact on its consolidated financial statements.

*Subsequent Events*

Management has evaluated all events or transactions that occurred after December 31, 2013 through March 31, 2014, the date the financial statements were issued.

**Note 2. Restructuring**

On March 5, 2002, the Issuers co-issued $160.0 million in aggregate principal amount of 10 1/8% Mortgage Notes due 2012 (the "2012 Notes"). In February 2009, the Partnership repurchased and retired $17.2 million in aggregate principal amount of the 2012 Notes. The repurchase reduced the aggregate principal amount of the 2012 Notes outstanding to $142.8 million.

The 2012 Notes matured on March 1, 2012. The Partnership did not make the required principal payment and elected not to make the scheduled interest payment on the 2012 Notes on March 1, 2012, which constituted an event of default under the terms of the indenture governing the 2012 Notes.

On May 17, 2012, the Partnership and Capital (the "Debtors") filed voluntary petitions in the United States Bankruptcy Court for the District of Nevada in Reno, Nevada (the "Bankruptcy Court") under chapter 11 of title 11 of the United States Code (the "Chapter 11 Case"). The Partnership continued to conduct its business as debtors-in-possession under jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the bankruptcy code and the orders of the Bankruptcy Court. In addition, the Bankruptcy Court authorized the Partnership to continue using its cash, including cash collateral securing the Partnership's obligations with respect to the 2012 Notes, in the ordinary course of the Partnership's business.

On June 1, 2012, the Debtors filed a plan of reorganization (the "Plan") and related disclosure statement under chapter 11 of the Bankruptcy Court. The Plan and related disclosure statement were amended and filed on June 29, 2012 and further amended on August 8, 2012. The Bankruptcy Court held a hearing on October 22, 2012 and confirmed the Plan and approved the settlement agreement on October 23, 2012.

The terms of the Plan provided that the unsecured creditors of the Partnership would be paid in full and the holders of the 2012 Notes would receive available cash (as defined in the Plan) from the Partnership, $15.0 million in cash contributed to the Partnership by its Members (referred to as Partners prior to the LLC conversion), $70.0 million in cash financed with borrowings under a new $70.0 million senior secured credit facility (the "Senior Credit Facility") and $27.5 million in aggregate principal amount of Second Lien Notes.

On November 16, 2012, the effective date as defined in the Plan, the Partnership emerged from bankruptcy. Concurrently, the Partnership entered into the Senior Credit Facility, issued the Second Lien Notes and issued new subordinated debt (the "Member Notes") in exchange for the $15.0 million contributed to the Partnership by its Members (Partners prior to the LLC conversion). A final hearing was held and the Chapter 11 Case closed on March 20, 2013.

On November 8, 2013, a notice of optional redemption was provided to the holders of the Second Lien Notes stating that the Partnership and Capital elected to redeem and pay all of the outstanding Second Lien Notes at a redemption price equal to 103.0% of the principal amount of the Second Lien Notes on December 17, 2013. The redemption was conditioned upon the receipt of financing by the Issuers in an amount not less than $89.5 million pursuant to an amended and restated credit facility that was on terms and conditions satisfactory to the Issuers. The Second Lien Notes were redeemed on December 17, 2013.

In connection with the reorganization of the Partnership in the bankruptcy, the Partners agreed to convert the joint venture partnership into a Nevada limited liability company to be known as Circus and Eldorado Joint Venture, LLC (the "LLC"). The conversion occurred in accordance with Nevada law on July 1, 2013 and the LLC succeeded to and otherwise assumed all of the assets and liabilities of the Partnership, including all obligations under the Senior Credit Facility, Second Lien Notes and Member Notes. The Members in the LLC hold membership interests in the LLC in the same proportion as their former ownership interests in the Partnership, and the Operating Agreement of the LLC includes substantially the same provisions as those included in the prior Joint Venture Agreement with regard to management and operation of Silver Legacy.

**Note 3. Accounts Receivable**

Accounts receivable, net at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| Casino receivables | $ 924 | $ 1,092 |
| Hotel receivables | 1,489 | 2,092 |
| Other receivables | 919 | 1,170 |
| | 3,332 | 4,354 |
| Less: allowance for doubtful accounts | (219) | (365) |
| Accounts receivable, net | $ 3,113 | $ 3,989 |

Bad debt expense for the years ended December 31, 2013 and 2012 was $0.1 million and $0.2 million, respectively. The bad debt benefit amount in 2011 was $0.1 million.

**Note 4. Prepaid Supplemental Executive Retirement Plan Assets**

Life insurance contracts were purchased to fund the Partnership's SERP established in 2002. Effective October 1, 2013, the Partnership terminated the SERP and liquidated the life insurance contracts totaling $7.5 million. The Partnership expects to pay approximately $7.6 million, representing the cash surrender value of $7.5



million plus an additional $0.1 million from the Partnership's operating cash flow, in benefits to the participants in October of 2014 representing the Partnership's release from any further benefit payment obligations under the terms of the SERP plan document. The Partnership has received signed release agreements from all participants receiving less than their calculated accrued benefit obligations. The proceeds from the liquidation of the life insurance contracts were utilized to purchase fixed income investments with a maturity of less than twelve months and totaled $7.4 million as of December 31, 2013.

**Note 5. Property and Equipment**

Property and equipment at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| Land and improvements | $ 28,405 | $ 28,405 |
| Building and other leasehold improvements | 270,063 | 269,400 |
| Furniture, fixtures, and equipment | 106,723 | 107,544 |
| | 405,191 | 405,349 |
| Less: accumulated depreciation | (207,041) | (198,559) |
| Property and equipment, net | $ 198,150 | $ 206,790 |

Substantially all property and equipment of the Partnership is pledged as collateral against its long-term debt (see Note 8).

**Note 6. Other Assets**

Other assets, net at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| China, glassware and silverware | $ 210 | $ 210 |
| Debt issuance costs, net | 7,423 | 7,424 |
| Cash surrender value of life insurance policies | — | 6,822 |
| Long term deposits | 555 | |
| Other | 13 | 802 |
| | $ 8,201 | $ 15,258 |

The initial inventory of china, glassware and silverware has been amortized to 50% of cost with the balance kept as base stock. Additional purchases of china, glassware and silverware are placed into inventory and expensed as used.

The Partnership incurred costs in connection with the issuance of the 2012 Notes in March of 2002, the Senior Credit Facility and Second Lien Notes in November of 2012, and the New Credit Facility in December 2013 (see Note 8). Debt issuance costs are capitalized when incurred and amortized to interest expense based on the related debt maturities using the straight-line method, which approximates the effective interest method. Debt issuance costs, net of amortization, related to the Senior Credit Facility and New Credit Facility included in other assets totaled $7.4 million at December 31, 2013. Debt issuance costs, net of amortization, related to the Senior Credit Facility included in other assets totaled $7.4 million at December 31, 2012. Debt issuance costs related to the Second Lien Notes totaled $0.2 million during the year ended December 31, 2012 and were netted against the gain recorded on the debt restructuring transaction described in Note 8. Accumulated amortization of debt issuance costs was $2.2 million and $0.3 million at December 31, 2013 and 2012, respectively. The amounts of amortization of debt issuance costs included in interest expense was $2.2 million, $0.3 million and $0.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The cash surrender value of the SERP life insurance contracts was included in other assets at December 31, 2012 and totaled $6.8 million (see Notes 4 and 11).



**Note 7. Accrued and Other Liabilities**

Accrued and other liabilities at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| Accrued payroll and related | $ 1,876 | $ 1,907 |
| Accrued vacation | 1,566 | 1,566 |
| Accrued group insurance | 476 | 377 |
| Unclaimed chips and tokens | 424 | 498 |
| Accrued taxes | 1,043 | 1,147 |
| Advance room deposits | 398 | 527 |
| Progressive slot liability | 1,369 | 1,046 |
| Players' club and free play liability | 635 | 495 |
| Other | 1,695 | 1,406 |
| | $ 9,482 | $ 8,969 |

**Note 8. Long-Term Debt**

Long-term debt at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| New Credit Facility | $ 90,500 | $ — |
| Member Notes 5% PIK, net of discount of $7,816 and $8,510, respectively | 8,041 | 6,490 |
| Senior Credit Facility | — | 70,000 |
| Second Lien Notes 10%/12% PIK, due 2018 | — | 55,871 |
| Less current portion of long-term debt | (6,000) | (8,000) |
| | $ 92,541 | $ 124,361 |

On December 16, 2013, the Partnership entered into a new senior secured term loan facility (the "New Credit Facility") totaling $90.5 million to refinance its indebtedness under its then existing senior secured term loan (the "Senior Credit Facility") and Second Lien Notes. The proceeds from the New Credit Facility, in addition to $7.0 million of operating cash flows, were used to repay $63.8 million representing principal and interest outstanding under the Senior Credit Facility, $31.7 million representing principal and interest related to the extinguishment of the Second Lien Notes, and $2.0 million in fees associated with the transactions. The New Credit Facility consists of a $60.5 million first-out tranche term loan and a $30.0 million last-out tranche term loan. The New Credit Facility matures on November 16, 2017 which was the maturity date of the Senior Credit Facility.

As of December 31, 2013, the Partnership had $98.5 million of long term debt (of which $6.0 million was current), including $90.5 million related to the New Credit Facility and $15.9 million of Member Notes with a carrying value of $8.1 million, net of an $7.8 million discount. The fees related to the New Credit Facility and Senior Credit Facility were capitalized. The fees related to the extinguishment of the Second Lien Notes were netted against the recognized gain.

The New Credit Facility is secured by a first priority security interest in substantially all of the Partnership's existing and future assets, other than certain licenses which may not pledged under applicable law, and a first priority pledge of and security interest in all of the partnership interests in the Partnership held by its Members. The New Credit Facility is supported by: (i) a secured guarantee by Capital and (ii) a pledge by each Member of $5.0 million cash collateral to secure the Partnership's obligations under the New Credit Facility.

Pursuant to the credit agreement governing the New Credit Facility, the Partnership is required to make consecutive principal payments that permanently reduce the amount of the first-out tranche of the term loan based



on the following quarterly schedule beginning on March 31, 2014: $1.0 million on the last business day in March 2014, $1.8 million on the last business day in June 2014, $2.0 million on the last business day in September 2014, and $1.2 million on the last business day in December 2014. For the years thereafter the following quarterly payment schedule will be followed: $1.0 million on the last business day in March and December and $1.5 million on the last business day in June and September.

Interest on the outstanding balances under the first-out tranche term loan is based on a LIBOR margin of 5.5%, with a 1% floor, or a base rate equal to the highest Prime Rate, the Federal Funds Rate 1.5% or one month LIBOR with a 2.5% floor and a margin of 4.5% with respect to base rate loans. Interest on the outstanding balances under the last-out tranche term loan is based on a LIBOR margin of 10.0%, with a 1% floor, or a base rate equal to the highest Prime Rate, the Federal Funds Rate 1.5% or one month LIBOR with a 2.5% floor and a margin of 9.0% with respect to base rate loans; provided, that if, at any time, the Partnership's EBIDTA (as defined in the agreement) is less than $17.0 million for the immediately preceding four calendar quarters, the applicable interest margin for the last-out tranche term loan will be 12.0% for LIBOR rate loans and 11.0% for base rate loans, with 5.50% being cash pay and the remainder of such interest being paid in kind until such time as the Partnership's EBITDA for the immediately preceding four calendar quarters is greater than or equal to $17.0 million. As of December 31, 2013, the interest rates for the first-out tranche and last-out tranche were 6.5% and 11.0%, respectively.

The credit agreement governing the New Credit Facility contains customary events of default and covenants, including covenants that, among other things, limit our ability to: (i) incur additional indebtedness; (ii) enter into, create, assume or suffer to exist liens; (iii) pay dividends or make other restricted payments; (iv) pay dividends or make other restricted payments; (v) prepay subordinated indebtedness; (vi) sell or dispose of a portion of our assets; (vii) make capital expenditures; (viii) to enter into certain types of transactions with affiliates; and (ix) make acquisitions or merge or consolidate with another entity. In addition, the credit agreement governing the New Credit Facility requires us to meet specified financial tests on an ongoing basis, and contains certain financial covenants, including the following:

- The Partnership is required to maintain a minimum fixed charges coverage ratio (EBITDA less capital expenditures to interest charges plus principal payments, as defined in the agreement) of: (i) 1.15 to 1.0 for the quarter ended December 31, 2013 through December 31, 2015; and (ii) 1.20 to 1.0 for all quarters thereafter.

- The Partnership is required to maintain a maximum first-out leverage ratio (total first-out tranche of debt to EBITDA, as defined in the agreement) of: (i) 3.25 to 1.0 for the quarters ended December 31, 2013 through December 31, 2014; (ii) 3.00 to 1.0 for the quarters ended March 31, 2015 through December 31, 2015; (iii) 2.75 to 1.0 for the quarters ended March 31, 2016 through December 31, 2016; and (iv) 2.50 to 1.0 for all quarters thereafter.

- The Partnership is required to maintain a minimum liquidity (the sum of cash and cash equivalents, as defined in the agreement) of not less than: (i) $8.5 million for the quarter ended December 31, 2013 through March 31, 2014; and (ii) $10.0 million for all quarters thereafter.

- The Partnership is required to maintain a minimum EBITDA (as defined in the agreement) of: (i) $17.0 million for the quarter ended December 31, 2013 and all quarters thereafter.

As of December 31, 2013, the Partnership was in compliance with all of the covenants in the credit agreement governing the New Credit Facility. The entire principal amount then outstanding under the New Credit Facility becomes due and payable on November 16, 2017.

On December 17, 2013, the Partnership redeemed and paid all of the outstanding Second Lien Notes at a redemption price equal to 103.0% of the principal amount. The principal outstanding as of the redemption date totaled $29.4 million and the premium paid to the holders on record was $0.8 million. Additionally, the Partnership paid $1.5 million in interest owed for the period from June 16, 2013 through the redemption date. In connection with the extinguishment of the Second Lien Notes, the Partnership recognized a gain of $24.0 million, net of cash interest, the premium and associated fees, representing the difference between the estimated future cash payments of



$55.9 million, including principal of $27.5 million and paid-in-kind interest through the maturity date of $28.4 million, and the outstanding amount redeemed.

As of December 31, 2013, the Member Notes totaling $15.9 million, including paid-in-kind interest, were payable to our Members. The Member Notes are subordinate to the New Credit Facility and bear interest at a rate of 5% paid-in-kind per annum, payable semi-annually on June 15 and December 15, beginning on June 15, 2013. Due to the below-market interest rate, interest was imputed on the Member Notes at an estimated market rate of 23%. At issuance in November 2012, a discount in the amount of $8.6 million was recorded on the Member Notes with the offset to Members' equity based on the present value of expected cash flows. The discount is being amortized as interest expense over the expected life of the notes using the effective interest method. Each of the Member Notes is subject to voluntary prepayment, in whole and part, without premium or penalty and mature on May 16, 2018. The obligations under the Member Notes are unsecured and are not guaranteed by any third party.

**Note 9. Other Long-term Liabilities**

Other long-term liabilities (see Note 4 and Note 11) at December 31, 2013 and 2012 consisted of the following (in thousands):

| | 2013 | 2012 |
|---|---|---|
| Accrued SERP long-term liability | $ — | $ 8,700 |
| SERP additional minimum liability | — | 1,780 |
| Total other long-term liabilities | — | 10,480 |

**Note 10. Related Parties**

An affiliate of each of the Members owns and operates a casino attached and adjacent to Silver Legacy. Our Members may be deemed to be in a conflict of interest position with respect to decisions they make relating to the Partnership as a result of the interests their affiliates have in the Eldorado Hotel & Casino and Circus Circus Hotel & Casino-Reno, respectively.

The Partnership believes that all of the transactions mentioned below are on terms at least as favorable to the Partnership as would have been obtained from an unrelated party.

Silver Legacy has utilized an aircraft owned by Recreational Enterprises, Inc. ("REI"), for the purpose of providing air service to select customers. During the years ended December 31, 2013, 2012 and 2011, the Partnership paid $20,800, $9,100 and $27,600, respectively, for such services. Although there is no agreement obligating the Partnership to utilize the plane or entitling it to do so, it is anticipated the Partnership will continue to utilize this service from time to time in the future on terms mutually acceptable to the parties. REI, which owns 47.8% of ELLC, is owned by various members of the Carano family, including Gary L. Carano, Silver Legacy's General Manager, Glenn T. Carano, Silver Legacy's Executive Director of Marketing, and Gene R. Carano, the General Manager of Eldorado Hotel & Casino, each of whom owns an approximately 10.1% beneficial interest in REI, and Donald L. Carano, the father of Gary, Glenn and Gene Carano, who owns an approximate 49.5% interest in REI.

Silver Legacy's marketing and sales departments have utilized a yacht owned by Sierra Adventure Equipment Leasing, Inc. ("Sierra Leasing") at a flat rate per trip of $3,000 ($2,500 if the trip was shared with our Member, ELLC) for various promotional events. The payments made by the Partnership to Sierra Leasing for the use of the yacht totaled $12,500, $17,800 and $15,500 during 2013, 2012 and 2011, respectively. Although there is no agreement obligating the Partnership to utilize the yacht or entitling it to do so, it is anticipated that the Partnership will continue to utilize this service from time to time in the future on terms mutually acceptable to the parties. Sierra Leasing is owned by Donald L. Carano, the father of Gary L. Carano, Silver Legacy's General Manager, Glenn T. Carano, Silver Legacy's Executive Director of Marketing, and Gene R. Carano, the General Manager of Eldorado Hotel & Casino.



ELLC owns the skywalk that connects Silver Legacy with the Eldorado Hotel & Casino. The charges from the service provider for the utilities associated with this skywalk are billed to the Partnership together with the charges for the utilities associated with Silver Legacy. Such charges are paid to the service provider by the Partnership, and the Partnership is reimbursed by ELLC for the portion of the charges allocable to the utilities provided to the skywalk. The charges for the utilities provided to the skywalk during the years ended December 31, 2013, 2012, and 2011 were $57,800, $52,500 and $52,200, respectively.

Since 1998, the Partnership has purchased from ELLC homemade pasta and other products for use in the restaurants at Silver Legacy and it is anticipated that the Partnership will continue to make similar purchases in the future. For purchases of these products during the years ended December 31, 2013, 2012 and 2011, which are billed to the Partnership at cost plus associated labor, the Partnership paid ELLC $46,200, $55,600 and $56,900, respectively.

Beginning in October 2005, the Partnership began providing on-site laundry services for ELLC related to the cleaning of certain types of linens. Although there is no agreement obligating ELLC to utilize this service, it is anticipated that the Partnership will continue to provide these laundry services in the future. The Partnership charges ELLC for labor and laundry supplies on a per unit basis which totaled $143,100, $135,400 and $129,100 during the years ended December 31, 2013, 2012 and 2011, respectively.

In April 2008, the Partnership and ELLC began combining certain back-of-the-house and administrative departmental operations, including purchasing, advertising, information systems, surveillance, engineering, and various shared management positions of the Eldorado Hotel & Casino and Silver Legacy in an effort to achieve payroll cost savings synergies at both properties. Payroll costs associated with the combined operations are shared equally and are billed at cost plus an estimated allocation for related benefits and taxes. During the years ended December 31, 2013, 2012 and 2011, the Partnership reimbursed ELLC $584,300, $602,200 and $654,800, respectively, for the Partnership's allocable portion of the shared administrative services costs associated with the operations performed at the Eldorado Hotel & Casino. During the years ended December 31, 2013, 2012 and 2011, ELLC reimbursed the Partnership $259,700, $313,200 and $307,000, respectively, for Eldorado's allocable portion of the shared administrative services costs associated with the operations performed at Silver Legacy.

The Partnership utilizes 235 spaces in the parking garage at Circus Circus Hotel and Casino to provide parking for employees of Silver Legacy. In consideration for its use of the spaces, the Partnership pays Circus Circus Hotel and Casino rent in the amount of $5,000 per month. The Partnership also utilizes an uncovered parking lot adjacent to Circus Circus Hotel and Casino for oversize vehicles. In consideration for its use of the space, the Partnership pays Circus Circus Hotel and Casino rent in the amount of $800 per month. Although there is no agreement obligating the Partnership to continue utilizing the spaces or entitling it to do so, it is anticipated that the Partnership will continue this agreement for the foreseeable future.

As of December 31, 2013, the Partnership's related parties receivable was $0.2 million and payable was $0.3 million. As of December 31, 2012, the Partnership's related parties receivable was $0.2 million and payable was $0.4 million. Related parties receivable and payable are included in "Accounts receivable, net" and "Accounts payable," respectively, on the Partnership's consolidated balance sheets.

**Note 11. Employee Retirement Plans**

The Partnership instituted a defined contribution 401(k) plan in September 1995 which covers all employees who meet certain age and length of service requirements and allowed for an employer contribution up to 25 percent of the first six percent of each participating employee's compensation. Plan participants can elect to defer before tax compensation through payroll deductions. Those deferrals are regulated under Section 401(k) of the Internal Revenue Code. In conjunction with implemented cost savings programs, the Partnership discontinued the employer matching contribution in February 2009. As a result, the Partnership did not make any matching contributions during the years ended December 31, 2013, 2012 and 2011. Effective February 1, 2014, the Partnership reinstated an employer matching contribution up to 25 percent of the first four percent of each participating employee's compensation.



Effective January 1, 2002, the Partnership adopted a Supplemental Executive Retirement Plan ("SERP") for a select group of highly compensated management employees. The SERP provides for a lifetime benefit at age 60, based on a formula which takes into account a participant's highest annual

compensation, years of service, and executive level. The SERP also provides an early retirement benefit at age 55 with at least four years of service, a disability provision, and a lump sum death benefit. The obligation is being funded through life insurance contracts on the participants and related cash surrender value. The Partnership's periodic pension costs were $0.7 million, $0.8 million and $0.4 million, respectively, for the years ended December 31, 2013, 2012 and 2011. Effective October 1, 2013, the Partnership terminated the SERP and liquidated the life insurance contracts (see Note 4).

The following information summarizes activity in the SERP for the years ended December 31, 2013 and 2012 (in thousands):

| | 2013 | 2012 |
|---|---|---|
| Changes in Projected Benefit Obligation: | | |
| Projected benefit obligation at beginning of year | $ 10,555 | $ 10,156 |
| Service cost | — | 28 |
| Interest cost | 348 | 400 |
| Actuarial (gain) loss | (3,221) | 46 |
| Benefits paid | (75) | (75) |
| Projected benefit obligation at end of year | $ 7,607 | $ 10,555 |
| Fair value of plan assets at end of year (1) | $ — | $ — |

| | 2013 | 2012 |
|---|---|---|
| Reconciliation of Funded Status: | | |
| Funded status | $ (7,607) | $ (10,555) |
| Unrecognized actuarial (gain) loss | (1,764) | 1,780 |
| Unrecognized prior service cost | — | — |
| Net amount recognized | $ (9,371) | $ (8,775) |
| | | |
| Amounts Recognized on the Consolidated Balance Sheet: | | |
| Accrued net pension cost | $ (7,607) | $ (8,775) |
| Additional minimum liability | — | (1,780) |
| Accumulated other comprehensive (income) loss | (1,764) | 1,780 |
| Net amount recognized | $ (9,371) | $ (8,775) |
| | | |
| Weighted Average Assumptions: | | |
| Discount rate used to determine benefit obligations (2) | 0.38%/6.00% | 3.31% |
| Discount rate used to determine net periodic benefit cost (2) | 3.31% | 3.96% |
| Rate of compensation increase | — | 3.50% |

(1) While the SERP is an unfunded plan, the Partnership was funding the plan through life insurance contracts on the participants. Effective October 1, 2013, the SERP was terminated and the life insurance contracts were subsequently liquidated. The cash surrender value at December 31, 2013 was $7.4 million and is included in the Partnership's current assets because the benefits will be paid to the participants in 2014. The life insurance contracts had a cash surrender value totaling $6.8 million and a face values of $12.2 million at December 31, 2012.

(2) The discount rate utilized as of December 31, 2013 to determine the present value of the lump-sum benefit payments was 6.0% as specified in the SERP plan document. Additionally, a discount rate of 0.38%, based on an average of the Citigroup Pension Liability Index for six months and one year, was utilized to determine the present value of the benefit payments for the period from January 1, 2014 through October 1, 2014, which is the expected benefit payment date. The discount rate utilized as of December 31, 2012 was based on the Citigroup Pension Liability Index with a maturity of 32 years.



The components of net periodic pension cost were as follows for the years ended December 31, 2013, 2012 and 2011 (in thousands):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Components of Net Pension Cost: | | | |
| Current period service cost | $ — | $ 28 | $ — |
| Interest cost | 348 | 400 | 406 |
| Amortization of prior service cost | 322 | 399 | — |
| Net expense | $ 670 | $ 827 | $ 406 |

Benefit payments, which reflect expected future service as appropriate, totaling $7.6 million are expected to be paid in 2014 as a result of the termination of the SERP representing the Partnership's release from any further benefit payment obligations under the terms of the SERP plan document.

**Note 12. Commitments and Contingencies**

*Operating Leases*

The Partnership leases land and equipment under operating leases. Future minimum payments under noncancellable operating leases with initial terms of one year or more consisted of the following at December 31, 2013 (in thousands):

| | |
|---|---|
| 2014 | $ 49 |
| 2015 | 49 |
| 2016 | 34 |
| Thereafter | — |
| | $ 132 |

Total rental expense under operating leases was $0.5 million for each of the years ended December 31, 2013, 2012 and 2011, respectively, which include rental payments associated with cancellable operating leases with terms less than one year.

*Litigation*

The Partnership is party to various litigation arising in the normal course of business. Management is of the opinion that the ultimate resolution of these matters will not have a material effect on the financial position or the results of operations of the Partnership.

*Sales and Use Tax*

In March 2008, the Nevada Supreme Court ruled, in a case involving another gaming company, that food and non-alcoholic beverages purchased for use in providing complimentary meals to customers and to employees were exempt from use tax. The Partnership had previously paid use tax on these items and had generally filed for refunds totaling approximately $1.5 million for the periods from February 2000 to February 2008 related to this matter, which refunds had not been paid. The Partnership claimed the exemption on sales and use tax returns for periods after February 2008 in light of this Supreme Court decision and had not accrued or paid any sales or use tax for those periods. In February 2012, the Nevada Department of Taxation asserted that customer complimentary meals and employee meals are subject to sales tax on a prospective basis commencing February 15, 2012. In July 2012, the Nevada Department of Taxation announced that sales taxes applicable to such meals were due and payable without penalty or interest at the earlier of certain regulatory, judicial or legislative events or June 30, 2013. The Nevada Department of Taxation's position stemmed from a Nevada Tax Commission decision concerning another gaming company which stated that complimentary meals provided to customers are subject to sales tax at the retail value of the meal and employee meals are subject to sales tax at the cost of the meal. The Clark County District Court subsequently issued a ruling in such case that held that complimentary meals provided to customers were



subject to sales tax, while meals provided to employees were not subject to sales tax. This decision had been appealed to the Nevada Supreme Court.

In June 2013, the Partnership and other similarly situated companies entered into a global settlement agreement with the Nevada Department of Taxation that, when combined with the contemporaneous passage of legislation governing the prospective treatment of complimentary meals ("AB 506"), resolved all matters concerning the prior and future taxability of such meals. AB 506 provides that complimentary meals provided to customers and employees after the effective date of the bill are not subject to either sales or use tax. Under the terms of the global settlement, the Partnership agreed to withdraw the refund request and the Nevada Department of Taxation agreed to drop its assertion that sales tax was due on such meals up to the effective date of AB 506. Since the Partnership did not previously accrue either the claims for refund of use taxes or any liability for sales taxes that the Nevada Department of Taxation may have asserted prior to entering the global settlement agreement, there is no financial statement impact of entering into the settlement agreement.

In conjunction with filing the refund claim, the Partnership entered into a professional services agreement with an advisory consultant on a contingency fee basis. In August 2013, the Partnership received a letter from the advisory consultant seeking payment for contingency fees based on unsubstantiated services rendered in connection with the aforementioned global settlement agreement. The Partnership received a credit refund from the State of Nevada in September 2013 in accordance with the settlement agreement and has paid the advisory consultant $39,800 representing the agreed upon contingency fee. However, the Partnership denies any additional obligations under the contingent fee basis claim as no additional amounts where ever recovered by the Partnership under the terms of the agreement.

**Note 13. Limited Liability Company Agreement**

The Partnership's limited liability company agreement provides for, among other items, profits and losses to be allocated to the Members in proportion to their percentage interests, separate capital accounts to be maintained for each Member, provisions for management of the Partnership and payment of distributions and bankruptcy and/or dissolution of the Partnership.

In connection with the reorganization of the Partnership in the bankruptcy, the Members agreed to convert the joint venture partnership into a Nevada limited liability company to be known as Circus and Eldorado Joint Venture, LLC. The conversion occurred in accordance with Nevada law on July 1, 2013 and the LLC succeeded to and otherwise assumed all of the assets and liabilities of the Partnership, including all obligations under the Senior Credit Facility, Second Lien Notes and Member Notes. The Members in the LLC hold membership interest in the LLC in the same proportion as their former ownership interests in the Partnership, and the Operating Agreement of the LLC includes substantially the same provisions as those included in the prior Joint Venture Agreement with regard to management and operation of Silver Legacy.

There were no distributions for the years ended December 31, 2013, 2012 and 2011 other than tax distributions (see Note 1).

**Note 14. ELLC Merger Agreement**

On September 9, 2013 a subsidiary of ELLC entered into a merger agreement, which was amended on November 18, 2013 and February 13, 2014, with MTR Gaming Group Inc. The merger is expected to close in the second quarter of 2014. Consummation of the merger is subject to numerous conditions and regulatory approvals. Following the completion of the merger, Gary Carano will serve as Chief Executive Officer and Chairman of the Board of Directors of the merged entity and will resign from his position of Chief Executive Officer of Circus and Eldorado Joint Venture, LLC and President and Chief Executive Officer of Silver Legacy Capital Corp.