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, 2016

OR

☐ **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 ☐ 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 ☐ 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 ☐

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

Indicate by check mark 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	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the common stock held by non-affiliates of the Registrant was $455.6 million at June 30, 2016 based upon the closing price for the shares of ERI's common stock as reported by The Nasdaq Stock Market.

As of March 10, 2017, there were 47,120,000 outstanding shares of the Registrant's 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 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, 2016.

ELDORADO RESORTS, INC.
ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

Part I		
Item 1.	Business	1
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	26
Item 2.	Properties	27
Item 3.	Legal Proceedings	27
Item 4.	Mine Safety Disclosures	27
Part II		
Item 5.	Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities	28
Item 6.	Selected Financial Data	29
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	54
Item 8.	Financial Statements and Supplementary Data	55
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	55
Item 9A.	Controls and Procedures	55
Item 9B.	Other Information	58
Part III		
Item 10.	Directors, Executive Officers and Corporate Governance	59
Item 11.	Executive Compensation	59
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	59
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	59
Item 14.	Principal Accounting Fees and Services	59
Part IV		
Item 15.	Financial Statement Schedules	60
EXHIBITS		61
SIGNATURES		64
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF ELDORADO RESORTS, INC.		65

PART I

Item 1. Business.

Eldorado Resorts, Inc., a Nevada corporation, is referred to as the "Company," "ERI," or the "Registrant," and together with its subsidiaries may also be referred to as "we," "us" or "our."

Overview

We are a gaming and hospitality company that owns and operates gaming facilities located in Ohio, Louisiana, Nevada, Pennsylvania and West Virginia. Our primary source of revenue is generated by our gaming operations, but we use our hotels, restaurants, bars, entertainment, racing, retail shops and other services to attract customers to our properties. ERI is dedicated to providing exceptional guest service, a dynamic gaming product, award-winning dining, exciting entertainment and premier accommodations. We were founded in 1973 in Reno, Nevada as a family business by the Carano family and continue to maintain our commitment to customer service, high-quality dining 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 Reno ("Eldorado Reno")—A 814-room hotel, casino and entertainment facility connected via an enclosed skywalk to Silver Legacy and Circus Reno located in downtown Reno, Nevada;
- Silver Legacy Resort Casino ("Silver Legacy")—A 1,711-room themed hotel and casino connected via an enclosed skywalk to Eldorado Reno and Circus Reno;
- Circus Circus Reno ("Circus Reno")—A 1,571-room hotel-casino and entertainment complex connected via an enclosed skywalk to Eldorado Reno and Silver Legacy;
- 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;
- Mountaineer Casino, Racetrack & Resort ("Mountaineer")—A 354-room hotel, casino and entertainment facility and live thoroughbred horse racing located on the Ohio River at the northern tip of West Virginia's northwestern panhandle;
- Presque Isle Downs & Casino ("Presque Isle Downs")—A casino and live thoroughbred horse racing facility with slot machines, table games and poker located in Erie, Pennsylvania; and
- Eldorado Gaming Scioto Downs ("Scioto Downs")—A modern "racino" offering approximately 2,200 video lottery terminals ("VLT") and harness racing located 15 minutes from downtown 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.

Agreement to Acquire Isle of Capri Casinos, Inc.

On September 19, 2016, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Isle of Capri Casinos, Inc., a Delaware corporation ("Isle" or "Isle of Capri"), Eagle I Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company ("Merger Sub A"), and Eagle II Acquisition Company LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of the Company ("Merger Sub B"). The Merger Agreement provides for, among other things, (1) the merger of Merger Sub A with and into Isle, with Isle as the surviving entity (the "First Step Merger"), and (2) a subsequent merger whereby Isle will merge with and into Merger Sub B, with Merger Sub B as the surviving entity (the "Second Step Merger" and together with the First Step Merger, the "Mergers"). Isle's stockholders may elect to exchange each share of Isle common stock held by such stockholder, at the effective time of the First Step Merger, for either $23.00 in cash or 1.638 shares of Company common stock. Elections are subject to proration and reallocation such that the outstanding shares of Isle common stock will be exchanged for aggregate consideration comprised of 58% cash and 42% Company common stock. The consummation of the Mergers is subject to receipt of approval of applicable gaming authorities and other customary closing conditions, and is expected to be consummated in the second quarter of 2017. The waiting period under the Hart-Scott-Rodino Act ("HSR Act") terminated on October 21, 2016. The Company and Isle of Capri received approval of each of their respective stockholders on January 25, 2017 at separate special meetings of stockholders. The obligation of the Company to consummate the Mergers is subject to the absence of a material adverse effect on Isle and the obligation of Isle to consummate the Mergers is subject to the absence of a material adverse effect on the Company. The obligation of the Company to consummate the Mergers is not subject to a financing condition.

Additionally, the Merger Agreement contains certain termination rights for both the Company and Isle including, among others, a mutual termination right if the Mergers have not been consummated on or prior to June 19, 2017 (which may be extended for an additional 90 days by either the Company or Isle if all of the conditions precedent other than the receipt of required gaming approvals have been satisfied). Upon the termination of the Merger Agreement under certain circumstances, the Company or Isle may be required to pay a termination fee of $60.0 million or $30.0 million, respectively. The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement.

In connection with the execution of the Merger Agreement, on September 19, 2016, Recreational Enterprises, Inc. ("REI"), the Company and Isle entered into a voting agreement and GFIL Holdings, LLC ("GFIL"), the Company and Isle entered into a voting agreement pursuant to which, REI has agreed, among other things, to vote all of its shares of Company common stock in favor of the issuance of shares of Company common stock as stock consideration in the Mergers and GFIL has agreed, among other things, to vote all of its shares of Isle common stock in favor of the Mergers and adoption of the Merger Agreement.

Upon completion of the Mergers, the Company will add 12 additional properties to its portfolio after giving effect to the planned dispositions of Isle of Capri Casino Hotel Lake Charles and Lady Luck Casino Marquette. On August 22, 2016, Isle entered into an agreement to sell Isle of Capri Casino Hotel Lake Charles for aggregate consideration of $134.5 million, subject to certain adjustments. On October 13, 2016, Isle entered into an agreement to sell Lady Luck Casino Marquette for cash consideration of approximately $40.0 million, subject to certain adjustments.

In connection with entering into the Merger Agreement, on September 19, 2016, the Company entered into a debt financing commitment letter with JPMorgan Chase Bank, N.A. as modified by the five separate written joinders to the Commitment Letter entered into by ERI and JPMorgan Chase Bank, N.A. with each of Macquarie Capital Funding LLC, KeyBank, National Association, Capital One, National Association, SunTrust Bank and U.S. Bank National Association and certain affiliates of such parties (the "Commitment Letter"). The Commitment Letter provides for: (a) a senior secured credit facility in an aggregate principal amount of $1.75 billion comprised of (i) a term loan facility of up to $1.45 billion and (ii) a revolving credit facility of $300.0 million and (b) an amount equal to at least $375.0 million in gross proceeds from the issuance and sale by the Company of senior unsecured notes or, if the notes are not issued and sold on or prior to the date of the consummation of the Mergers, an amount equal to at least $375.0 million in senior unsecured bridge loans under a senior unsecured credit facility. The proceeds of such borrowings may be used (w) to pay consideration in the Mergers, (x) refinance all of Isle's existing credit facilities and senior and senior subordinated notes, (y) refinance the Company's existing credit facility and (z) pay transaction fees and expenses related to the foregoing. The availability of the borrowings is subject to the satisfaction of certain customary conditions.

History

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 "MTR Merger"). Effective upon the consummation of the MTR Merger on September 19, 2014 (the "MTR 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.

Prior to November 24, 2015 (the "Reno Acquisition Date"), Resorts owned a 48.1% interest in the joint venture (the "Silver Legacy Joint Venture") which owns Silver Legacy. On November 24, 2015, Resorts consummated the acquisition of all of the assets and properties of Circus Circus Reno and the 50% membership interest in the Silver Legacy Joint Venture owned by Galleon, Inc. (collectively, the "Circus Reno/Silver Legacy Purchase" or the "Reno Acquisition") pursuant to a Purchase and Sale Agreement, dated July 7, 2015 (the "Purchase Agreement"), entered into with Circus Circus Casinos, Inc. and Galleon, Inc., each an affiliate of MGM Resorts International, with respect to the acquisition. On the Reno Acquisition Date, Eldorado Resorts LLC also exercised its right to acquire the 3.8% interest in Eldorado Limited Liability Company ("ELLC") held by certain affiliates and stockholders of the Company. As a result of these transactions, ELLC and CC-Reno, LLC, a newly formed Nevada limited liability company, became wholly-owned subsidiaries of ERI, and Silver Legacy became an indirect wholly-owned subsidiary of ERI.

Business Strengths and Strategy

Personal service and high quality amenities

We focus on customer satisfaction and delivering superior guest experiences. We seek to provide our customers with an extraordinary level of personal service and popular gaming, dining and entertainment experiences designed to exceed customer expectations in a clean, safe, friendly and fun environment. Our senior management is actively involved in the daily operations of our properties, frequently interacting with gaming, hotel and restaurant patrons to ensure that they are receiving the highest level of personal attention. Management believes that personal service is an integral part of fostering customer loyalty and generating repeat business. We continually monitor our casino operations to react to changing market conditions and customer demands. We target both premium-play and value-conscious gaming patrons with differentiated offerings at our state-of-the-art casinos, which feature the latest in game technology, innovative bonus options, dynamic signage, customer-convenient features and non-gaming amenities at a reasonable value and price point.

Diversified portfolio across markets and customer segments

We are geographically diversified across the United States, with no single property accounting for more than 19% of our net revenues for the year ended December 31, 2016. Our customer pool draws from a diversified base of both local and out-of-town patrons. For example, approximately 20% of our customer base at Eldorado Reno is local, while 80% visit from out-of-town and utilize our hotel, restaurants and other amenities for a full-service gaming experience. We have also initiated changes to our marketing strategy to reach more potential customers through targeted direct mailings and electronic marketing. We believe we have assembled a platform on which we can continue to grow and provide a differentiated customer experience.

Management team with deep gaming industry experience and strong local relationships

We have an experienced management team that includes, among others, Gary Carano, our Chief Executive Officer and the Chairman of the Board, who has more than thirty years of experience in the gaming and hotel industry. Mr. Carano was the driving force behind ERI's development and operations in Nevada and Louisiana and ERI's acquisition of MTR Gaming and Circus Reno. In addition to Gary Carano, our senior executives have significant experience in the gaming and finance industries. Our extensive management experience and unwavering commitment to our team members, guests and equity holders have been the primary drivers of our strategic goals and success. We take pride in our reinvestment in our properties and the communities we support along with emphasizing our family-style approach in an effort to build loyalty among our team members and guests. We will continue to focus on the future growth and diversification of our company while maintaining our core values and striving for operational excellence.

Properties

As of December 31, 2016, we owned and operated approximately 503,000 square feet of casino space with approximately 9,750 slot machines and VLTs, 290 table and poker games, 45 restaurants and 4,900 hotel rooms.

For financial reporting purposes, we aggregate our properties into three reportable business segments: (i) Nevada, (ii) Louisiana and (iii) Eastern. For further financial information related to our segments as of and for the three years ended December 31, 2016, see Note 18, *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 as of and for the year ended December 31, 2016:

	Year Opened	Year Acquired	Slot Machines and VLTs	Table and Poker Games	Hotel Rooms	Hotel Occupancy	Average Daily Rate
Nevada							
Eldorado Reno	1973	N/A	1,142	57	814	73.1%	$ 93.42
Silver Legacy (1)	1995	2015	1,212	63	1,711	60.6%	$ 97.62
Circus Reno	1978	2015	695	27	1,571	50.0%	$ 78.60
Louisiana							
Eldorado Shreveport	2000	2005	1,387	60	403	90.8%	$ 62.65
Eastern							
Mountaineer	1992	2014	1,510	46	354	79.3%	$ 48.80
Presque Isle Downs	2007	2014	1,594	39	N/A	N/A	N/A
Scioto Downs	2012	2014	2,206	N/A	N/A	N/A	N/A

(1) Silver Legacy opened in 1995 and was a 50/50 joint venture between Resorts and MGM Resorts International until we acquired the remaining 50% interest in 2015.

Nevada

The Eldorado Reno, Silver Legacy and Circus Reno properties, (the “Reno Tri-Properties”) are connected in a “seamless” manner by enclosed, climate controlled skywalks. These enclosed skywalks serve as entertainment bridge ways between the three properties and house slot machines, restaurants and retail shops. The Reno Tri-Properties 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, 23 restaurants and enough parking to accommodate approximately 6,100 vehicles, and as of December 31, 2016, approximately 3,000 slot machines and 150 table and poker games. We believe that the centralized location and critical mass of these three properties, together with the ease of access between the facilities, provide significant advantages over other freestanding hotel/casinos in the Reno market.

In September 2016, the Company announced that it plans to invest more than $50.0 million in facility enhancements to Eldorado Reno, Silver Legacy and Circus Reno. Eldorado’s master plan for the three connected properties, which span eight city blocks in downtown Reno, will be phased over three years, and commenced in the fourth quarter of 2016.

Reno 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, along with nearby Lake Tahoe, is a destination market that attracts year-round visitation by offering gaming, numerous summer and winter recreational activities and popular special events. Consequently, we believe that our success is influenced to some degree by the Lake Tahoe market. We believe that approximately two-thirds of visitors to the Reno market arrive by some form of ground transportation. Popular special events include the United States Bowling Congress Men’s and Open Championship bowling tournaments, National Championship Air Races, a PGA tour event, Street Vibrations, a motorcycle event, and Hot August Nights, a vintage car event. Based on information reported by the Nevada State Gaming Control Board, gaming revenues for the Reno/Sparks gaming markets were $723.3 million, $694.0 million and $671.6 million in 2016, 2015 and 2014, respectively.

Eldorado Reno

We own and operate the Eldorado Reno, an 814-room premier hotel, casino and entertainment facility. 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. We believe the attention to detail, décor and architecture have created an identifiable and innovative presence in the Reno market for Eldorado Reno. Eldorado Reno is centrally located in downtown Reno, Nevada.

Eldorado Reno currently offers:

- Approximately 76,500 square feet of gaming space, with approximately 1,100 slot machines and 57 table and poker 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;
- Ten restaurants, including the recently opened Hidden Pizza, featuring nationally-recognized cuisine which ranges from buffet to gourmet, with an aggregate seating capacity of more than 1,400;
- An approximately 560-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 an approximately 640-space self-park garage, a 120-space surface parking lot and a 350-space valet parking facility.

Silver Legacy

Silver Legacy, formerly a joint venture between Resorts and MGM Resorts International (the "Silver Legacy Joint Venture") is the tallest building in northern Nevada 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. The Silver Legacy is centrally located in downtown Reno, Nevada.

Silver Legacy features:

- Approximately 89,200 square feet of gaming space, with approximately 1,200 slot machines and 63 table games;
- 1,711 finely-appointed guest rooms, including 141 player spa suites, eight penthouse suites and seven hospitality suites;
- Eight restaurants, which have an aggregate seating capacity of more than 1,000, offering award winning dining cuisine; and
- Retail shops, exercise and spa facilities, a beauty salon and an outdoor swimming pool and sundeck and a parking garage which can accommodate approximately 1,800 vehicles.

Circus Reno

Circus Reno is an iconic, circus-themed hotel-casino and entertainment complex with two hotel towers. It is conveniently located as the first casino directly off of Interstate 80 when entering downtown Reno, Nevada.

Circus Reno currently offers:

- Approximately 55,000 square feet of gaming space, with approximately 700 slot machines and 27 table games;
- 1,571 hotel rooms, including 67 mini suites, four executive suites and four VIP suites;
- 3,200 parking spaces including a surface lot and two garages;
- Six restaurants featuring a variety of cuisines; and
- A midway featuring a total of 157 games, live circus acts, an arcade and a full service wedding chapel with reception services for groups of 25 or more.

Louisiana

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. There are currently six casinos and a racino operating in the Shreveport/Bossier City market in Louisiana and based on information published by the state of Louisiana, the Shreveport/Bossier City market generated $688.7 million, $732.5 million, and $736.1 million in gaming revenues in 2016, 2015 and 2014, respectively.

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 purpose-built 80,634-square foot barge that houses approximately 59,000 square feet of gaming space, offering approximately 1,400 slots, 52 table games and a poker room with eight tables;
- Numerous restaurants and entertainment amenities, including a gourmet steakhouse, 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;
- 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.

Eastern

Mountaineer

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's market is comprised of nine casinos, including our Presque Isle Downs property, in West Virginia, Ohio and Pennsylvania. Based on information published by these states, this market generated $1.6 billion, $1.6 billion, and $1.5 billion in gaming revenues in 2016, 2015 and 2014, respectively.

Mountaineer is a diverse gaming, entertainment and convention complex with:

- 79,380 square feet of gaming space housing approximately 1,500 slot machines, 36 casino table games (including blackjack, craps, roulette and other games), and 10 poker tables and an outdoor smoking patio;
- 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 and a golf course;
- 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;
- A 69,000 square foot theater and events center that seats approximately 5,000 patrons for concerts and other entertainment offerings; and
- Surface parking for approximately 5,300 vehicles.

Presque Isle Downs

Presque Isle Downs located in Erie, Pennsylvania, opened for business in 2007 and commenced table gaming operations in 2010. Presque Isle Downs' market is comprised of nine casinos, including Mountaineer, in West Virginia, Ohio and Pennsylvania. Based on information published by these states, this market generated $1.6 billion, $1.6 billion, and $1.5 billion in gaming revenues in 2016, 2015 and 2014, respectively. The 153,400 square foot facility consists of:

- 61,400 square feet of gaming space housing approximately 1,600 slot machines, 32 casino table games and a seven 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 synthetic racing surface with grandstand, barns, paddock and related facilities, and indoor and outdoor seating for approximately 750 patrons;
- Five restaurants, including *The Brew Brothers*, a new microbrewery and restaurant which opened in May 2016, a steakhouse, buffet and 300 seat clubhouse overlooking the racetrack;
- 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.

Scioto Downs

Scioto Downs is located in the heart of Central Ohio, off Highway 23/South High Street, approximately eight miles from downtown Columbus. The Columbus market generated $300.0 million, $290.4 million and $275.9 million in slot revenues in 2016, 2015 and 2014, respectively.

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 and is one of only two licensed gaming facilities in the Columbus area.

In October 2015, the Company entered into a joint venture with Vista Host, Inc. to develop a new 118-room Hampton Inn & Suites hotel that will be attached to Scioto Downs. Construction of the new hotel began in November 2015 and is planned to open in March 2017. Scioto Downs is located on a 208 acre site strategically designed for future expansion, including table games, additional parking capacity and retail development.

Scioto Downs currently offers:

- 83,000 square feet of gaming space housing approximately 2,200 VLTs (with the ability to install up to 2,500 VLTs), including two outdoor smoking patios;
- *The Brew Brothers*, a new microbrewery and restaurant which opened in October 2015 and seats approximately 230 offering live entertainment;
- Six full service bars and six restaurants ranging from fine dining to a buffet;
- 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 8,000 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.

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.

Nevada. Of the 30 casinos currently operating in the Reno market, we believe we compete principally with four other hotel-casinos that 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. 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. 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. The State of California has signed and ratified compacts with Native American tribes, 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.

We believe 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.

Louisiana. The Shreveport/Bossier City, Louisiana gaming market is characterized by intense competition. 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 Louisiana Downs 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 may have a negative 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 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 and would face significant competition that may have a negative effect on our business and results of operations if casino gaming were to be approved in Texas.

Eastern. 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.

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, 2016, there were a total of approximately 1,000 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 market.

Scioto Downs competes with one other property in the Columbus, Ohio, market, Hollywood Casino, which offers both VLTs and table games.

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. 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.

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 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 the Eastern properties. 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, 2016, we had approximately 7,400 employees. As of such date, we had 11 collective bargaining agreements covering approximately 900 employees. No collective bargaining agreements covering sizable numbers of our employees are scheduled to expire in 2017.

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;
- 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;
- Changes 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.”

Additionally, the Isle Acquisition and the related Merger Agreement and provisions therein, will create additional risks, uncertainties and other important factors including but not limited to:

- Our ability to consummate the Isle Acquisition on the timeline that we expect, or at all;
- Limitations placed on the ability of ERI to operate its business in accordance with the terms of the Merger Agreement;
- The potential impact of the announcement or consummation of the proposed transactions on the Company’s relationships with third parties, which may make it more difficult to maintain business and operational relationships;
- The receipt of regulatory approvals;
- The ability to satisfy other conditions to the closing of the Mergers for any other reason;
- The availability of financing necessary to pay the cash consideration in the Mergers and refinance Isle’s outstanding indebtedness on terms that are satisfactory to us or at all;
- Changes in or developments with respect to any litigation or investigation;
- The risk that each of ERI’s and Isle’s executive officers and directors have financial interests in the Mergers that may be different from, or in addition to, the interests of ERI stockholders and Isle stockholders;
- The potential that failure to consummate the Mergers could negatively impact the stock price and the future business and financial results of ERI;
- The ability to successfully integrate ERI’s and Isle’s operations, technologies and employees;
- The ability to realize growth opportunities and cost synergies from the proposed Mergers in a timely manner or at all;
- Diversion of management time from ERI’s ongoing operations;
- The incurrence of significant transaction and merger-related costs; and
- The substantial amount of debt expected to be incurred in connection with the proposed Mergers and ERI’s ability to repay or refinance it, incur additional debt in the future or obtain a certain debt coverage ratio.

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.

Risk Factors Relating to our Operations

Our business is sensitive to reductions in discretionary consumer spending as a result of downturns in the economy and other factors outside our control

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 a negative impact on our results of operations in the past and could negatively impact our results of operations in the future. Increases in gasoline prices, including increases prompted by global political and economic instabilities, can adversely affect our operations because most of our patrons travel to our properties by car or on airlines that may pass on increases in fuel costs to passengers in the form of higher ticket prices. In addition, 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. Economic downturns, geopolitical events and other related factors which impact discretionary consumer spending and other economic activities have had direct effects on our business and the tourism industry in the past. We cannot be sure how these factors will 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 racing tracks and casinos located on Native American reservations and other forms of legalized gaming. We also compete, to a lesser extent, with other forms of legalized gaming and entertainment such as online computer gambling, bingo, pull tab games, card parlors, sports books, fantasy sports websites, "cruise-to-nowhere" operations, pari-mutuel or telephonic betting on horse racing and dog racing, state-sponsored lotteries, jai-alai, and, in the future, may compete with gaming at other venues. In addition, we compete more generally with other forms of entertainment for the discretionary spending of our customers.

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 our operations could increase competition and could adversely affect our operations. There has been 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 in prior years. 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 could have a material adverse effect on Eldorado Shreveport. 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 the Nevada properties, a number of Native American tribes have established large-scale gaming facilities in California. In addition, various forms of internet gaming have been approved in Nevada, New Jersey and Delaware, 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 in which we operate. There has been 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 in prior years. 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 may have a negative 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 the Nevada properties, a number of Native American tribes have established large-scale gaming facilities in California. 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 commenced operations in recent years 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 negatively affected.

We are 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

Licensing Requirements. 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 became effective July 1, 2015. The Regulation bans smoking in public places in Hancock County including at Mountaineer. To comply with the Regulation upon its effective date, Mountaineer built a 9,300 square foot smoking pavilion which opened on July 1, 2015 and currently houses 322 slot machines and four table games. Notwithstanding our efforts to mitigate the impact of the smoking ban, the Regulation has had a negative impact on our business and results of operations at Mountaineer. We expect that the Regulation will continue to, and any similar regulations enacted in the future may, negatively impact our business and results of operations and such impact would be material.

Gaming authorities with jurisdiction over our operations 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 they have 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 approvals that are required for us to continue our gaming operations in the relevant jurisdictions, if such unsuitable person does not timely sell our securities.

Our officers, directors, and key employees are also 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.

Compliance with Other Laws. We are also subject to a variety of other federal, state and local laws, rules, regulations and ordinances that apply to non-gaming businesses, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. Under various federal, state and local laws and regulations, an owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances or wastes located on its property, regardless of whether or not the present owner or operator knows of, or is responsible for, the presence of such substances or wastes. We have not identified any issues associated with our properties that could reasonably be expected to have a material adverse effect on us or the results of our operations. However, several of our properties are located in industrial areas or were used for industrial purposes for many years. As a consequence, it is possible that historical or neighboring activities have affected one or more of our properties and that, as a result, environmental issues could arise in the future, the precise nature of which we cannot now predict. The coverage and attendant compliance costs associated with these laws, regulations and ordinances may result in future additional costs.

Regulations adopted by FINCEN require us to report currency transactions in excess of $10,000 occurring within a gaming day, including identification of the patron by name and social security number. U.S. Treasury Department regulations also require us to report certain suspicious activity, including any transaction that exceeds $5,000, if we know, suspect or have reason to believe that the transaction involves funds from illegal activity or is designed to evade federal regulations or reporting requirements. Substantial penalties can be imposed if we fail to comply with these regulations. FINCEN has recently increased its focus on gaming companies.

We are required to report certain customer’s gambling winnings via form W-2G to comply with current Internal Revenue Service regulations. Should these regulations change, we would expect to incur additional costs to comply with the revised reporting requirements.

A new rule implemented by the U.S. Department of Labor (“DOL”), which was expected to become effective December 1, 2016, provides that certain exempt salaried employees making below $47,476 annually will be eligible for overtime. We expect to incur additional costs associated with complying with this revised rule. In November 2016, a U.S. District Court of the Eastern District of Texas issued a preliminary injunction enjoining the implementation of the DOL rule.

Taxation and Fees. 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.

We rely on our key personnel and we may face difficulties in attracting and retaining qualified employees for our casinos and race tracks

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. 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.

In addition, 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 our markets. In addition to limitations that may otherwise exist in the supply of skilled labor, the continued expansion of gaming near our facilities, 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.

Our operations in certain jurisdictions depend on agreements with third parties

Our operations in several jurisdictions depend on agreements with third parties. If we are unable to renew these agreements on satisfactory terms as they expire, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations.

For example, 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

We lease certain parcels of land on which several of our properties are located, including a portion of the parcel on which Eldorado Reno is located, the land on which Eldorado Shreveport is built and a portion of the property on which Circus Reno is located. As a ground lessee, we have the right to use the leased land; however, we do not hold fee ownership in the underlying land. Accordingly, with respect to the leased land, we will have no interest in the land or improvements thereon at the expiration of the ground leases. Moreover, since we do not completely control the land underlying the property, a landowner could take certain actions to disrupt our rights in the land leased under the long-term leases which are beyond our control. If the entity owning any leased land chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. If we were to default on any one or more of these leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected land and any improvements on the land, including the hotels and casinos. This would have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities and may result in the default under the agreements governing our indebtedness.

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, other natural disaster or act of terrorism 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 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. Further, we renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from coverage. Among other factors, it is possible that regional political tensions, homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce its policy limits), additional exclusions from coverage or higher deductibles. Among other potential future adverse changes, in the future we may elect to not, or may not be able to, obtain any coverage for losses due to acts of terrorism.

We are subject to risks relating to mechanical failure, forces of nature, casualty, extraordinary maintenance and other causes

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. Our information and processes are subject to the ever-changing threat of compromised security in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third-party vendors. The steps we take to deter and mitigate these risks may not be successful, and any resulting compromise or loss of data or systems could adversely impact operations or regulatory compliance and could result in remedial expenses, fines, litigation, and loss of reputation, potentially impacting our financial results.

In addition, third-party service providers and other business partners process and maintain proprietary business information and data related to our guests, suppliers and other business partners. Our information technology and other systems that maintain and transmit this information, or those of service providers or business partners, may also be compromised by a malicious third-party penetration of its network security or that of a third-party service provider or business partner, or impacted by intentional or unintentional actions or inactions by its employees or those of a third-party service provider or business partner. As a result, our business information, guest, supplier, and other business partner data may be lost, disclosed, accessed or taken without their consent.

Any such loss, disclosure or misappropriation of, or access to, guests' or business partners' information or other breach of our information security can result in legal claims or legal proceedings, including regulatory investigations and actions, may have a serious impact on our reputation and may adversely affect its businesses, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of our business information may adversely affect our reputation, businesses, operating results and financial condition.

Our operations have historically been subject to seasonal variations and quarterly fluctuations in operating results, and we can expect to experience such variations and fluctuations in the future

Historically, our operations have typically been subject to seasonal variations. Our strongest operating results for our Reno properties 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. Winter conditions can frequently adversely affect transportation routes to Reno, where approximately two-thirds of our visitors arrive by ground transportation and certain of our other properties and cause cancellations of live horse racing. In particular, since January 1, 2017, the Reno-Tahoe area has experienced exceptionally high levels of snowfall in the first quarter of 2017, with certain resorts in the Tahoe area reporting over 50 feet of snowfall during such time, which has adversely affected visitation to our Reno properties and may adversely affect our results of operations for the first quarter. As a result, unfavorable seasonal conditions could have a material adverse effect on our operations.

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.

The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us

There are a limited number of slot machine manufacturers servicing the gaming industry and a large majority of our revenues are derived from slot machines at our casinos. It is important, for competitive reasons, that we offer the most popular and up-to-date slot machine games with the latest technology to customers.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participating lease arrangements. Generally, a participating lease is substantially more expensive over the long-term than the cost to purchase a new slot machine.

For competitive reasons, we may be forced to purchase new slot machines, slot machine systems, or enter into participating lease arrangements that are more expensive than our current costs associated with the continued operation of its existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participating lease costs, it could adversely affect profitability.

We materially rely on a variety of hardware and software products to maximize revenue and efficiency in our operations. Technology in the gaming industry is developing rapidly, and we may need to invest substantial amounts to acquire the most current gaming and hotel technology and equipment in order to remain competitive in the markets in which we operate. Ensuring the successful implementation and maintenance of any new technology acquired is an additional risk.

We may experience construction delays or cost overruns during its expansion or development projects that could adversely affect our operations

From time to time, we may commence construction projects on new properties or at our current properties. We also evaluate other expansion opportunities as they become available and may in the future engage in additional construction projects. The anticipated costs and construction periods for construction projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by us in consultation with its architects. Construction projects entail significant risks, which can substantially increase costs or delay completion of a project. Such risks include shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference and unanticipated cost increases. Most of these factors are beyond our control. In addition, difficulties or delays in obtaining any of the requisite licenses, permits or authorizations from regulatory authorities can increase the cost or delay the completion of an expansion or development. Significant budget overruns or delays with respect to expansion and development projects could adversely affect our results of operations.

Risk Factors Relating to the Isle of Capri Acquisition

The Merger Agreement subjects the Company to restrictions on its business activities during the pendency of the Mergers.

The Merger Agreement subjects the Company to restrictions on its business activities and obligates the Company to generally operate its businesses in the ordinary course in all material respects during the pendency of the Mergers. These restrictions could prevent the Company from pursuing attractive business opportunities that arise prior to the completion of the Mergers and are outside the ordinary course of business, and could otherwise have an adverse effect on ERI’s and Isle’s results of operations, cash flows and financial position.

Delay or failure to complete the Mergers would prevent the Company from realizing the anticipated benefits of the Mergers and each company would also remain liable for significant transaction costs, including legal, accounting and financial advisory fees.

Any delay in completing the Mergers may reduce the synergies and other benefits anticipated by the Company if it successfully completes the Mergers within the expected timeframe and integrates the businesses of the Company and Isle. In addition, the market price of each company’s common stock may reflect various market assumptions as to whether and when the Mergers will be completed. Consequently, the completion of, the failure to complete, or any delay in the completion of the Mergers could result in significant changes in the market price of the Company’s common stock. In addition, the Company has incurred and will continue to incur significant costs relating to the Mergers, such as legal, accounting, financial advisor and printing fees that will be required to be paid whether or not the Mergers are consummated. Further, the Company may be required to pay a termination fee depending on the circumstances surrounding the termination.

Whether or not the Mergers are completed, the pendency of the transaction could cause disruptions in the businesses of the Company, which could have an adverse effect on its businesses and financial results.

These disruptions could include the following:

- current and prospective employees of the Company may experience uncertainty about their future roles with the combined company or consider other employment alternatives, which might adversely affect the Company's ability to retain or attract key managers and other employees;
- current and prospective customers of the Company may anticipate changes in how they are served or the benefits offered by the Company's loyalty reward program and may, as a result, choose to discontinue their patronage of the Company; and
- the attention of management of the Company may be diverted from the operation of its business.

Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the Mergers and may significantly reduce the benefits anticipated to be realized from the Mergers or could adversely affect the market price of the Company or its future business and financial results.

Completion of the Mergers is subject to various closing conditions, including (a) Isle's stockholders adopting the Merger Agreement, (b) ERI's stockholders approving the issuance of ERI shares as consideration in the Mergers, (c) the approval or expiration or termination of any applicable waiting period under the HSR Act, (d) obtaining certain gaming approvals to the standards set forth in the Merger Agreement and (e) each of Isle and ERI's receipt of a tax opinion to the effect that the Mergers will be treated as a "reorganization" within the meaning of Section 368(a) of the Code. If such conditions are not satisfied, the Mergers will not be consummated unless such conditions are validly waived. Such conditions may jeopardize or delay completion of the Mergers or may reduce the anticipated benefits of the Mergers. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to closing will be satisfied. Even if all such consents and approvals are obtained, no assurance can be given as to the terms, conditions and timing of the consents and approvals or that they will satisfy the terms of the Merger Agreement. On October 21, 2016, the waiting period under the HSR Act was terminated early by the Federal Trade Commission. The Company and Isle of Capri received approval adopting the Merger Agreement of each of their respective stockholders on January 25, 2017 at separate special meetings of stockholders.

The Mergers are subject to the receipt of approvals, consents or clearances that may impose conditions that could have an adverse effect on ERI or, if not obtained, could prevent completion of the transactions.

Completion of the Mergers is conditioned upon the receipt of certain governmental approvals, including, without limitation, antitrust and gaming regulatory approvals. Although each party has agreed to use its respective reasonable best efforts to obtain the requisite governmental approvals, there can be no assurance that these approvals will be obtained and that the other conditions to completing the Mergers will be satisfied. In addition, the governmental authorities from which the regulatory approvals are required may impose conditions on the completion of the Mergers or require changes to the terms of the Merger Agreement or other agreements to be entered into in connection with the Merger Agreement. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying or impeding consummation of the Mergers or of imposing additional costs or limitations on ERI or Isle following completion of the Mergers, any of which might have an adverse effect on ERI or Isle.

Gaming regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

ERI and Isle must obtain approval of the Mergers, which approvals must be duly obtained without the imposition of material restrictions or conditions and be in full force and effect, from a variety of gaming regulatory authorities. These approvals may not be received at all, may not be received in a timely fashion, and/or may contain conditions on the completion of the Mergers. In addition, these regulatory bodies may impose conditions on the granting of such approvals. Such conditions and the process of obtaining regulatory approvals could have the effect of delaying completion of the Mergers or of imposing additional costs or limitations on ERI following the Mergers.

If the financing contemplated by the Commitment Letter is not available, or alternative financing cannot be secured, the Mergers may not be completed and ERI may be required to pay a termination fee to Isle.

ERI intends to finance the cash required in connection with the Mergers, including expenses in connection with the Mergers, with debt financing in accordance with the terms of the Commitment Letter. The Commitment Letter provides for (a) a senior secured credit facility in an aggregate principal amount of $1.75 billion comprised of (i) a term loan facility of up to $1.45 billion and (ii) a revolving credit facility of $300.0 million and (b) an amount equal to at least $375.0 million in gross proceeds from the issuance and sale by ERI of senior unsecured notes or, if the notes are not issued and sold on or prior to the date of the consummation of the Mergers, an amount equal to at least $375.0 million in senior unsecured bridge loans under a senior unsecured credit facility. In the event some or all of the financing contemplated by the Commitment Letter is not available, ERI is obligated to use its reasonable best efforts to obtain alternative financing from alternative institutions in an amount sufficient to enable ERI to consummate the Mergers, refinance the outstanding indebtedness of Isle described in the prior paragraph and pay all fees and expenses of Isle in connection with the Mergers and the other transactions contemplated by the Merger Agreement. If financing cannot be obtained, the Mergers may not be completed. If ERI is unable to obtain funding from its financing sources for the cash required in connection with the Mergers, and Isle is otherwise ready, willing and able to close the Mergers, ERI may be liable to Isle for a financing failure fee of $60.0 million or may be compelled to specifically perform its obligations to consummate the transaction.

Litigation challenging the Mergers could delay or prevent the completion of the Mergers.

One of the conditions to the Mergers is that no temporary restraining order, preliminary or permanent injunction, or other judgment, order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Mergers will be in effect; nor will there be any law, statute, ordinance, rule, regulation, order, policy, guideline or agency requirement enacted, entered, promulgated, enforced or deemed applicable by any governmental entity that prohibits or makes illegal the consummation of the Mergers. In connection with the Mergers, two class action lawsuits were filed by purported ERI stockholders alleging breach of fiduciary duty by the ERI board of directors in connection with the Mergers, one of which was dismissed. The pending lawsuit alleges, among other things, breach of fiduciary duty in failing to disclose all material information to ERI stockholders in seeking approval of the issuance of ERI shares in the Mergers and requests injunctive relief and an award of costs incurred by the plaintiffs in the actions. There can be no assurance that additional claims will not be filed by stockholders of ERI or Isle seeking damages relating to, or otherwise challenging, the Mergers. If the plaintiffs in any such action secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting ERI's and Isle's ability to consummate the Mergers, then such injunctive or other relief may prevent the Mergers from becoming effective within the expected time frame or at all. If consummation of the Mergers is prevented or delayed, it could result in substantial costs to ERI and Isle. In addition, ERI and Isle could incur significant costs in connection with such lawsuits, including costs associated with the indemnification of ERI and Isle's directors and officers.

The integration of ERI and Isle following the Mergers may present significant challenges and impair ERI's ability to realize the anticipated benefits of the Mergers in the anticipated time frame or at all.

ERI's ability to realize the anticipated benefits of the Mergers will depend, to a large extent, on ERI's ability to integrate Isle's business into ERI in the anticipated time frame or at all. ERI may face significant challenges in combining Isle's operations into its operations in a timely and efficient manner. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, ERI will be required to devote significant management attention and resources to integrating the business practices and operations of Isle into those of ERI. The integration process may disrupt the business and, if implemented ineffectively or inefficiently, would preclude realization of the full benefits expected by ERI and Isle. The failure to successfully integrate Isle into ERI and to manage the challenges presented by the integration process successfully may result in an interruption of, or loss of momentum in, the business of ERI or Isle, which may have the effect of depressing the market price of ERI common stock following the Effective Time (as defined in the Merger Agreement).

ERI may be unable to realize anticipated cost synergies or may incur additional costs.

ERI expects to realize cost synergies from combining the sales and general and administrative functions of Isle and ERI. However, ERI will be required to incur costs, including severance and related expenses, to realize the anticipated cost savings. While ERI's management believes the combined entity will benefit from cost synergies, ERI may be unable to realize all of these cost synergies within the time frame expected or at all. In addition, ERI may incur additional or unexpected costs in order to realize these cost synergies.

The Mergers may not be accretive and may cause dilution to the combined company's earnings per share, which may negatively affect the price of the common stock of the combined company following completion of the Mergers.

ERI currently anticipates that the Mergers will be accretive to the earnings per share of the combined company in 2017. This expectation is based on preliminary estimates and assumes certain synergies expected to be realized by the combined company over a 12-month period following the completion of the Mergers and the previously announced dispositions of Isle of Capri Casino Hotel Lake Charles and Lady Luck Casino Marquette. Such estimates and assumptions could materially change due to additional transaction-related costs, delays in regulatory approvals, the failure to realize any or all of the benefits expected in the Mergers or other factors beyond the control of ERI. All of these factors could delay, decrease or eliminate the expected accretive effect of the Mergers and cause resulting dilution to the combined company's earnings per share or to the price of the common stock of the combined company.

Unanticipated costs relating to the Mergers could reduce ERI's future earnings per share.

We believe that we have reasonably estimated the likely incremental costs of the combined operations of ERI and Isle following the Mergers. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as unanticipated costs to integrate the two businesses, increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of ERI following the Mergers. In addition, if actual costs are materially different than expected costs, the Mergers could have a significant dilutive effect on ERI's earnings per share.

ERI will have a substantial amount of debt outstanding following the Mergers.

ERI expects that it will have approximately $2.2 billion of debt outstanding following the completion of the Mergers and related transactions. In addition, ERI expects that it will have the ability to incur additional debt under its $300.0 million revolving credit facility and may be required to incur additional indebtedness to finance the cash portion of the merger consideration if the sale of Isle of Capri Casino Hotel Lake Charles and/or the sale of Lady Luck Casino Marquette is not consummated prior to the closing of the Mergers. As a result of the increased levels of outstanding indebtedness following the Mergers, future interest expense and debt service obligations will be significantly higher than historic interest expense and the risks associated with its outstanding indebtedness will be intensified. Delay or failure to consummate the sale of the Isle of Capri Casino Hotel Lake Charles or the Lady Luck Casino Marquette may require ERI to incur additional debt to repay outstanding indebtedness of Isle or otherwise adversely impact the financial condition of the combined company.

On August 22, 2016, Isle entered into an agreement to sell Isle of Capri Casino Hotel Lake Charles for aggregate consideration of $134.5 million, subject to certain adjustments. On October 13, 2016, Isle entered into an agreement to sell Lady Luck Casino Marquette for cash consideration of approximately $40.0 million, subject to certain adjustments. The consummation of each transaction is subject to satisfaction of customary conditions, including receipt of regulatory approval, the accuracy of the representations and warranties, compliance with covenants, delivery of certain closing deliverables and the absence of any governmental order or action seeking to prohibit the consummation of the transaction. Although Isle expects the sale of Isle of Capri Casino Hotel Lake Charles to be consummated in Isle's early fiscal 2018, there can be no assurance as to the timing of the closing of either sale or that the closings will occur on the terms set forth in the purchase agreements relating to the sales, or at all. In the event that the closing of either sale is delayed or does not occur, ERI may be required to incur additional indebtedness to repay debt outstanding under Isle's credit agreement or outstanding notes, which could adversely impact the financial condition of the combined company.

Risks Related to ERI's Capital Structure and Equity Ownership

We have significant indebtedness

As of December 31, 2016, we and our restricted subsidiaries had $822.6 million of total indebtedness outstanding consisting of $375.0 million in aggregate principal amount of outstanding 7.0% senior notes due 2023 ("Senior Notes"), our $425.0 million term loan (the "Term Loan") and amounts outstanding under our $150.0 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan, the "Credit Facility"). We expect to incur approximately $1.8 billion of additional debt in order to complete the Mergers and related transactions. In addition, as of December 31, 2016 we had the ability to incur approximately $121.0 million of additional debt under our Revolving Credit Facility and we expect that we will have the ability to incur additional debt under the $300.0 million revolving credit facility that we expect to enter into in connection with the Mergers. Further, we may be required to incur additional indebtedness to finance the cash portion of the merger consideration if the sale of Isle of Capri Casino Hotel Lake Charles and/or the sale of Lady Luck Casino Marquette is not consummated prior to the closing of the Mergers. 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 our businesses and the markets in which we operate;
- 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;
- restricting our and our wholly-owned subsidiaries ability to make dividend payments and other payments;
- 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 our 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.

We and our subsidiaries expect to incur substantial additional indebtedness in connection with the Isle Acquisition and may incur significant indebtedness in addition to the debt that we expect to incur in connection with the Isle Acquisition. Incurring more indebtedness could increase the risks associated with our substantial indebtedness

We and our subsidiaries may incur substantial additional indebtedness in the future. As of December 31, 2016, we had $121.0 million of borrowing availability under our Credit Facility and we had commitments for $1.75 billion of additional indebtedness that we expect to incur in connection with the Isle Acquisition. Our existing debt agreements currently permit, and we expect that agreements governing debt that we incur in the future will permit, us to incur certain other additional secured and unsecured debt. Further, we may incur other liabilities that do not constitute indebtedness. The risks that we face based on our outstanding indebtedness may intensify if we incur additional indebtedness in the future, including as a result of the consummation of the Isle Acquisition.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Additionally, the agreements governing our existing debt limit, and the agreements governing debt that we incur in the future, including debt incurred in connection with the Isle Acquisition, are expected to limit, the use of the proceeds from any disposition; as a result, we may not be allowed, under these documents, to use proceeds from such dispositions to satisfy all current debt service obligations.

The agreements governing our debt impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities

The agreements governing our existing debt impose significant operating and financial restrictions on us and we expect that agreements governing debt that we incur in the future, including debt incurred in connection with the Isle Acquisition, are expected to impose similar restrictions. These restrictions limit our ability, among other things, to:

- incur additional debt;
- create liens or other encumbrances;
- pay dividends or make other restricted payments;
- 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.

In addition, the credit agreement governing the Credit Facility contains certain financial covenants, including minimum interest coverage ratio and maximum total leverage ratio covenants, and we expect that the credit agreement that we enter into in connection with the Isle Acquisition will contain similar financial covenants.

As a result of these covenants and restrictions, we are limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The restrictions caused by such covenants could also place us at a competitive disadvantage to less leveraged competitors.

A failure to comply with the covenants contained in the agreements governing our existing or future indebtedness could result in an event of default, which, if not cured or waived, could result in the acceleration of the indebtedness and have a material adverse effect on our business, financial condition and results of operations. If our indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. Moreover, in the event that such indebtedness is accelerated, there can be no assurance that we will be able to refinance it on acceptable terms, or at all.

We are a holding company and will depend on our subsidiaries for dividends, distributions and repayment of our indebtedness

We are structured as a holding company, a legal entity separate and distinct from its subsidiaries. Our only significant asset is the capital stock or other equity interests of our operating subsidiaries. As a holding company, we conduct all of our business through our subsidiaries. Consequently, our principal source of cash flow will be dividends and distributions from our subsidiaries. If our subsidiaries are unable to make dividend payments or distributions to us and sufficient cash or liquidity is not otherwise available, we may not be able to pay interest or principal on our indebtedness.

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 historically paid dividends a and may not pay dividends in the future

ERI 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, legal considerations, and other factors that the ERI board of directors deems relevant. In addition, the agreements governing ERI's indebtedness restrict its ability to pay dividends. 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.

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, 2016, our facilities are located on property that we own or lease, as follows:

- We lease approximately 30,000 square feet on the approximately 159,000 square foot parcel on which Eldorado Reno is located, in Reno, Nevada.
- 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.
- Silver Legacy is located on five acres in Reno, Nevada.
- Circus Reno leases approximately 36,000 square feet on the approximately 10 acres on which Circus Reno is located, in Reno, Nevada.
- We lease approximately nine acres of land in Shreveport, Louisiana on which Eldorado Shreveport is located.
- Mountaineer is located on approximately 1,680 acres of land that we own in Chester, Hancock County, West Virginia. Included in the 1,680 acres of land is approximately 1,290 acres of land that are considered non-operating real properties that we intend to sell.
- Scioto Downs is located on approximately 208 acres of land that we own in Columbus, Ohio.
- Presque Isle Downs is located on 272 acres of land that we own in Summit Township, Erie County, Pennsylvania.
- In addition, we own two other parcels of land: a 213-acre site in McKean Township, Pennsylvania and a 6-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 the Senior 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.

In connection with the Mergers, a class action lawsuit was filed by a purported stockholder of the Company alleging breach of fiduciary duty by the Company board of directors in connection with the Mergers. The case was filed on November 8, 2016 in the Second Judicial District Court of the State of Nevada and is captioned Assad v. Eldorado Resorts, Inc., et. al, case no. CV 16-02312. The case, which purports to be a class action on behalf of all of the stockholders of the Company, alleged, among other things, breach of fiduciary duty in failing to disclose all material information to stockholders in seeking approval of the issuance of shares of Company Common Stock in the Mergers and requested injunctive relief and an award of fees and costs incurred by the plaintiff in the action.

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.

Our Common Stock is quoted on the NASDAQ Global Select Market under the symbol "ERI". On March 10, 2017, the NASDAQ Official Closing Price for our common stock was $18.05. As of March 10, 2017, there were 651 of record holders of our common stock.

The agreements governing our outstanding indebtedness restrict our ability to pay dividends. 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 for two most recent fiscal years.

	Stock Price	
	High	Low
Year Ended December 31, 2016:		
First quarter	$ 11.60	$ 9.17
Second quarter	15.27	11.16
Third quarter	15.32	13.59
Fourth quarter	16.95	10.80
Year Ended December 31, 2015:		
First quarter	$ 5.68	$ 3.81
Second quarter	8.76	5.00
Third quarter	10.04	7.56
Fourth quarter	11.61	8.47

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2016, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

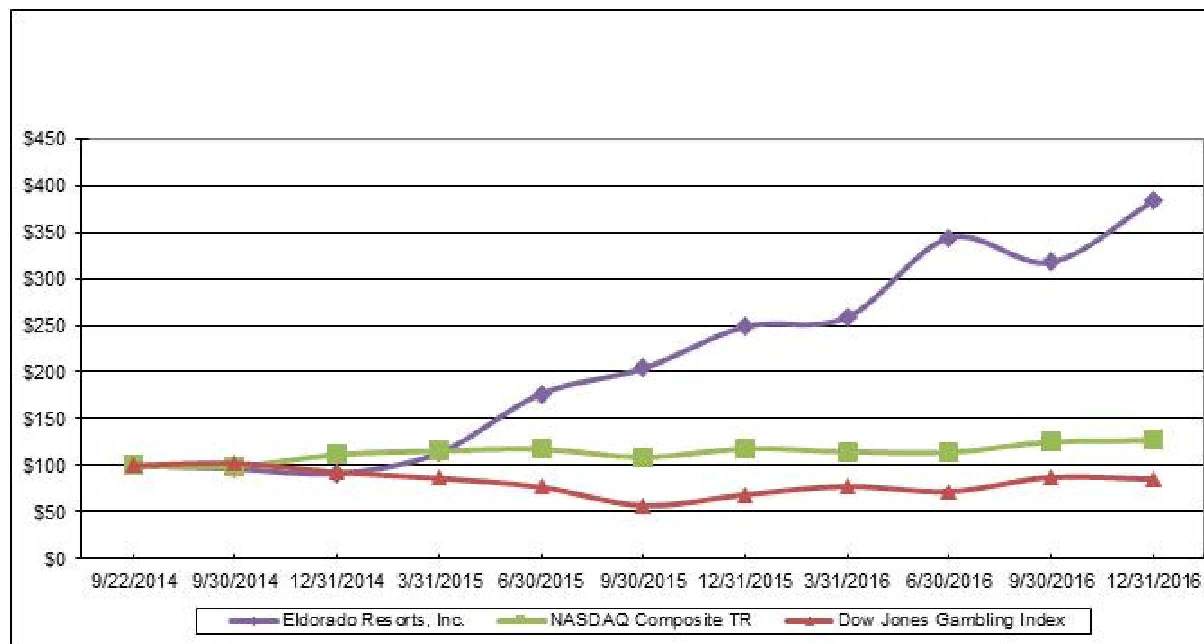
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
MTR Gaming Group, Inc. 2010 Long Term Incentive Plan	169,300	$ 9.94	—
Eldorado Resorts, Inc. 2015 Equity Incentive Plan	982,370	$ 6.45	3,472,023

The Eldorado Resorts, Inc. 2015 Equity Incentive Plan and the MTR Gaming Group, Inc. 2010 Long Term Incentive Plan were approved by stockholders. No future equity awards will be made pursuant to the MTR Gaming Group, Inc. 2010 Long Term Incentive Plan ("MTR Plan"). However, outstanding awards granted under the MTR Plan will continue unaffected.

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.

Comparison of Cumulative Total Return Since the MTR Merger Date
Assumes Initial Investment of $100
December 2016



Past stock price performance is not necessarily indicative of future results. The performance graph should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act of 1933 or the Exchange Act of 1934, unless we specifically incorporate the performance graph by reference therein.

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, 2016. 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.

On the Reno Acquisition Date we consummated the acquisition of all of the assets and properties of Circus Reno and the other 50% membership interest in the Silver Legacy Joint Venture owned by MGM Resorts International. On the Reno Acquisition Date, Eldorado Resorts LLC also exercised its right to acquire the 3.8% interest in ELLC held by certain affiliates and stockholders of the Company. As a result of these transactions, ELLC became a wholly-owned subsidiary of ERI and Silver Legacy became an indirect wholly-owned indirect subsidiary of ERI.

The merger with MTR Gaming closed on the MTR 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 MTR Merger Date are those of Resorts and its subsidiaries. The presentation of information herein for periods prior to the MTR Merger Date and the Reno Acquisition Date and after the MTR Merger Date and Reno Acquisition Date, respectively, are not fully comparable because the results of operations for MTR Gaming and Circus Reno are not included for periods prior to the MTR Merger Date or Reno Acquisition Date, respectively, and the results of operations of the Silver Legacy Joint Venture were not consolidated prior to the Reno Acquisition Date (see Note 1 below).

SELECTED CONSOLIDATED FINANCIAL DATA
(dollars in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Consolidated Statement of Operations Data:					
Operating revenues:					
Casino	$ 693,013	$ 614,227	$ 298,848	$ 192,379	$ 200,292
Pari-mutuel commissions	8,600	9,031	1,986	—	—
Food and beverage	142,032	97,740	68,233	60,556	59,317
Hotel	94,312	37,466	28,007	26,934	26,203
Other	45,239	26,077	13,198	10,384	10,458
	983,196	784,541	410,272	290,253	296,270
Less promotional allowances	(90,300)	(64,757)	(48,449)	(43,067)	(41,530)
Net operating revenues	892,896	719,784	361,823	247,186	254,740
Operating expenses:					
Casino	390,325	357,572	167,792	101,913	104,044
Pari-mutuel commissions	9,787	9,973	2,411	—	—
Food and beverage	81,878	52,606	37,411	28,982	29,095
Hotel	30,746	11,307	8,536	7,891	8,020
Other	26,921	15,325	9,348	7,290	7,279
Marketing and promotions	40,600	31,227	21,982	17,740	18,724
General and administrative	130,172	96,870	58,738	43,713	44,936
Corporate	19,880	16,469	4,617	—	—
Depreciation and amortization	63,449	56,921	28,643	17,031	17,651
Operating expenses	793,758	648,270	339,478	224,560	229,749
Loss on sale or disposition of property	(836)	(6)	(84)	(226)	(198)
Acquisition charges	(9,184)	(2,452)	(7,411)	(3,173)	—
Equity in income (losses) of unconsolidated affiliates(1)	—	3,460	2,705	3,355	(8,952)
Operating income	89,118	72,516	17,555	22,582	15,841
Other income (expense):					
Interest expense, net	(50,917)	(61,558)	(30,734)	(15,665)	(16,055)
Gain on extinguishment of debt of unconsolidated affiliate	—	—	—	11,980	—
Gain on valuation of unconsolidated affiliate	—	35,582	—	—	—
Gain on termination of supplemental executive retirement plan	—	—	715	—	—
Loss on property donation	—	—	—	—	(755)
Loss on early retirement of debt, net	(155)	(1,937)	(90)	—	(22)
Total other expense	(51,072)	(27,913)	(30,109)	(3,685)	(16,832)
Net income (loss) before income taxes	38,046	44,603	(12,554)	18,897	(991)
(Provision) benefit for income taxes(2)	(13,244)	69,580	(1,768)	—	—
Net income (loss)	24,802	114,183	(14,322)	18,897	(991)
Less net income attributable to non-controlling interest(3)	—	—	(103)	—	—
Net income (loss) attributable to the Company(3)	$ 24,802	$ 114,183	$ (14,425)	$ 18,897	$ (991)
Basic net income (loss) per common share	$ 0.53	$ 2.45	$ (0.48)	$ 0.81	$ (0.04)
Diluted net income (loss) per common share	$ 0.52	$ 2.43	$ (0.48)	$ 0.81	$ (0.04)
Other Data:					
Net cash provided by (used in):					
Operating activities	$ 97,570	$ 56,715	$ 31,606	$ 23,536	$ 28,366
Investing activities	(41,148)	(158,754)	40,413	(7,560)	(21,832)
Financing activities	(73,671)	92,713	(14,228)	(11,466)	(11,381)
Capital expenditures(4)	47,380	36,762	10,564	7,413	9,181
Operating Data(5):					
Number of hotel rooms(6)	4,853	4,853	1,571	1,217	1,217
Average hotel occupancy rate(7)	63.1 %	77.9 %	84.1 %	85.1 %	84.1 %
Number of slot machines(6)	9,746	10,281	8,665	2,738	2,779
Number of table games(6)	256	263	177	100	97

	At December 31,				
	2016	2015	2014	2013	2012
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 61,029	$ 78,278	$ 87,604	$ 29,813	$ 25,303
Total assets	1,294,044	1,325,008	1,171,559	270,182	262,525
Total debt(8)	823,168	892,192	778,862	170,760	176,102
Stockholders' equity	298,451	270,667	151,622	75,575	61,003

Footnotes to Selected Consolidated Financial Data:

(1) Equity in income (losses) of unconsolidated affiliates prior to the Reno Acquisition Date represents (a) Resorts' 48.1% joint venture interest in the Silver Legacy Joint Venture (or, prior to the MTR Merger Date, its 50% interest in ELLC) and (b) 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.

(2) 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.

(3) Prior to the Reno Acquisition Date, 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 was 1.9%. The Company acquired the remaining 50% joint venture interest pursuant to the Circus Reno/Silver Legacy Purchase and exercised its rights to acquire the non-controlling interest of ELLC.

(4) Before West Virginia reimbursement of $4.2 million, $1.3 million and $0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(5) Excludes the operating data of the Silver Legacy, Circus Reno prior to the Reno Acquisition Date and Tamarack.

(6) As of the end of each period presented. Total table games does not include poker games, and total slot machines includes VLTs.

(7) For each period presented.

(8) Includes capital leases of $0.5 million, $0.8 million, $0.3 million and $0.6 million for the years ended December 31, 2016, 2015, 2013 and 2012, respectively

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

You should read the following discussion together with the financial statements, including the related notes and the other financial information, contained in this Annual Report on Form 10-K.

General

Eldorado Resorts, Inc. ("ERI" or the "Company"), a Nevada corporation, 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 "MTR Merger"). Effective upon the consummation of the Merger on September 19, 2014 (the "MTR 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 the Eldorado Resort Casino Reno, a premier hotel, casino and entertainment facility centrally located in downtown Reno, Nevada ("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.

Prior to November 24, 2015 (the "Reno Acquisition Date"), Resorts owned a 48.1% interest in the joint venture (the "Silver Legacy Joint Venture") which owns the Silver Legacy Resort Casino ("Silver Legacy"), a major themed hotel and casino situated between and seamlessly connected at the mezzanine level to the Eldorado Reno and Circus Reno, (collectively, the "Reno Tri-Properties"), a hotel and casino previously owned and operated by Galleon, Inc., an indirect, wholly-owned subsidiary of MGM Resorts International.

On the Reno Acquisition Date, Resorts consummated the acquisition of all of the assets and properties of Circus Circus Reno ("Circus Reno") and the 50% membership interest in the Silver Legacy Joint Venture owned by Galleon, Inc. (collectively, the "Circus Reno/Silver Legacy Purchase" or the "Reno Acquisition") pursuant to a Purchase and Sale Agreement, dated as of July 7, 2015 (the "Purchase Agreement"), entered into by certain of our subsidiaries with Circus Circus Casinos, Inc. and Galleon, Inc., each an affiliate of MGM Resorts International, with respect to the acquisition. On the Reno Acquisition Date, Resorts also exercised its right to acquire the 3.8% interest in Eldorado Limited Liability Company ("ELLC") held by certain affiliates and stockholders of the Company. As a result of these transactions, ELLC and CC-Reno, LLC, a newly formed Nevada limited liability company, became wholly-owned subsidiaries of ERI, and Silver Legacy became an indirect wholly-owned subsidiary of ERI.

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 MTR 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 Eldorado Gaming Scioto Downs ("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.

Presentation of Financial Information

ERI and its subsidiaries are collectively referred to as "we," "us," "our" or the "Company." The financial information included in this Item 7 for periods prior to the Reno Acquisition Date are those of the Company and its subsidiaries including Eldorado Reno, Eldorado Shreveport, MTR Gaming and its interest in the Silver Legacy Joint Venture.

The MTR Merger closed on the MTR 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 ("US GAAP"). 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 MTR Merger Date are those of HoldCo and its subsidiaries. The presentation of information herein for periods prior to the MTR Merger Date and the Reno Acquisition Date and after the MTR Merger Date and Reno Acquisition Date, respectively, are not fully comparable because the results of operations for MTR Gaming and Circus Reno are not included for periods prior to the MTR Merger Date or Reno Acquisition Date, respectively, and the results of operations of the Silver Legacy Joint Venture were not consolidated prior to the Reno Acquisition Date. Summary financial results of MTR Gaming for the year ended December 31, 2014 is 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. Our historical operating results may not be indicative of our future results of operations because of these factors and the changing competitive landscape in each of our markets, as well as by factors discussed elsewhere herein. 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.

Reportable Segments

The Company has aggregated its operating segments into three reportable segments: Eldorado Reno, Silver Legacy and Circus Reno as Nevada, Eldorado Shreveport as Louisiana, and Scioto Downs, Presque Isle Downs and Mountaineer as Eastern.

Key Performance Metrics

Our primary source of revenue is generated by our gaming operations, but we use our hotels, restaurants, bars, entertainment, retail shops, racing and other services to attract customers to our properties. 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 resort fees and 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.

Significant Factors Impacting Financial Results

The following summary highlights the significant factors impacting our financial results during the years ended December 31, 2016, 2015 and 2014.

- *Isle of Capri Acquisition* – On September 19, 2016, the Company and Isle of Capri Casinos, Inc., a Delaware corporation ("Isle" or "Isle of Capri") entered into an agreement and Plan of Merger (the "Merger Agreement"), whereby the Company will acquire all of the outstanding shares of Isle of Capri for $23.00 in cash or 1.638 shares of Company common stock, at the election of each Isle stockholder (the "Isle Acquisition"). Elections are subject to proration and reallocation such that the outstanding shares of Isle common stock will be exchanged for aggregated consideration comprised of 58% cash and 42% Eldorado common stock. The consummation of the merger is subject to receipt of approval of applicable gaming authorities and other customary closing conditions, and is expected to be consummated in the second quarter of 2017. The waiting period under the Hart-Scott-Rodino Act ("HSR Act") terminated on October 21, 2016. The Company and Isle received approval from each of their respective stockholders at separate special meetings on January 25, 2017. Eldorado has received committed financing for the transaction totaling $2.1 billion. Acquisition charges totaling $8.5 million, attributed to the Isle Acquisition, are reported on the accompanying statement of operations related to legal, accounting, financial advisory services and other costs during the year ended December 31, 2016.

Upon completion of the Isle Acquisition, the Company will add 12 additional properties to its portfolio after giving effect to the planned dispositions of Isle of Capri Casino Hotel Lake Charles and Lady Luck Casino Marquette. On August 22, 2016, Isle entered into an agreement to sell Isle of Capri Casino Hotel Lake Charles for aggregate consideration of $134.5 million, subject to certain adjustments. On October 13, 2016, Isle entered into an agreement to sell Lady Luck Casino Marquette for cash consideration of approximately $40.0 million, subject to certain adjustments.

- *Circus Reno/Silver Legacy Purchase* – Pursuant to the Purchase Agreement in November 2015, ERI paid $80.2 million in cash, comprised of the $72.5 million purchase price plus $7.7 million in estimated working capital adjustments and the assumption of the amounts outstanding under Silver Legacy's senior secured term loan facility. An additional $0.5 million was paid subsequent to the Reno Acquisition Date representing the final working capital adjustment. ERI funded the purchase price for the Reno Acquisition and repaid the borrowings outstanding under the Silver Legacy credit facility using a portion of the proceeds from the sale of its Senior Notes, borrowings under its revolving credit facility and cash on hand. Information presented prior to the Reno Acquisition Date does not reflect the results of operations for Circus Reno, and only includes our interest in the Silver Legacy Joint Venture prior to the Reno Acquisition as an investment in an unconsolidated affiliate. As a result, incremental increases in revenues and expenses attributable to the addition of Circus Reno and Silver Legacy are reflected in our results of operations for the year ended December 31, 2015. In conjunction with the Reno Acquisition, we recorded a $35.6 million gain related to the valuation of our pre-acquisition investment in the Silver Legacy Joint Venture and incurred acquisition costs totaling $2.5 million in 2015. We incurred an additional $0.6 million in acquisition charges in 2016. In 2015, we also expensed fees totaling $0.6 million, which are included in corporate costs, related to our equity offering initially intended to fund the Reno Acquisition. These fees were expensed as a result of our election to fund the final component of the Reno Acquisition with existing revolver capacity in lieu of an equity offering.
- *MTR Gaming Merger* – The MTR Merger has been accounted for as a reverse acquisition of MTR Gaming by HoldCo under accounting principles generally accepted in the United States. Our results of operations for the years ended December 31, 2015 and 2014 reflect incremental increases in revenues and expenses attributable to the addition of the MTR Gaming properties. Additionally, we incurred acquisition costs associated with the MTR Merger totaling $0.1 million and $7.4 million in 2015 and 2014, respectively.
- *Execution of Cost Savings Program* – Starting in the second quarter of 2015, we identified several areas to improve property level and consolidated margins through operating and cost efficiencies and exercising financial discipline throughout the Company without impacting the player experience. In addition to cost savings relating to duplicative executive compensation, legal and accounting fees and other corporate expenses that have been eliminated as a result of the MTR Merger, we have achieved savings in marketing, food and beverage costs, selling, general and administrative expenses, and other operating departments as a result of operating efficiencies and purchasing power of the combined organization. After a full year of the cost savings program, we exceeded our target of $10.0 million on an annual basis with savings of over $12.5 million. In addition to generating incremental revenues, we have realized, and expect additional savings in 2017 resulting from cost synergies across the Reno Tri-Properties as a result of the Reno Acquisition.
- *Refinancing and Reduction in Interest Expense* – In July 2015, we successfully refinanced all of our indebtedness, including the debt we assumed in the MTR Merger in 2014. We issued $375.0 million in Senior Notes and entered into a new $425.0 million term loan and a new $150.0 million revolving credit facility, with the net proceeds utilized to, among other things, purchase our Resorts senior secured notes and MTR second lien notes. The refinancing reduced our annualized cash interest payments by approximately $35.0 million. Moreover, as a result of significant reductions in our outstanding indebtedness totaling $68.8 million during the year ended December 31, 2016, we realized additional savings in interest expense. See "Liquidity and Capital Resources" for more information related to our 2015 refinancing.
- *Income Taxes* – In 2015, the Company recorded a $69.6 million net benefit for income taxes resulting from an adjustment to its valuation allowance. This adjustment was based on management's consideration of all evidence, including the positive impacts of both the Company's refinancing and the Reno Acquisition in 2015, related to the realization of its federal deferred tax assets. (See "Income Taxes" below).

- *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 became effective July 1, 2015. The Regulation bans smoking in public places in Hancock County including Mountaineer. To comply with the Regulation upon its effective date, Mountaineer built a 9,300 square foot smoking pavilion which opened on July 1, 2015. During the year ended December 31, 2016, we added 61 slot machines bringing our total to 322 slot machines and four table games located in the smoking patio. Notwithstanding our efforts to mitigate the impact of the smoking ban, the Regulation had a negative impact on our business and results of operations at Mountaineer.

- *Property Enhancement Capital Expenditures* – During the fourth quarter of 2015, we began to realize the benefits of our property enhancement initiatives which targeted product and service offering upgrades across our entire portfolio. The completion of these initiatives by year-end 2015 helped drive increased volume to our properties and continues to be well-received by our customers. Most notably, the opening of *The Brew Brothers*, a restaurant and microbrewery at Scioto Downs, provided a meaningful increase in traffic and video lottery terminals (VLT) revenues subsequent to its opening in October 2015. Additionally, we completed a $5.0 million five-phase design and facility enhancement program at Presque Isle Downs that added a new casino center bar, an improved high limit gaming area and new slot product. In 2015, over 200 rooms were remodeled at Eldorado Reno and we completely refurbished the exterior of the Eldorado Shreveport.

  We continued our property enhancement initiatives throughout 2016. At Presque Isle Downs, we opened a The Brew Brothers in May and an escalator in July to improve traffic flow to the restaurant. In June, we opened a second smoking patio at Scioto Downs which features a casino bar and 119 new VLTs. Construction of the 118-room Hampton Inn Hotel at Scioto Downs was completed and is planned to open in March 2017. In Shreveport, we completed the remodeling of the second floor of the casino in the fourth quarter of 2016 including the addition of approximately 20 new slot machines. We continue to evaluate the offerings at Mountaineer with a goal of maintaining a positive customer experience while right-sizing the property to maximize free cash flow and operational efficiencies.

  In September 2016, the Company announced that it plans to invest more than $50.0 million in facility enhancements to Eldorado Reno, Silver Legacy and Circus Reno. Eldorado’s master plan for the three connected properties, which span eight city blocks in downtown Reno, will be phased over three years, and commenced in the fourth quarter of 2016. In addition to the renovation of our guest rooms across the Tri-Properties, each of the three resorts will introduce new restaurant concepts, reinvigorated nightlife and resort amenities, including a new full service luxury spa. The $50.0 million investment will allow the further integration of the guest experience among the Reno Tri-Properties to deliver an enhanced and seamless resort environment. In September 2016, Silver Legacy opened a new $2.0 million 8,500 square foot sports book. Also, in the fourth quarter of 2016, we completed the renovation of the Carnival Midway, and opened El Jefe’s Cantina Mexican restaurant and bar at Circus Reno. We also opened Hidden Pizza, a New York style pizza restaurant, at Eldorado Reno.

  Beginning in 2017 enhancements continued at the Tri-Properties including the renovation of approximately 750 guest rooms; a full redesign of the legacy buffet at Circus Reno to transform it into a modern food court with three distinct offerings; the development of a new waffle house at the former Circus Steak House; the addition of an arcade and redemption area to replace the Circus Americana Café; and the construction of a Canter’s Deli and new poker room at Silver Legacy. These facility upgrades as well as our plans for a new world-class luxury spa at Eldorado Reno and ultimately new public spaces and room renovations across the complex, are designed to significantly elevate the Reno Tri-Property guest experience.

- *New Regulation* – Effective January 1, 2016, the Ohio Lottery Commission enacted new regulation which resulted in the establishment of a $1.0 million progressive slot liability and a corresponding decrease in net slot win for the year ended December 31, 2016. The changes are non-cash and related to jackpots established in prior years. The net non-cash impact to Scioto Down’s gaming revenues and operating income was $1.0 million and $0.6 million for the year ended December 31, 2016, respectively.

- *Competition* – Our results of operations over the past three years have been impacted by the expansion of Native American gaming operations and regional gaming in our markets. In order to sustain our market share in the increased competitive environment, we continuously reevaluate our advertising strategies and promotional offers to our guests to ensure our reinvestment levels reflect the appropriate level of offerings to improve our margins.

Results of Operations

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

	Year Ended December 31,			Change %	
	2016	2015	2014	2016 vs 2015	2015 vs 2014
Net revenues	$ 892,896	$ 719,784	$ 361,823	24.1 %	98.9 %
Operating income	89,118	72,516	17,555	22.9 %	313.1 %
Net income (loss) attributable to ERI	24,802	114,183	(14,425)	(78.3) %	891.6 %

Operating Results. Net revenues increased 24.1% and 98.9% in 2016 and 2015, respectively, over the same prior year periods primarily due to incremental revenues attributable to the aforementioned Reno Acquisition and MTR Merger. These increases in net revenues were partially offset by decreases in net revenues in the Louisiana and Eastern segments, which was mainly driven by declines at Mountaineer, in 2016 compared to 2015 mainly due to lower casino revenues.

Operating income increased 22.9% and 313.1% in 2016 and 2015, respectively, compared to the same prior year periods due to higher net revenues combined with improved operating margins associated with company-wide cost savings initiatives and property enhancement capital expenditures. These increases in operating income were partially offset by incremental depreciation expense resulting from the aforementioned Reno Acquisition and MTR Merger along with higher acquisition costs associated with the Isle Acquisition.

Net income decreased 78.3% in 2016 compared to 2015 despite the increase in operating income. This decline was primarily driven by the $35.6 million gain related to the valuation of the Silver Legacy Joint Venture in conjunction with the Reno Acquisition combined with the aforementioned $69.6 million benefit for income taxes recorded in 2015. Additionally, net income in 2016 was impacted by acquisition charges totaling $9.2 million, primarily related to the Isle Acquisition, a $0.8 million loss on the sale and disposal of a building and equipment related to the closure of a detached fitness center facility at Mountaineer and incremental depreciation associated with assets purchased in the Reno Acquisition. These declines in net income were partially offset by a $10.6 million decrease in interest expense in 2016 resulting from our refinancing in July 2015 and significant debt reductions throughout 2016.

Net income increased 891.6% in 2015 compared to 2014 as a result of the same factors impacting operating income, the $35.6 million gain related to the valuation of the Silver Legacy Joint Venture in conjunction with the Reno Acquisition, the aforementioned $69.6 million benefit for income taxes, and the decrease in acquisition costs recorded in 2015. These increases in net income were partially offset by a full year of interest expense in 2015 due to the timing of the MTR Merger and assumption of additional debt in 2014.

Net Revenues and Operating Income

The following table highlights our net revenues and operating income (loss) by reportable segment (dollars in thousands):

	Net Revenues for the Year Ended December 31,			Operating Income (Loss) for the Year Ended December 31,		
	2016	2015	2014	2016	2015	2014
Nevada	$ 321,922	$ 127,802	$ 103,695	$ 41,620	$ 13,989	$ (1,191)
Louisiana	131,496	136,342	133,960	23,378	21,423	13,405
Eastern	439,478	455,640	124,168	53,610	56,491	11,086
Corporate	—	—	—	(29,490)	(19,387)	(5,745)
Total	$ 892,896	$ 719,784	$ 361,823	$ 89,118	$ 72,516	$ 17,555

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Net revenues and operating expenses were as follows (dollars in thousands):

	Year Ended December 31, 2016	Year Ended December 31, 2015	Variance	Percent
Revenues:				
Gaming and Pari-Mutuel Commissions:				
Nevada	$ 173,439	$ 74,626	$ 98,813	132.4 %
Louisiana	121,046	125,371	(4,325)	(3.4) %
Eastern	407,128	423,261	(16,133)	(3.8) %
Total Gaming and Pari-Mutuel Commissions	701,613	623,258	78,355	12.6 %
Non-gaming:				
Nevada	193,529	72,214	121,315	168.0 %
Louisiana	37,937	37,273	664	1.8 %
Eastern	50,117	51,796	(1,679)	(3.2) %
Total Non-gaming	281,583	161,283	120,300	74.6 %
Total Gross Revenues	983,196	784,541	198,655	25.3 %
Promotional allowances:				
Nevada	(45,046)	(19,038)	(26,008)	136.6 %
Louisiana	(27,487)	(26,302)	(1,185)	4.5 %
Eastern	(17,767)	(19,417)	1,650	(8.5) %
Total Promotional Allowances	(90,300)	(64,757)	(25,543)	39.4 %
Total Net Revenues	892,896	719,784	173,112	24.1 %
Expenses:				
Gaming and Pari-Mutuel Commissions:				
Nevada	79,019	32,908	46,111	140.1 %
Louisiana	66,459	69,826	(3,367)	(4.8) %
Eastern	254,634	264,811	(10,177)	(3.8) %
Total Gaming and Pari-Mutuel Commissions	400,112	367,545	32,567	8.9 %
Non-gaming				
Nevada	102,063	41,798	60,265	144.2 %
Louisiana	7,333	8,134	(801)	(9.8) %
Eastern	30,149	29,306	843	2.9 %
Total Non-gaming	139,545	79,238	60,307	76.1 %
Marketing and promotions	40,600	31,227	9,373	30.0 %
General and administrative	130,172	96,870	33,302	34.4 %
Corporate	19,880	16,469	3,411	20.7 %
Depreciation and amortization	63,449	56,921	6,528	11.5 %
Total Operating Expenses	$ 793,758	$ 648,270	$ 145,488	22.4 %

Gaming Revenues and Pari-Mutuel Commissions. Nevada gaming revenues increased 132.4% in 2016 compared to 2015 primarily due to incremental gaming revenues attributable to the Reno Acquisition combined with improvements in gaming revenues at Eldorado Reno. Gaming revenues in Louisiana decreased 3.4% in 2016 compared to 2015 due to declines in casino volume primarily due to decreased high limit play and the continued weakness in the energy sector negatively impacting the Shreveport market. Gaming revenues and pari-mutuel commissions in the Eastern segment declined 3.8% in 2016 compared to 2015 mainly due to lower gaming revenues at Mountaineer associated with the smoking ban that has negatively impacted the property's operations. This decrease was partially offset by continued improvements in gaming revenues at Scioto Downs in 2016 compared to 2015, despite the $1.0 million impact of the progressive liability change related to prior years during the first quarter of 2016.

Non-gaming Revenues. Non-gaming revenues increased 168.0% in 2016 compared to 2015 due to incremental non-gaming revenues consisting of food, beverage, hotel, entertainment, retail and other revenues in the Nevada segment primarily as a result of the Reno Acquisition combined with an increase in non-gaming revenues at Eldorado Reno. The Louisiana segment's non-gaming revenues increased 1.8% in 2016 compared to 2015 mainly due to higher food and beverage revenues due to selective menu price increases and higher beverage complimentaries. The Eastern segment posted a decrease in non-gaming revenues primarily due to the declines resulting from strategic changes in promotional offers along with additional volume declines at Mountaineer associated with the smoking ban impact. These decreases were partially offset by incremental non-gaming revenues at Scioto Downs in 2016 compared to 2015 attributable to the opening of *The Brew Brothers* in October 2015.

Promotional Allowances. Promotional allowances, expressed as a percentage of gaming revenues and pari-mutuel commissions, increased to 12.9% in 2016 compared to 10.4% in 2015. In 2016, Nevada promotional allowances, as a percentage of gaming revenues remained relatively flat to 2015 at 26.0%. Louisiana promotional allowances, as a percentage of gaming revenues, increased to 22.7% in 2016 from 21.0% in 2015 in conjunction with higher beverage complimentaries. The Eastern segment's promotional allowances in 2016 declined to 4.4% as a percentage of the segment's gaming revenues and pari-mutuel commissions compared to 4.6% in 2015. Reductions in promotional allowances, as a percentage of gaming revenues and pari-mutuel commissions in the Eastern segment, were due to continued strategic revisions to promotional offers in an effort to increase margins and maximize profitability.

Gaming Expenses and Pari-Mutuel Commissions. Nevada gaming expenses increased 140.1% in 2016 compared to 2015 primarily due to incremental gaming expenses as a result of the Reno Acquisition along with an increase in gaming expenses at Eldorado Reno in conjunction with increased gaming revenues. Louisiana gaming expenses decreased 4.8% in 2016 compared to 2015 as a result of lower gaming revenues combined with efforts to reduce variable operating costs. The Eastern segment's gaming expenses and pari-mutuel commissions declined 3.8% in 2016 compared to 2015 primarily due lower gaming expenses commensurate with decreased gaming revenues.

Non-gaming Expenses. Non-gaming expenses increased 144.2% in 2016 compared to 2015. This growth was driven by higher Nevada non-gaming expenses due to incremental expenses associated with the Reno Acquisition. Non-gaming expenses in the Louisiana segment declined 9.8% mainly due to successful efforts to control costs while the Eastern segment's non-gaming expenses increased 2.9% in 2016 compared to 2015 as a result of incremental volume generated by the addition of *The Brew Brothers* at Scioto Downs in October 2015.

Marketing and Promotions Expenses. Consolidated marketing and promotions expense increased 30.0% in 2016 compared to 2015. This increase was primarily attributable to incremental expenses in the Nevada segment associated with the Reno Acquisition along with higher expenses associated with a shift in promotional spend in the Eastern segment. These increases in the Eastern segment were offset by a decline in the Louisiana segment due to efforts to reduce advertising and promotional costs to maximize profitability.

General and Administrative Expenses. Total general and administrative expenses increased 34.4% in 2016 compared to 2015 primarily due to incremental expenses in the Nevada segment resulting from the operation of the properties purchased in the Reno Acquisition offset by declines in the Louisiana and Eastern segments due to continued efforts to decrease variable expenses via cost savings initiatives.

Corporate Expenses. Corporate expenses totaled $19.9 million in 2016 compared to $16.5 million in 2015. This increase was partially due to higher payroll related expenditures at the corporate level subsequent to the Reno Acquisition in addition to an executive team restructuring that took place during the first quarter of 2016. This restructuring resulted in the reallocation of property executive management to corporate in order to more fully utilize their skills across defined regions. This increase was partially offset by declines in general and administrative costs at the property level in 2016 compared to 2015. Additionally, $1.5 million of severance costs were recorded in 2016 along with $0.8 million of additional stock-based compensation expense as a result of severance related restricted stock units becoming fully vested in 2016. Also, stock compensation expense was higher for in 2016 compared to 2015 due to the Company's three year vesting schedule associated with the Company's long-term incentive plan established in 2015 resulting in two years of grants expensed in 2016 versus one year of grants expensed in 2015.

Depreciation and Amortization Expense. Total depreciation and amortization expense increased 11.5% in 2016 compared to 2015 mainly due to additional depreciation expense associated with acquired assets in conjunction with the Reno Acquisition. The Nevada, Louisiana and Eastern segments contributed $20.2 million, $7.9 million and $34.9 million, respectively, of depreciation and amortization expense in 2016 compared to $9.5 million, $7.6 million and $39.3 million in 2015, respectively.

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Net revenues and operating expenses were as follows (dollars in thousands):

	Year Ended December 31, 2015	Year Ended December 31, 2014	Variance	Percent
Revenues:				
Gaming and Pari-Mutuel Commissions:				
Nevada	$ 74,626	$ 61,946	$ 12,680	20.5 %
Louisiana	125,371	123,228	2,143	1.7 %
Eastern	423,261	115,660	307,601	266.0 %
Total Gaming and Pari-Mutuel Commissions	623,258	300,834	322,424	107.2 %
Non-gaming:				
Nevada	72,214	57,625	14,589	25.3 %
Louisiana	37,273	37,386	(113)	(0.3) %
Eastern	51,796	14,427	37,369	259.0 %
Total Non-gaming	161,283	109,438	51,845	47.4 %
Total Gross Revenues	784,541	410,272	374,269	91.2 %
Promotional allowances:				
Nevada	(19,038)	(15,876)	(3,162)	19.9 %
Louisiana	(26,302)	(26,654)	352	(1.3) %
Eastern	(19,417)	(5,919)	(13,498)	228.0 %
Total Promotional Allowances	(64,757)	(48,449)	(16,308)	33.7 %
Total Net Revenues	719,784	361,823	357,961	98.9 %
Expenses:				
Gaming and Pari-Mutuel Commissions:				
Nevada	32,908	27,840	5,068	18.2 %
Louisiana	69,826	72,151	(2,325)	(3.2) %
Eastern	264,811	70,212	194,599	277.2 %
Total Gaming and Pari-Mutuel Commissions	367,545	170,203	197,342	115.9 %
Non-gaming				
Nevada	41,798	35,686	6,112	17.1 %
Louisiana	8,134	8,317	(183)	(2.2) %
Eastern	29,306	11,292	18,014	159.5 %
Total Non-gaming	79,238	55,295	23,943	43.3 %
Marketing and promotions	31,227	21,982	9,245	42.1 %
General and administrative	96,870	58,738	38,132	64.9 %
Corporate	16,469	4,617	11,852	256.7 %
Depreciation and amortization	56,921	28,643	28,278	98.7 %
Total Operating Expenses	$ 648,270	$ 339,478	$ 308,792	91.0 %

Gaming Revenues and Pari-Mutuel Commissions. Nevada gaming revenues increased $12.7 million in 2015 compared to 2014 primarily due to incremental gaming revenues attributable to Circus Reno and Silver Legacy from the Reno Acquisition Date through December 31, 2015 combined with improvements in gaming revenues at Eldorado Reno. Gaming revenues increased $2.1 million in 2015 compared to 2014 in Louisiana due to higher slot revenues. The Eastern segment recorded $423.3 million of gaming revenues and pari-mutuel commissions in 2015 resulting in a 266.0% increase compared to 2014 primarily due to inclusion of a full year of operating results for the properties in the Eastern segment, but also due to improvements in gaming revenues at Scioto Downs, which were offset by declines in revenues at Mountaineer and a slight decline in gaming revenues at Presque Isle Downs. As a result, total gaming revenues and pari-mutuel commissions increased 107.2% in 2015 compared to 2014.

Non-gaming Revenues. Non-gaming revenues increased $51.8 million in 2015 compared to 2014 and was driven by incremental non-gaming revenues consisting of food, beverage, hotel, entertainment, retail and other primarily as a result of the MTR Merger and Reno Acquisition and also reflect an increase in non-gaming revenues at Eldorado Reno in the Nevada segment. The Louisiana segment reported flat non-gaming revenues in 2015 compared to 2014 while the Eastern segment posted a decline resulting from improvements at Scioto Downs and Presque Isle Downs offset by declines at Mountaineer.

Promotional Allowances. Promotional allowances, expressed as a percentage of gaming revenues and pari-mutuel commissions, decreased to 10.4% in 2015 compared to 16.1% in 2014. Nevada promotional allowances, as a percentage of segment revenues, were relatively flat in 2015 compared to 2014. Promotional allowances decreased slightly in Louisiana despite an increase in gaming revenues, and Eastern promotional allowances declined to 4.6% as a percentage of the segment's gaming revenues and pari-mutuel commissions compared to 5.1% in 2014. Reductions in the overall percentage, specifically in the Louisiana and Eastern segments, were due to strategic revisions to our casino marketing programs in 2015 in an effort to increase margins and maximize profitability.

Gaming Expenses and Pari-Mutuel Commissions. Nevada gaming expenses increased $5.1 million in 2015 compared to 2014 primarily due to incremental gaming expenses generated as a result of the Reno Acquisition, but reflect a reduction of casino marketing costs at Eldorado Reno. Louisiana gaming expenses decreased 3.2% in 2015 compared to 2014 despite a 1.7% increase in gaming revenues due to efforts to reduce variable costs including promotional offers, direct mail and marketing expenses. The Eastern segment recorded $264.8 million of gaming expenses and pari-mutuel commissions in 2015 compared to $70.2 million in 2014 due to the inclusion of results of operations for the full year for the properties in the Eastern segment, but reflect a reduction in operational expenses, including payroll, associated with our cost savings program. As a result, total gaming expenses and pari-mutuel commissions increased 115.9% in 2015 compared to 2014 mainly due to incremental costs associated with the Reno Acquisition and MTR Merger, offset by the aforementioned declines in each segment.

Non-gaming Expenses. Non-gaming expenses increased $23.9 million in 2015 compared to 2014, of which Nevada non-gaming expenses increased $6.1 million due to incremental expenses incurred as a result of the Reno Acquisition but reflect a reduction of food and entertainment expenses at Eldorado Reno. Non-gaming expenses in Louisiana decreased slightly in 2015 compared to 2014 due to lower food and beverage expenses associated with a decline in customer counts. The Eastern segment contributed $29.3 million of non-gaming expenses in 2015 representing an $18.0 million increase over 2014 due to inclusion of results of operations for the full year for the properties in the Eastern segment.

Marketing and Promotions Expenses. Consolidated marketing and promotions expense increased 42.1% in 2015 compared to 2014. This increase was attributable to incremental expenses associated with the Reno Acquisition combined with a full year of operations in the Eastern segment in 2015 compared to the partial period in 2014 offset by overall savings in each segment due to reductions in advertising and marketing programs.

General and Administrative Expenses. Total general and administrative expenses increased 64.9% in 2015 compared to 2014 partially due to incremental expenses resulting from the Reno Acquisition, and reflect a reduction of costs associated with lower professional services. Louisiana general and administrative expenses increased 1.3% in 2015 compared to 2014. The Eastern segment contributed $52.0 million of general and administrative expenses in 2015 compared to $14.9 million in 2014. The increase in the Eastern segment was associated with the partial period reporting as a result of the MTR Merger in 2014 due to inclusion of results of operations for the full year for the properties in the Eastern segment, offset by declines associated with our cost savings initiatives.

Corporate Expenses. We incurred $16.5 million in corporate expenses in 2015 compared to $4.6 million in 2014. This increase was mainly due to incremental costs associated with the MTR Merger including additional payroll, accounting fees and professional services. Additionally, we expensed $0.6 million in costs attributable to the initiation of our equity offering in conjunction with the Reno Acquisition.

Depreciation and Amortization Expense. Total depreciation and amortization expense increased 98.7% in 2015 compared to 2014 mainly due to additional depreciation associated with acquired assets in conjunction with the Reno Acquisition and MTR Merger. The Eastern segment contributed $39.3 million of depreciation and amortization expense in 2015 compared to $12.3 million in 2014.

Supplemental Unaudited Presentation of Consolidated Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the Years Ended December 31, 2016 and 2015

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 operating income (loss) before depreciation and amortization, stock based compensation, transaction expenses, S-1 expenses, severance expenses and other, which includes equity in income of unconsolidated affiliates, (gain) loss on the sale or disposal of property, and other regulatory gaming assessments, including the impact of the change in regulatory reporting requirements, 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 US 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 Adjusted EBITDA for our operating segments for the years ended December 31, 2016 and 2015, in addition to reconciling Adjusted EBITDA to operating income (loss) in accordance with US GAAP (unaudited, in thousands):

	Year Ended December 31, 2016						
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation (3)	Transaction Expenses (4)	Severance Expense	Other (5)	Adjusted EBITDA
Nevada	$ 41,620	$ 20,220	$ —	$ —	$ 230	$ 263	$ 62,333
Louisiana	23,378	7,861	—	—	—	(41)	31,198
Eastern (2)	53,610	34,887	—	—	305	1,033	89,835
Corporate	(29,490)	481	3,341	9,182	1,461	(55)	(15,080)
Total	**$ 89,118**	**$ 63,449**	**$ 3,341**	**$ 9,182**	**$ 1,996**	**$ 1,200**	**$ 168,286**

	Year Ended December 31, 2015						
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation (3)	Transaction Expenses (4)	Severance Expense	Other (5)	Adjusted EBITDA
Nevada	$ 13,989	$ 9,547	$ —	$ —	$ 115	$ (3,457)	$ 20,194
Louisiana	21,423	7,621	—	—	25	(18)	29,051
Eastern	56,491	39,341	—	—	163	(273)	95,722
Corporate	(19,387)	412	1,488	3,069	75	54	(14,289)
Total Excluding Pre-Reno Acquisition	**72,516**	**56,921**	**1,488**	**3,069**	**378**	**(3,694)**	**130,678**
Pre-Reno Acquisition (1)	19,850	10,008	—	—	20	2	29,880
Total Including Pre-Reno Acquisition (6)	**$ 92,366**	**$ 66,929**	**$ 1,488**	**$ 3,069**	**$ 398**	**$ (3,692)**	**$ 160,558**

(1) Figures for the year ended December 31, 2015 represent the results of Silver Legacy and Circus Reno for the period beginning on January 1, 2015 and ending on November 24, 2015, the date that the Reno Acquisition was consummated. Such figures are based on the unaudited historical internal financial statements of such entities and have not been reviewed by the Company's auditors.

(2) Effective January 1, 2016, the Ohio Lottery Commission enacted a regulatory change which resulted in the establishment of a $1.0 million progressive slot liability and a corresponding decrease in net slot win in during the first quarter of 2016. The changes are non-cash and related primarily to prior years. The net non-cash impact to Adjusted EBITDA was $0.6 million for the year ended December 31, 2016.

(3) Included in stock-based compensation expense for the year ended is $0.8 million of additional stock-based compensation expense as a result of severance related restricted stock units becoming fully vested during the year ended December 31, 2016.

(4) Transaction expenses represent acquisition costs related to the MTR Merger and Reno Acquisition and also include a credit of $2.0 thousand for the year ended December 31, 2016 and an expense of $0.6 million for the year ended December 31, 2015 related to S-1 offering costs.

(5) Other is comprised of (gain) loss on the sale or disposal of property, equity in income of unconsolidated affiliate and other regulatory gaming assessments, including the item listed in footnote (2) above.

(6) Results of operations for the year ended December 31, 2015 include the operations of Silver Legacy and Circus Reno, which were acquired by ERI on November 24, 2015, as if the acquisition occurred on January 1, 2015. Such presentation does not conform with US GAAP or the Securities and Exchange Commission 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 and to pay the cash consideration in the Isle Acquisition, refinance outstanding Isle indebtedness and pay expenses related to the Isle Acquisition. In 2017, we plan to spend $60.1 million, net of reimbursements from West Virginia, on qualified capital expenditures, $44.6 million to pay cash interest on our Senior Notes and our new credit facility and $4.3 million for principal payments on our term loan. We expect that our capital requirements for interest on our outstanding indebtedness will increase significantly in 2017 following the consummation of the Isle Acquisition and the related incurrence of debt. We also expect that our capital expenditures will increase significantly in 2017 following the consummation of the Isle Acquisition and the related increase in the number of properties in the combined portfolio of assets. However, we are still evaluating potential capital expenditure requirements and have not quantified the anticipated additional spend at this time. We expect that we will fund amounts required to pay the cash consideration in the Isle Acquisition, refinance outstanding Isle indebtedness and pay expenses related to the Isle Acquisition with proceeds from borrowings under the financing that we expect to be provided pursuant to the Commitment Letter and cash on hand. 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.

ERI is a holding company and its only significant assets are ownership interests in its subsidiaries. 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.

At December 31, 2016, we had consolidated cash and cash equivalents of $63.4 million, including restricted cash of $2.4 million. At December 31, 2015, we had consolidated cash and cash equivalents of $83.5 million, including restricted cash of $5.3 million.

Operating Cash Flow. In 2016, we generated cash flows from operating activities of $97.6 million as compared to $56.7 million in 2015. The increase in operating cash was primarily associated with improvements in operations along with incremental cash flow associated with the Reno Acquisition, the refinancing of our debt resulting in lower interest expense and various changes in the balance sheet accounts in the normal course of business.

Investing Cash Flow. Net cash flows used in investing activities totaled $41.1 million in 2016 and primarily consisted of $47.4 million in capital expenditures for various property enhancement and maintenance projects and equipment purchases partially offset by West Virginia’s reimbursement of capital expenditures totaling $4.2 million.

Net cash flows used in investing activities totaled $158.8 million in 2015 and partially consisted of $35.5 million in capital expenditures, net of cash reimbursements by West Virginia totaling $1.3 million. Additionally, $125.0 million of net assets were acquired in the Reno Acquisition.

Financing Cash Flow. Net cash used for financing activities in 2016 totaled $73.7 million and consisted primarily of payments totaling $64.5 million on the Revolving Credit Facility and $4.3 million payments under the Term Loan in 2016. Additionally, $4.3 million was paid in 2016 for debt issuance costs comprised of $3.6 million related to the Isle Acquisition and $0.7 million related to the Reno Acquisition.

Net cash flows provided by financing activities in 2015 totaled $92.7 million consisting mainly of the proceeds and associated costs with the issuance of the Senior Notes and Credit Facility and the retirement of Resorts senior secured notes and MTR second lien notes. Subsequent to our refinancing transaction in July 2015, we made payments of $2.1 million and $37.5 million under the Term Loan and Revolving Credit Facility, respectively, during the latter half of 2015. Borrowings totaled $131.0 million under the Revolving Credit Facility and were attributable to the payment of refinancing and the Reno Acquisition in 2015.

Capital Expenditures

During the year ended December 31, 2016, additions to property and equipment and other capital projects aggregated $43.2 million, which included $22.8 million in Nevada, $5.9 million in Louisiana, $14.3 million attributable to the Eastern properties, net of $4.2 million in West Virginia reimbursements, and $0.2 million at corporate.

During the year ended December 31, 2016, the West Virginia Racing Commission reimbursed Mountaineer $0.7 million for capital expenditures in 2016. 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.

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. During the year ended December 31, 2016, Mountaineer was reimbursed $3.5 million on qualified capital expenditures. As of December 31, 2016, Mountaineer remains eligible for $3.4 million under annual modernization fund grants that expire in varying dates through June 30, 2018. We can make no assurances Mountaineer will be able to make qualifying capital expenditures purchases sufficient to receive reimbursement of the available funds prior to their expiration nor that the modernization funds will continue to be available.

Silver Legacy Joint Venture Loan and Credit Support

ELLC and Galleon were each required to provide credit support by depositing $5.0 million of cash into bank accounts that were subject to a security interest in favor of the lender under the Silver Legacy credit agreement. In November 2015 in conjunction with the Reno Acquisition, the indebtedness under the Silver Legacy credit agreement was paid in full by ERI and the credit support obligation was eliminated.

Debt Obligations

Refinancing Transaction and Senior Notes

On July 23, 2015, the Company issued $375.0 million in aggregate principal amount of 7.0% senior notes due 2023 pursuant to the indenture, dated as of July 23, 2015 (the “Indenture”), at an issue price equal to 100.0% of the aggregate principal amount of the Senior Notes. The Senior Notes are guaranteed by all of the Company’s direct and indirect restricted subsidiaries other than immaterial subsidiaries. CC-Reno, LLC and the Silver Legacy Joint Venture became guarantors in June 2016 upon receipt of gaming approval which occurred in May 2016. The Senior Notes will mature on August 1, 2023, with interest payable semi-annually in arrears on February 1 and August 1 of each year.

The Company used the net proceeds from the Senior Notes offering together with borrowings under the Term Loan and the Revolving Credit Facility (as defined below) to (i) purchase or otherwise redeem (a) all of the outstanding Resorts senior secured notes and (b) all of the outstanding MTR second lien notes, (ii) pay a portion of the purchase price for the Circus Reno/Silver Legacy Purchase and repay all amounts outstanding under the Silver Legacy Joint Venture credit facility, and (iii) pay fees and costs associated with such transactions. Net proceeds from the Senior Notes offering totaling $50.0 million were used for the Circus Reno/Silver Legacy Purchase on the Reno Acquisition Date. As a result of the July 2015 refinancing, we recognized a $1.9 million net loss on the early retirement of debt.

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

Year	Percentage
2018	105.250 %
2019	103.500 %
2020	101.750 %
2021 and thereafter	100.000 %

Prior to August 1, 2018, the Company may redeem all or a portion of the Senior Notes at a price equal to 100% of the Senior Notes redeemed plus accrued and unpaid interest to the redemption date, plus a make-whole premium. At any time prior to August 1, 2018, the Company is also entitled to redeem up to 35% of the original aggregate principal amount of the Senior Notes with proceeds of certain equity financings at a redemption price equal to 107% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest. If the Company experiences certain change of control events (as defined in the Indenture), it must offer to repurchase the Senior Notes at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company must offer to repurchase the Senior Notes at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. The Senior Notes are subject to redemption imposed by gaming laws and regulations of applicable gaming regulatory authorities.

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

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

These covenants are subject to a number of exceptions and qualifications as set forth in the Indenture. The Indenture also provides for customary events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such Senior Notes to be declared due and payable. As of December 31, 2016, the Company was in compliance with all of the covenants under the Indenture relating to the Senior Notes.

Credit Facility

On July 23, 2015, the Company entered into a new $425.0 million seven year term loan (the "Term Loan") and a new $150.0 million five year revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan, the "Credit Facility").

As of December 31, 2016, the Company had $418.6 million outstanding on the Term Loan and $29.0 million in borrowings outstanding under the Revolving Credit Facility. The Company had $121.0 million of available borrowing capacity under its Revolving Credit Facility as of December 31, 2016. At December 31, 2016, the interest rate on the Term Loan was 4.25% and the average interest rate on the Revolving Credit Facility was 4.9%.

The Term Loan bears interest at a rate per annum of, at the Company's option, either (x) LIBOR plus 3.25%, with a LIBOR floor of 1.0%, or (y) a base rate plus 2.25%. Borrowings under the Revolving Credit Facility bear interest at a rate per annum of, at the Company's option, either (x) LIBOR plus a spread ranging from 2.5% to 3.25% or (y) a base rate plus a spread ranging from 1.5% to 2.25%, in each case with the spread determined based on the Company's total leverage ratio. Additionally, the Company pays a commitment fee on the unused portion of the Revolving Credit Facility not being utilized in the amount of 0.50% per annum.

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

The credit agreement governing the Credit Facility also includes requirements that the Company maintain a maximum total leverage ratio and a minimum interest coverage ratio (adjusting over time). The Company is required to maintain a maximum total leverage ratio of 6.00 to 1.00 from January 1, 2016 to December 31, 2017 and 5.00 to 1.00 thereafter. In addition, the Company is required to maintain a minimum interest coverage ratio of 2.75 to 1.00 from January 1, 2016 through December 31, 2016 and 3.00 to 1.00 thereafter. A default of the financial ratio covenants shall only become an event of default under the Term Loan if the lenders providing the Revolving Credit Facility take certain affirmative actions after the occurrence of a default of such financial ratio covenants.

The credit agreement governing the Credit Facility contains a number of customary events of default, including, among others, for the non-payment of principal, interest or other amounts, the inaccuracy of certain representations and warranties, the failure to perform or observe certain covenants, a cross default to other indebtedness including the Senior Notes, certain events of bankruptcy or insolvency; certain ERISA events, the invalidity of certain loan documents, certain changes of control and the loss of certain classes of licenses to conduct gaming. If any event of default occurs, the lenders under the Credit Facility would be entitled to take various actions, including accelerating amounts due thereunder and taking all actions permitted to be taken by a secured creditor. As of December 31, 2016, the Company was in compliance with the covenants under the Credit Facility.

Debt Commitment Letter

In connection with entering into the Merger Agreement, on September 19, 2016, the Company entered into a debt financing commitment letter with JPMorgan Chase Bank, N.A., as modified by the five separate written joinders to the Commitment Letter entered into by ERI and JPMorgan Chase Bank, N.A. with each of Macquarie Capital Funding LLC, KeyBank, National Association, Capital One, National Association, SunTrust Bank and U.S. Bank National Association and certain affiliates of such parties (the "Commitment Letter"). The Commitment Letter provides for : (a) a senior secured credit facility in an aggregate principal amount of $1.75 billion comprised of (i) a term loan facility of up to $1.45 billion and (ii) a revolving credit facility of $300.0 million and (b) an amount equal to at least $375.0 million in gross proceeds from the issuance and sale by the Company of senior unsecured notes or, if the notes are not issued and sold on or prior to the date of the consummation of the Mergers, an amount equal to at least $375.0 million in senior unsecured bridge loans under a senior unsecured credit facility. The proceeds of such borrowings may be used (w) to pay consideration in the Mergers, (x) refinance all of Isle's existing credit facilities and senior and senior subordinated notes, (y) refinance the Company's existing credit facility and (z) pay transaction fees and expenses related to the foregoing. The availability of the borrowings is subject to the satisfaction of certain customary conditions.

Contractual Commitments

The following table summarizes our estimated contractual payment obligations as of December 31, 2016:

	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)	$ 823.2	$ 4.6	$ 8.7	$ 37.5	$ 772.4
Interest on indebtedness	274.1	45.4	90.2	87.5	51.0
Operating leases(2)	33.3	2.4	3.8	2.6	24.5
Gaming tax and license fees(3)	64.2	12.8	25.9	25.5	See note 3
Purchase and other contractual obligations	1.1	0.4	0.6	0.1	—
Minimum purse obligations(4)	28.8	14.4	14.4	—	—
Contingent earn-out payments(5)	0.6	0.1	0.2	0.2	0.1
Regulatory gaming assessments(6)	3.7	0.4	1.0	1.1	1.2
Total	$ 1,229.0	$ 80.5	$ 144.8	$ 154.5	$ 849.2

(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 16 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 ($96,000 for 2016) for the term of the agreement which expires on December 31, 2018.

(5) In connection with the 2003 purchase of Scioto Downs, certain stockholders 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 16 to our consolidated financial statements for additional information regarding our regulatory gaming assessments.

The table above excludes certain commitments as of December 31, 2016, 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 Senior Notes and the Credit Facility 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.

Off Balance Sheet Arrangements

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 $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of $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 $4.1 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 $1.9 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, 2016 is $3.7 million. The Company paid $0.4 million during the year ended December 31, 2016.

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 16 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 are 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 Circus Reno/Silver Legacy Purchase and the MTR Merger. It required us to recognize the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the Reno 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.

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 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 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 business combination date. We reevaluated these items quarterly based upon facts and circumstances that existed as of the business combination 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.

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 2013.

The Company was notified by the Internal Revenue Service in October of 2016 that its federal tax return for the year ended December 31, 2014 had been selected for examination. As of December 31, 2016, there have been no proposed adjustments. Management believes that its tax positions are appropriate and that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company’s tax audits are resolved in a manner not consistent with Management’s expectations, we would be required to adjust our provision for income taxes in the period such resolution occurs. While the Company believes its reported results are materially accurate, any significant adjustments could have a material adverse effect on the Company’s results of operations, cash flows and financial position if not resolved within expectations.

For the year ended December 31, 2014, 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 a result of the Company's net operating losses and net deferred tax asset position as of December 31, 2014 (after exclusion of certain deferred tax liabilities that generally cannot be offset against deferred tax assets, known as "Naked Credits"), the Company provided for a full valuation allowance against substantially all of the net federal and state deferred tax assets.

For the year ended December 31, 2015, the difference between the effective rate and the statutory rate is attributable primarily to the release of a majority of the federal and related state valuation allowances on the Company's deferred tax assets and the non-taxable gain on the fair value adjustment of a previously unconsolidated affiliate. The Company continues to provide for a valuation allowance against net federal and state deferred tax assets associated with non-operating land, the sale of which could result in capital losses that can only be offset against capital gains. As of December 31, 2015, the Company also continued to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania and West Virginia. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets.

For the year ended December 31, 2016, the difference between the effective rate and the statutory rate is attributable primarily to the release of a majority of the state valuation allowances on the Company's West Virginia deferred tax assets and excess tax benefits on stock compensation under Accounting Standards Update 2016-09, Compensation – Stock Compensation, which the Company adopted effective the first quarter of 2016. The Company continues to provide for a valuation allowance against net federal and state deferred tax assets associated with non-operating land, the sale of which could result in capital losses that can only be offset against capital gains. The Company also continues to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets.

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. Management must analyze all available positive and negative evidence regarding realization of the deferred tax assets and make an assessment of the likelihood of sufficient future taxable income. For the year ended December 31, 2014, the Company was in a three-year cumulative loss position, which was significant negative evidence, and the Company did not have positive evidence to outweigh the negative evidence. For the year ended December 31, 2015, the Company's position changed to a three-year cumulative income position and management concluded it is more-likely-than-not to realize its federal, Louisiana and City of Columbus, Ohio deferred tax assets, with the exception of non-operating land. In addition, for the year ended December 31, 2016, the Company remained in a three-year cumulative income position and management concluded it is more-likely-than-not to realize its federal, Louisiana, City of Columbus, Ohio and West Virginia deferred tax assets, with the exception of non-operating land. The Company continues to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets. The Company will continue to evaluate the realization of its deferred tax assets on a quarterly basis and make adjustments to its valuation allowance as appropriate.

For income tax purposes the Company amortizes or depreciates certain assets that have been assigned an indefinite life for book purposes. For the year ended December 31, 2014, the incremental amortization or depreciation deductions for income tax purposes resulted in an increase in certain deferred tax liabilities that could not 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 recorded non-cash deferred tax expense of $1.1 million as the Company amortized these assets for tax purposes.

Prior to the MTR 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. The Company 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, 2016 and 2015.

Property and Equipment and Other Long-Lived Assets

Property and equipment is recorded at cost, except for the Silver Legacy, Circus Reno and the MTR Gaming properties, which were adjusted for fair value under ASC 805 and are depreciated over their remaining 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, 2016, 2015 and 2014.

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.

Our indefinite-lived intangible assets consist of racing and gaming licenses and trade names and are evaluated for impairment annually 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.

The gaming and racing licenses 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, a 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 Company values trade names using the relief-from-royalty method with royalty rates range from 0.5% - 1.0%. Trade names recorded as part of the MTR Merger are amortized on a straight-line basis over a 3.5 year useful life and the trade names recorded as part of the Reno Acquisition are not amortized (deemed indefinite-lived).

The loyalty programs were valued using a combination of a replacement cost and lost profits analysis and the loyalty programs are amortized on a straight-line basis over a one year useful life.

Assessing goodwill and 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.

We believe we have used reasonable estimates and assumptions to calculate the fair value of our goodwill reporting units and 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.

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

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.

Loyalty 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 loyalty 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.

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 (amended January 2017), the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "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 eliminates existing industry guidance, including revenue recognition guidance specific to the gaming industry. The FASB has also recently issued several amendments to the standard, including narrow-scope improvements and practical expedients (ASU 2016-12) and clarification on accounting for and identifying performance obligations (ASU 2016-10). The core principle of the revenue model indicates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The 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 interim and annual periods beginning after December 15, 2017, and should be applied using the full retrospective method or retrospectively with the cumulative effect initially applying the guidance recognized at the date of initial application. While early adoption is permitted for interim and annual periods beginning after December 15, 2016, we anticipate adopting this standard on January 1, 2018. We are currently in the process of evaluating the full impact adoption of ASU 2014-09 (as amended) will have on our consolidated financial statements; however, we anticipate this new standard will likely have a material impact on our consolidated financial statements.

We expect the most significant effect upon adoption of ASU 2014-09 (as amended) will likely be related to 1) the accounting for our customer loyalty program (no longer be recorded at cost, and a deferred revenue model will likely be used to account for the classification and timing of revenue recognized as well as the classification of related expenses for loyalty point redemptions) and 2) the elimination of promotional allowances (the presentation of goods and services provided to our customers without charge, included in gross revenue with a corresponding reduction in promotional allowances, will no longer be reported as revenue and will be recognized based on relative standalone selling prices for transactions with more than one performance obligation). As a result, we expect that gaming revenues will be reduced with a corresponding increase, in total, to food and beverage, hotel, and other revenues. Given our evaluation process is ongoing, the quantitative effects of these changes have not yet been fully determined and are still being analyzed. Additionally, as we continue through our process, further impacts to our financial statements may be identified and we will provide updates in our upcoming quarterly filings.

In January 2017, the FASB issued Accounting Standards Update ASU No. 2017-04, "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment." This amended guidance is intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of goodwill. Under the amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The elimination of Step 2 from the goodwill impairment test should reduce the cost and complexity of evaluating goodwill for impairment. Amendments should be applied on a prospective basis disclosing the nature of and reason for the change in accounting principle upon transition. Disclosure should be provided in the first annual period and in the interim period in which the entity initially adopts the amendments. Updated amendments are effective for the interim and annual periods beginning after December 15, 2019, and early adoption is permitted. We are currently evaluating the impact and timing of adopting this guidance, but anticipate early adoption in 2017.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations – Clarifying the Definition of a Business." This amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business and to provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments are effective for interim and annual periods beginning after December 15, 2017. Early adoption is allowed as follows: (1) transactions for which acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and (2) transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The adoption will result in future acquisitions which do not involve substantive processes being accounted for as asset acquisitions.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows – Restricted Cash." This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. The amendments in this update are effective for the interim and annual periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We currently anticipate adopting this accounting standard during the first quarter of 2018 and we are still evaluating the impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This new guidance is intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investees. The guidance is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The guidance requires application using a retrospective transition method. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Accounting for Credit Losses," which amends the guidance on the impairment of financial instruments. This update adds an impairment model (known as the current expected credit losses model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses. The effective date for this update is for the annual and interim periods beginning after December 15, 2019 and early adoption is permitted beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation." This ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. These areas include income tax consequences, classification of awards as either equity or a liability, and classification on the statement of cash flow. The effective date is for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We elected to early adopt this ASU prospectively in the first quarter of 2016. Under the new guidance, we recognized a reduction in income tax expense of $0.8 million for the year ended December 31, 2016. There were no excess tax benefits for the year ended December 31, 2015.

In February 2016, the FASB issued ASU No. 2016-02 which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Further, the new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and liabilities, which no longer provides a source for off balance sheet financing. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

Currently, we do not have any material capital leases nor any material operating leases where we are the lessor. Our operating leases, primarily relating to certain ground leases and slot machines or video lottery terminals (VLTs), will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. The ROU asset will be depreciated on a straight-line basis and recognized as lease expense. The qualitative and quantitative effects of adoption of ASU 2016-02 are still being analyzed, and we are in the process of evaluating the full effect the new guidance will have on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. We adopted this guidance during the first quarter of 2016 and it did not have a material impact on our consolidated financial statements for the year ended December 31, 2016.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory,” which requires that inventory within the scope of ASU 2015-11 be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method are not impacted by the new guidance. ASU 2015-11 applies to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact on our consolidated financial statements and disclosures.

In January 2015, the FASB issued ASU No. 2015-01, “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 was effective for annual periods ending after December 15, 2015 and for subsequent interim and annual periods thereafter. As of December 31, 2016, we adopted this guidance which had no impact on our 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. As of December 31, 2016, we adopted this guidance and based on our evaluation no conditions and events that could raise substantial doubt about the Company’s ability to continue as a going concern were known.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation with respect to performance share awards. This accounting standards update requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period or periods for which the requisite service has already been rendered. The effective date for this update was for the annual and interim periods beginning after December 15, 2015, and we applied this guidance in the accompanying consolidated financial statements effective January 1, 2016. Adoption of this accounting standard did not have a material impact on our 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. At December 31, 2016, interest on borrowings under our Credit Facility was subject to fluctuation based on changes in short-term interest rates.

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, 2016.

The following table provides information as of December 31, 2016 about our debt obligations, including debt that is sensitive to changes in interest rates, and presents principal payments and related weighted-average interest rates by expected maturity dates. Implied forward rates should not be considered a predictor of actual future interest rates.

The scheduled maturities of our long-term debt outstanding for the years ending December 31 are as follows:

	(in thousands)						
	2017	2018	2019	2020	2021	Thereafter	Total
Fixed Rate Debt							
Senior Notes	$ —	$ —	$ —	$ —	$ —	$ 375,000	$ 375,000
Fixed Interest Rate	—	—	—	—	—	7.00 %	7.00 %
Variable Rate Debt							
Term Loan	$ 4,250	$ 4,250	$ 4,250	$ 4,250	$ 4,250	$ 397,375	$ 418,625
Average Interest Rate	4.25 %	4.25 %	4.25 %	4.25 %	4.25 %	4.25 %	4.25 %
Revolving Credit Facility	$ —	$ —	$ —	$ 29,000	$ —	$ —	$ 29,000
Average Interest Rate(1)	—	—	—	4.88 %		—	4.88 %

(1) Based upon the weighted average interest rate of borrowings outstanding on our Revolving Credit Facility as of December 31, 2016. Borrowings under the Revolving Credit Facility bear interest at a rate per annum of, at the Company's option, either LIBOR or base rate plus a an applicable spread.

As of December 31, 2016, borrowings outstanding under our Revolving Credit Facility were long-term variable-rate borrowings. Assuming a 100 basis-point increase in LIBOR (in the case of the Term Loan, over the 1% floor specified in our credit agreement), our annual interest cost would change by $4.2 million based on gross amounts outstanding at December 31, 2016.

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 66 through 108 of this Annual Report on Form 10-K.

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, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) as of December 31, 2016. Based on these evaluations, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were effective as of December 31, 2016, at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective 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. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with US GAAP.

Our Chief Executive Officer and Chief Financial Officer evaluated and assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this Form 10-K Annual Report based upon the framework set forth in *Internal Control-Integrated Framework* issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on their evaluation and assessment, they concluded that, as of December 31, 2016, our internal control over financial reporting was effective based on those criteria.

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, 2016, which report follows below.

Changes in Internal Controls

During the quarter ended December 31, 2016, 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, 2016, 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 Management’s Report on Internal Control Over Financial Reporting included in Item 9A. 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, 2016, 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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2016 and our report dated March 13, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Roseville, CA
March 13, 2017

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 Annual Meeting of Stockholders (our “Proxy Statement”) to be filed with the Securities and Exchange Commission no later than April 30, 2017, 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 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2017, 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 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2017, 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 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2017, 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 Proxy Statement, to be filed with the Securities and Exchange Commission no later than April 30, 2017, 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 Form 10-K:
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2016 and 2015
Consolidated Statements of Operations for the Years Ended December 31, 2016, 2015 and 2014
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2016, 2015 and 2014
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014
Notes to Consolidated Financial Statements
(a)(ii) Financial Statement Schedule
Years Ended December 31, 2016, 2015 and 2014
Valuation and Qualifying Accounts
(a)(iii) Exhibits

EXHIBIT NO.	ITEM TITLE
2.1	Agreement and Plan of Merger by and among Isle of Capri Casinos, Inc., Eldorado Resorts, Inc., Eagle I Acquisition Corp. and Eagle II Acquisition Company LLC, dated as of September 19, 2016 (incorporated by reference to our Current Report on Form 8-K filed on September 22, 2016).
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	Commitment Letter, dated September 19, 2016, from JPMorgan Chase Bank, N.A. (incorporated by reference to our Current Report on Form 8-K filed on September 22, 2016).
10.2	Voting Agreement, dated as of September 19, 2016, by and among Isle of Capri Casinos, Inc., Eldorado Resorts, Inc. and Recreational Enterprises, Inc. (incorporated by reference to our Current Report on Form 8-K filed on September 22, 2016).
10.3	Indenture dated as of June 23, 2015, by and among Eldorado Resorts, Inc. the guarantors party thereto and U.S. Bank National Association, as Trustee, and Capital One, N.A., as Collateral Trustee, and Form of Note (incorporated by reference to our Current Report on Form 8-K filed on July 23, 2015).
10.4	Agreement dated November 1, 2008 between Mountaineer Park, Inc. and Racetrack Employees Union Local No. 101 (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).
10.11*	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).

EXHIBIT NO.	ITEM TITLE
10.17*	Eldorado Resorts, Inc. 2015 Equity Incentive Plan (incorporated herein by reference to Exhibit 4.3 to the Registration Statement on Form S-8 filed by Eldorado Resorts, Inc. on April 3, 2015 (File No. 333-203227)).
10.18*	Form of Director Restricted Stock Unit Award Agreement pursuant to the Eldorado Resorts, Inc. 2015 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.28 to the Registration Statement on Form S-1 filed by Eldorado Resorts, Inc. on July 14, 2015 (File No. 333-205654)).
10.19*	Form of Director Restricted Stock Unit Award Agreement pursuant to the Eldorado Resorts, Inc. 2015 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.29 to the Registration Statement on Form S-1 filed by Eldorado Resorts, Inc. on July 14, 2015 (File No. 333-205654)).
10.20*	Form of Performance Stock Unit Award Agreement pursuant to the Eldorado Resorts, Inc. 2015 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.30 to the Registration Statement on Form S-1 filed by Eldorado Resorts, Inc. on July 14, 2015 (File No. 333-205654)).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
10.19	Lease between C, S & Y Associates, as lessor, and Eldorado Hotel Associates, as lessee, dated as of July 21, 1972 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
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 (incorporated by reference to our Annual Report on Form 10-K filed on March 16, 2015).
10.27	Credit Agreement dated as of July 23, 2015, by and among the Company, certain of its wholly-owned subsidiaries (as guarantors), JPMorgan Chase Bank, N.A., as administrative agent, swingline lender and issuing lender and J.P. Morgan Securities LLC, Macquarie Capital (USA) Inc., Credit Suisse Securities (USA) LLC, U.S. Bank National Association and KeyBank National Association as joint lead arrangers, joint bookrunners and co-syndication agents (incorporated by reference to our Current Report on Form 8-K filed on July 23, 2015).
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).

EXHIBIT NO.	ITEM TITLE
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 Thomas R. Reeg 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 Thomas R. Reeg 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, 2014 and 2013 (incorporated by reference to our Annual Report on Form 10-K filed on March 15, 2016).
99.3	Unaudited consolidated financial statements of Circus and Eldorado Joint Venture, LLC, as of November 23, 2015 and for the period January 1, 2015 through November 23, 2015 (incorporated by reference to our Annual Report on Form 10-K filed on March 15, 2016).
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 13, 2017

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 Gary L. Carano	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 13, 2017
/s/ THOMAS R. REEG Thomas R. Reeg	President and Chief Financial Officer (Principal Financial Officer) and Director	March 13, 2017
/s/ STEPHANIE D. LEPORI Stephanie D. Lepori	Chief Accounting Officer (Principal Accounting Officer)	March 13, 2017
/s/ FRANK J. FAHRENKOPF JR. Frank J. Fahrenkopf Jr.	Director	March 13, 2017
/s/ JAMES B. HAWKINS James B. Hawkins	Director	March 13, 2017
/s/ MICHAEL E. PEGRAM Michael E. Pegram	Director	March 13, 2017
/s/ DAVID P. TOMICK David P. Tomick	Director	March 13, 2017
/s/ ROGER P. WAGNER Roger P. Wagner	Director	March 13, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF ELDORADO RESORTS, INC.

	Page
Report of Independent Registered Public Accounting Firm	66
Consolidated Balance Sheets	67
Consolidated Statements of Operations	68
Consolidated Statements of Comprehensive Income (Loss)	69
Consolidated Statement of Stockholders’ Equity	70
Consolidated Statements of Cash Flows	71
Notes to Consolidated Financial Statements	72

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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15 (a)(ii). 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, 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 13, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Roseville, California
March 13, 2017

ELDORADO RESORTS, INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 61,029	$ 78,278
Restricted cash	2,414	5,271
Accounts receivable, net	14,694	9,981
Inventories	11,055	11,742
Prepaid income taxes	69	112
Prepaid expenses and other	12,492	10,795
Total current assets	101,753	116,179
INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES	1,286	1,286
PROPERTY AND EQUIPMENT, NET	612,342	625,416
GAMING LICENSES AND OTHER INTANGIBLES, NET	487,498	492,033
GOODWILL	66,826	66,826
NON-OPERATING REAL PROPERTY	14,219	16,314
OTHER ASSETS, NET	10,120	6,954
Total assets	$ 1,294,044	$ 1,325,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 4,545	$ 4,524
Accounts payable	21,576	17,005
Due to affiliates	259	129
Accrued property, gaming and other taxes	18,790	19,424
Accrued payroll and related	14,588	17,852
Accrued interest	14,634	14,978
Accrued other liabilities	27,648	31,798
Total current liabilities	102,040	105,710
LONG-TERM DEBT, LESS CURRENT PORTION	795,881	861,713
DEFERRED INCOME TAXES	90,385	78,797
OTHER LONG-TERM LIABILITIES	7,287	8,121
Total liabilities	995,593	1,054,341
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY:		
Common stock, 100,000,000 shares authorized, 47,105,744 and 46,817,829 issued and outstanding, par value $0.00001 as of December 31, 2016 and 2015, respectively	—	—
Paid-in capital	173,879	170,897
Retained earnings	124,560	99,758
Accumulated other comprehensive income	12	12
Total stockholders' equity	298,451	270,667
Total liabilities and stockholders' equity	$ 1,294,044	$ 1,325,008

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,		
	2016	2015	2014
REVENUES:			
Casino	$ 693,013	$ 614,227	$ 298,848
Pari-mutuel commissions	8,600	9,031	1,986
Food and beverage	142,032	97,740	68,233
Hotel	94,312	37,466	28,007
Other	45,239	26,077	13,198
	983,196	784,541	410,272
Less-promotional allowances	(90,300)	(64,757)	(48,449)
Net operating revenues	892,896	719,784	361,823
EXPENSES:			
Casino	390,325	357,572	167,792
Pari-mutuel commissions	9,787	9,973	2,411
Food and beverage	81,878	52,606	37,411
Hotel	30,746	11,307	8,536
Other	26,921	15,325	9,348
Marketing and promotions	40,600	31,227	21,982
General and administrative	130,172	96,870	58,738
Corporate	19,880	16,469	4,617
Depreciation and amortization	63,449	56,921	28,643
Total operating expenses	793,758	648,270	339,478
LOSS ON SALE OR DISPOSAL OF PROPERTY	(836)	(6)	(84)
ACQUISITION CHARGES	(9,184)	(2,452)	(7,411)
EQUITY IN INCOME OF UNCONSOLIDATED AFFILIATES	—	3,460	2,705
OPERATING INCOME	89,118	72,516	17,555
OTHER INCOME (EXPENSE):			
Interest expense, net	(50,917)	(61,558)	(30,734)
Gain on valuation of unconsolidated affiliate	—	35,582	—
Gain on termination of supplemental executive retirement plan	—	—	715
Loss on early retirement of debt, net	(155)	(1,937)	(90)
Total other expense	(51,072)	(27,913)	(30,109)
NET INCOME (LOSS) BEFORE INCOME TAXES	38,046	44,603	(12,554)
(PROVISION) BENEFIT FOR INCOME TAXES	(13,244)	69,580	(1,768)
NET INCOME (LOSS)	24,802	114,183	(14,322)
NON-CONTROLLING INTEREST	—	—	(103)
NET INCOME (LOSS) ATTRIBUTABLE TO ERI, INC.	$ 24,802	$ 114,183	$ (14,425)
Net Income (Loss) per share of Common Stock:			
Basic	$ 0.53	$ 2.45	$ (0.48)
Diluted	$ 0.52	$ 2.43	$ (0.48)
Weighted Average Basic Shares Outstanding	47,033,311	46,550,042	29,901,405
Weighted Average Diluted Shares Outstanding	47,701,562	47,008,980	29,901,405

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

ELDORADO RESORTS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
NET INCOME (LOSS)	$ 24,802	$ 114,183	$ (14,322)
Other Comprehensive Income (Loss), net of tax:			
Defined benefit pension plan—amortization of net (loss) gain	—	(75)	87
Minimum pension liability adjustment of unconsolidated affiliate	—	—	(1,772)
Total Comprehensive Income (Loss)	24,802	114,108	(16,007)
Less: Comprehensive income attributable to non-controlling interest	—	—	(103)
Comprehensive Income (Loss), net of tax	$ 24,802	$ 114,108	$ (16,110)

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						
	Shares	Amount	Paid-in Capital	Retained Earnings (Deficit)	Non-controlling Interest	Accumulated Other Comprehensive Income	Total
Balance, 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
Other comprehensive income-							
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)
Balance, December 31, 2014	46,426,714	—	165,857	(14,425)	103	87	151,622
Issuance of restricted stock units	17,980	—	1,488	—	—	—	1,488
Acquisition of non-controlling interest	373,135	—	3,552	—	(103)	—	3,449
Net income	—	—	—	114,183	—	—	114,183
Other comprehensive income-							
Pension gain, net of tax	—	—	—	—	—	(75)	(75)
Balance, December 31, 2015	46,817,829	—	170,897	99,758	—	12	270,667
Issuance of restricted stock units	217,997	—	3,341	—	—	—	3,341
Net income	—	—	—	24,802	—	—	24,802
Other comprehensive income	—	—	—	—	—	—	—
Exercise of stock options	132,900	—	385	—	—	—	385
Shares withheld related to net share settlement of stock awards	(62,982)	—	(744)	—	—	—	(744)
Balance, December 31, 2016	47,105,744	$ —	$ 173,879	$ 124,560	$ —	$ 12	$ 298,451

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,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 24,802	$ 114,183	$ (14,322)
Adjustments to reconcile net income (net loss) to net cash provided by operating activities:			
Depreciation and amortization	63,449	56,921	28,643
Amortization of debt issuance costs and (premium) discount	3,520	(4,372)	(2,261)
Equity in income of unconsolidated affiliates	—	(3,460)	(2,705)
Gain on termination of supplemental executive retirement plan assets of unconsolidated affiliate	—	—	(715)
Loss on early retirement of debt, net	155	1,937	90
Gain on valuation of unconsolidated affiliate	—	(35,582)	—
Distributions from unconsolidated affiliate	—	—	509
Change in fair value of acquisition related contingencies	57	90	16
Stock-based compensation expense	3,341	1,488	—
Loss on sale or disposal of property	836	6	84
Provision (benefit) for bad debt	161	(18)	1,070
Provision (benefit) for deferred income taxes	11,344	(70,773)	1,583
Change in operating assets and liabilities:			
Restricted cash	2,857	711	(2,273)
Accounts receivable	(4,874)	2,955	358
Inventories	687	(71)	(12)
Prepaid expenses and other	(1,654)	2,094	2,503
Accounts payable	3,183	178	1,811
Interest payable	(344)	(14,112)	18,063
Income taxes payable	—	(137)	137
Accrued and other liabilities and due to affiliates	(9,950)	4,677	(973)
Net cash provided by operating activities	97,570	56,715	31,606
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net of payables	(47,380)	(36,762)	(10,564)
Investment in and loans to unconsolidated affiliate	—	(1,010)	—
Net cash (used) acquired in business combinations	(194)	(125,016)	48,110
Proceeds from sale of property and equipment	1,560	153	3
Decrease in restricted cash due to credit support deposit	—	2,500	2,500
Reimbursement of capital expenditures from West Virginia regulatory authorities	4,207	1,266	799
Decrease (increase) in other assets, net	659	115	(435)
Net cash (used in) provided by investing activities	(41,148)	(158,754)	40,413
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Senior Notes	—	375,000	—
(Payments) proceeds from issuance of Term Loan	(4,250)	425,000	—
Borrowings under Revolving Credit Facility	73,000	131,000	—
Payments under Revolving Credit Facility	(137,500)	(37,500)	—
Principal payments under Senior Notes	—	(2,125)	—
Retirement of long-term debt	—	(728,664)	(13,525)
Principal payments on capital leases	(274)	(88)	(225)
Debt issuance costs	(4,288)	(25,820)	—
Call premium on early retirement of debt	—	(44,090)	—
Taxes paid related to net share settlement of equity awards	(744)	—	(148)
Cash distributions	—	—	(575)
Proceeds from exercise of stock options	385	—	245
Net cash (used in) provided by financing activities	(73,671)	92,713	(14,228)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,249)	(9,326)	57,791
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	78,278	87,604	29,813
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 61,029	$ 78,278	$ 87,604
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ 47,696	$ 78,378	$ 14,848
Local income taxes paid	1,662	1,198	360
Noncash distribution of Tamarack investment	—	—	5,479
Payables for capital expenditures	4,222	500	3,890
Equipment acquired under capital leases	—	870	—

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

Note 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 "MTR Merger"). Effective upon the consummation of the MTR Merger on September 19, 2014 (the "MTR 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 MTR 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 MTR Merger Date are those of HoldCo and its subsidiaries, and for periods subsequent to the MTR Merger Date also include MTR Gaming and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

On November 24, 2015 (the "Reno Acquisition Date"), Resorts consummated the acquisition of all of the assets and properties of Circus Circus Reno ("Circus Reno") and the 50% membership interest in the Silver Legacy Joint Venture owned by Galleon, Inc. (collectively, the "Circus Reno/Silver Legacy Purchase" or the "Reno Acquisition") pursuant to a Purchase and Sale Agreement, dated as of July 7, 2015 (the "Purchase Agreement"), entered into with Circus Circus Casinos, Inc. and Galleon, Inc., each an affiliate of MGM Resorts International, with respect to the acquisition. On the Reno Acquisition Date, Eldorado Resorts LLC also exercised its right to acquire the 3.8% interest in Eldorado Limited Liability Company ("ELLC") held by certain affiliates and stockholders of the Company. As a result of these transactions, ELLC and CC-Reno, LLC, a newly formed Nevada limited liability company, became wholly-owned subsidiaries of ERI, and Silver Legacy became an indirect wholly-owned subsidiary of ERI. The accompanying consolidated financial statements for periods prior to the Reno Acquisition Date do not include the results of operations for Circus Reno and account for Silver Legacy as an investment in unconsolidated affiliate.

Resorts owns and operates the Eldorado Resorts Casino Reno, 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.

Prior to the Reno Acquisition Date, Resorts owned 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 Reno hotel and casino. Resorts acquired the remaining interest in Silver Legacy in 2015 as well as acquiring Circus Reno, previously owned and operated by Galleon, Inc., an indirect, wholly-owned subsidiary of MGM Resorts International.

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 MTR Merger, Resorts distributed to HoldCo, and HoldCo subsequently distributed to its members, including members of the Carano family, 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 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.

Agreement to Acquire Isle of Capri Casinos, Inc.

On September 19, 2016, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Isle of Capri Casinos, Inc., a Delaware corporation ("Isle" or "Isle of Capri"), Eagle I Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company ("Merger Sub A"), and Eagle II Acquisition Company LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of the Company ("Merger Sub B"). The Merger Agreement provides for, among other things, (1) the merger of Merger Sub A with and into Isle, with Isle as the surviving entity (the "First Step Merger"), and (2) a subsequent merger whereby Isle will merge with and into Merger Sub B, with Merger Sub B as the surviving entity (the "Second Step Merger" and together with the First Step Merger, the "Mergers"). Isle's stockholders may elect to exchange each share of Isle common stock held by such stockholder, at the effective time of the First Step Merger, for either $23.00 in cash or 1.638 shares of Company common stock. Elections are subject to proration and reallocation such that the outstanding shares of Isle common stock will be exchanged for aggregate consideration comprised of 58% cash and 42% Company common stock. The consummation of the merger is subject to receipt of approval of applicable gaming authorities and other customary closing conditions, and is expected to be consummated in the second quarter of 2017. The waiting period under the Hart-Scott-Rodino Act terminated on October 21, 2016. The Company and Isle of Capri received approval of each of their respective stockholders on January 25, 2017 at separate special meetings of stockholders. The obligation of the Company to consummate the Mergers is subject to the absence of a material adverse effect on Isle and the obligation of Isle to consummate the Mergers is subject to the absence of a material adverse effect on the Company. The obligation of the Company to consummate the Mergers is not subject to a financing condition.

Additionally, the Merger Agreement contains certain termination rights for both the Company and Isle including, among others, a mutual termination right if the Mergers have not been consummated on or prior to June 19, 2017 (which may be extended for an additional 90 days by either the Company or Isle if all of the conditions precedent other than the receipt of required gaming approvals have been satisfied). Upon the termination of the Merger Agreement under certain circumstances, the Company or Isle may be required to pay a termination fee of $60.0 million or $30.0 million, respectively. The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement.

In connection with the execution of the Merger Agreement, on September 19, 2016, Recreational Enterprises, Inc. ("REI"), the Company and Isle entered into a voting agreement and GFIL Holdings, LLC ("GFIL"), the Company and Isle entered into a voting agreement pursuant to which, REI has agreed, among other things, to vote all of its shares of Company common stock in favor of the issuance of shares of Company common stock as stock consideration in the Mergers and GFIL has agreed, among other things, to vote all of its shares of Isle common stock in favor of the Mergers and adoption of the Merger Agreement.

Upon completion of the Mergers, the Company will add 12 additional properties to its portfolio after giving effect to the planned dispositions of Isle of Capri Casino Hotel Lake Charles and Lady Luck Casino Marquette. On August 22, 2016, Isle entered into an agreement to sell Isle of Capri Casino Hotel Lake Charles for aggregate consideration of $134.5 million, subject to certain adjustments. On October 13, 2016, Isle entered into an agreement to sell Lady Luck Casino Marquette for cash consideration of approximately $40.0 million, subject to certain adjustments.

Acquisition charges totaling $8.5 million, attributed to the Isle Acquisition, are reported on the accompanying statement of operations related to legal, accounting, financial advisory services and other costs during the year ended December 31, 2016.

In connection with entering into the Merger Agreement, on September 19, 2016, the Company entered into a debt financing commitment letter with JPMorgan Chase Bank, N.A. as modified by the five separate written joinders to the Commitment Letter entered into by ERI and JPMorgan Chase Bank, N.A. with each of Macquarie Capital Funding LLC, KeyBank, National Association, Capital One, National Association, SunTrust Bank and U.S. Bank National Association and certain affiliates of such parties (the "Commitment Letter"). The Commitment Letter provides for: (a) a senior secured credit facility in an aggregate principal amount of $1.75 billion comprised of (i) a term loan facility of up to $1.45 billion and (ii) a revolving credit facility of $300.0 million and (b) an amount equal to at least $375.0 million in gross proceeds from the issuance and sale by the Company of senior unsecured notes or, if the notes are not issued and sold on or prior to the date of the consummation of the Mergers, an amount equal to at least $375.0 million in senior unsecured bridge loans under a senior unsecured credit facility. The proceeds of such borrowings may be used (w) to pay consideration in the Mergers, (x) refinance all of Isle's existing credit facilities and senior and senior subordinated notes, (y) refinance the Company's existing credit facility and (z) pay transaction fees and expenses related to the foregoing. The availability of the borrowings is subject to the satisfaction of certain customary conditions.

Note 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 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 consolidated financial statements include estimated useful lives for depreciable and amortizable assets, estimated allowance for doubtful accounts receivable, estimated cash flows in assessing goodwill and indefinite-lived intangible assets for impairment and 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 also has certificates of deposit which are used for security with the Nevada Department of Insurance for its self-insured workers compensation and the West Virginia Division of Environmental Protection. The Nevada certificate of deposit matured on January 28, 2017 at which time it was renewed and increased to $628,000 and the maturity date was extended to January 28, 2018. The West Virginia certificates of deposits in the amounts of $157,000 and $97,000 both mature on November 27, 2017.

Accounts Receivable and Credit Risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues markers to approved casino customers following background checks and assessments of creditworthiness. Trade receivables, including casino and hotel receivables, are typically non-interest bearing. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their carrying amount, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Management believes that as of December 31, 2016 and 2015, no significant concentrations of credit risk related to receivables 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.

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.

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

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

The Company considers whether the fair values of any of its equity method investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. Estimated fair value is determined using a discounted cash flow analysis based on estimated future results of the investee and market indicators of terminal year capitalization rate. There were no impairments of the Company's equity method investments during 2016, 2015 or 2014.

Goodwill and Other Intangible Assets and Non-Operating Real Properties. Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually and between annual test dates in certain circumstances. The Company performs its annual impairment tests in the fourth quarter of each fiscal year. No impairments were indicated as a result of the annual impairment review for goodwill and indefinite-lived intangible assets in 2016, 2015 or 2014.

We have designated certain assets, consisting principally of land and undeveloped properties, as non-operating real property and have declared our intent to sell those assets. However, we do not anticipate that we will 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, 2016.

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 amount.

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.

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.

Loyalty 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 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.

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. 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,		
	2016	2015	2014
Food and beverage	$ 56,335	$ 44,998	$ 33,182
Hotel	27,070	15,711	12,582
Other	6,895	4,048	2,685
	$ 90,300	$ 64,757	$ 48,449

The costs of providing such complimentary services are recorded in casino expenses in the accompanying consolidated statements of operations and are estimated as follows (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
Food and beverage	$ 39,288	$ 31,220	$ 25,190
Hotel	10,077	6,638	5,030
Other	4,672	2,330	1,860
	$ 54,037	$ 40,188	$ 32,080

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 $40.6 million, $31.2 million and $22.0 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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

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

- *Level 1 inputs*: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- *Level 2 inputs*: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3 inputs*: Unobservable inputs for the asset or liability.

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.

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 maker of our Company reviews operating results, assesses performance and makes decisions on a "significant market" basis. We view each of our casino resorts as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure. The Company's principal operating activities occur in three geographic regions: Nevada, Louisiana and parts of the eastern United States. The Company has aggregated its operations into three reportable segments based on the similar characteristics of the operating segments within the regions in which they operate. We, therefore, consider Eldorado Reno, Silver Legacy and Circus Reno as Nevada, Eldorado Shreveport as Louisiana, and Scioto Downs, Presque Isle Downs and Mountaineer as Eastern.

Capitalized Interest. The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. If no incremental debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended for more than a brief period. For the year ended December 31, 2015, the Company had $0.2 million of capitalized interest costs. The Company did not record capitalized interest costs in 2016 and 2014.

Reclassifications

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

Recently Issued Accounting Pronouncements

In May 2014 (amended January 2017), the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "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 eliminates existing industry guidance, including revenue recognition guidance specific to the gaming industry. The FASB has also recently issued several amendments to the standard, including narrow-scope improvements and practical expedients (ASU 2016-12) and clarification on accounting for and identifying performance obligations (ASU 2016-10). The core principle of the revenue model indicates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The 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 interim and annual periods beginning after December 15, 2017, and should be applied using the full retrospective method or retrospectively with the cumulative effect initially applying the guidance recognized at the date of initial application. While early adoption is permitted for interim and annual periods beginning after December 15, 2016, we anticipate adopting this standard on January 1, 2018. We are currently in the process of evaluating the full impact adoption of ASU 2014-09 (as amended) will have on our consolidated financial statements; however, we anticipate this new standard will likely have a material impact on our consolidated financial statements.

We expect the most significant effect upon adoption of ASU 2014-09 (as amended) will likely be related to 1) the accounting for our customer loyalty program (no longer be recorded at cost, and a deferred revenue model will likely be used to account for the classification and timing of revenue recognized as well as the classification of related expenses for loyalty point redemptions) and 2) the elimination of promotional allowances (the presentation of goods and services provided to our customers without charge, included in gross revenue with a corresponding reduction in promotional allowances, will no longer be reported as revenue and will be recognized based on relative standalone selling prices for transactions with more than one performance obligation). As a result, we expect that gaming revenues will be reduced with a corresponding increase, in total, to food and beverage, hotel, and other revenues. Given our evaluation process is ongoing, the quantitative effects of these changes have not yet been fully determined and are still being analyzed. Additionally, as we continue through our process, further impacts to our financial statements may be identified and we will provide updates in our upcoming quarterly filings.

In January 2017, the FASB issued Accounting Standards Update ASU No. 2017-04, "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment." This amended guidance is intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of goodwill. Under the amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The elimination of Step 2 from the goodwill impairment test should reduce the cost and complexity of evaluating goodwill for impairment. Amendments should be applied on a prospective basis disclosing the nature of and reason for the change in accounting principle upon transition. Disclosure should be provided in the first annual period and in the interim period in which the entity initially adopts the amendments. Updated amendments are effective for the interim and annual periods beginning after December 15, 2019, and early adoption is permitted. We are currently evaluating the impact and timing of adopting this guidance, but anticipate early adoption in 2017.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations – Clarifying the Definition of a Business." This amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business and to provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments are effective for interim and annual periods beginning after December 15, 2017. Early adoption is allowed as follows: (1) transactions for which acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and (2) transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The adoption will result in future acquisitions which do not involve substantive processes being accounted for as asset acquisitions.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows – Restricted Cash." This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. The amendments in this update are effective for the interim and annual periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We currently anticipate adopting this accounting standard during the first quarter of 2018 and we are still evaluating the impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This new guidance is intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investees. The guidance is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The guidance requires application using a retrospective transition method. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Accounting for Credit Losses," which amends the guidance on the impairment of financial instruments. This update adds an impairment model (known as the current expected credit losses model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses. The effective date for this update is for the annual and interim periods beginning after December 15, 2019 and early adoption is permitted beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation." This ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. These areas include income tax consequences, classification of awards as either equity or a liability, and classification on the statement of cash flow. The effective date is for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We elected to early adopt this ASU prospectively in the first quarter of 2016. Under the new guidance, we recognized a reduction in income tax expense of $0.8 million for the year ended December 31, 2016. There were no excess tax benefits for the year ended December 31, 2015.

In February 2016, the FASB issued ASU No. 2016-02 which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Further, the new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and liabilities, which no longer provides a source for off balance sheet financing. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

Currently, we do not have any material capital leases nor any material operating leases where we are the lessor. Our operating leases, primarily relating to certain ground leases and slot machines or video lottery terminals (VLTs), will be recorded on the balance sheet as an ROU asset with a corresponding lease liability, which will be amortized using the effective interest rate method as payments are made. The ROU asset will be depreciated on a straight-line basis and recognized as lease expense. The qualitative and quantitative effects of adoption of ASU 2016-02 are still being analyzed, and we are in the process of evaluating the full effect the new guidance will have on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. We adopted this guidance during the first quarter of 2016 and it did not have a material impact on our consolidated financial statements for the year ended December 31, 2016.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory," which requires that inventory within the scope of ASU 2015-11 be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method are not impacted by the new guidance. ASU 2015-11 applies to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact on our consolidated financial statements and disclosures.

In January 2015, the FASB issued ASU No. 2015-01, "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 was effective for annual periods ending after December 15, 2015 and for subsequent interim and annual periods thereafter. As of December 31, 2016, we adopted this guidance which had no impact on our 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. As of December 31, 2016, we adopted this guidance and based on our evaluation no conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern were known.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation with respect to performance share awards. This accounting standards update requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period or periods for which the requisite service has already been rendered. The effective date for this update was for the annual and interim periods beginning after December 15, 2015, and we applied this guidance in the accompanying consolidated financial statements effective January 1, 2016. Adoption of this accounting standard did not have a material impact on our consolidated financial statements.

Note 3. Reno Acquisition, MTR Merger and Final Purchase Accounting

Final Purchase Price Accounting – Silver Legacy and Circus Reno

On November 24, 2015, the Company acquired all of the assets and properties of Circus Reno and the 50% membership interest in the Silver Legacy Joint Venture owned by Galleon, Inc. The total purchase consideration was $223.6 million as presented in the following table.

Purchase consideration calculation (dollars in thousands)	Silver Legacy	Circus Reno	Total
Cash consideration paid by ERI for MGM's 50% equity interest and MGM's member note	$ 56,500	$ 16,000	$ 72,500
Fair value of ERI's pre-existing 50% equity interest	56,500	—	56,500
Settlement of Silver Legacy's long-term debt (1)	87,854	—	87,854
Prepayment penalty (1)	1,831	—	1,831
Closing Silver Legacy and Circus Reno net working capital (2)	6,124	2,111	8,235
Reverse member note (3)	(6,107)	—	(6,107)
Deferred tax liability	2,769	—	2,769
Purchase consideration	$ 205,471	$ 18,111	$ 223,582

(1) Represents $5.0 million of short-term debt, $75.5 million of long-term debt, the remaining 50% of the $11.5 million of member notes (net of discount), and accrued interest of $1.6 million. Additionally, the Company paid a $1.8 million prepayment penalty as a result of the early payoff of the Silver Legacy long-term debt.

(2) Per the Purchase and Sale Agreement, the purchase price was $72.5 million plus the Final Closing Net Working Capital (as defined in the Purchase and Sale Agreement). As agreed by both parties, the final working capital adjustment was $8.2 million.

(3) Represents 50% of the $11.5 million of member notes (net of discount) due to ERI, and related accrued interest. This amount was settled in conjunction with the final, agreed-upon purchase consideration.

The transaction was accounted for using the acquisition method. No goodwill resulted from the recording of this transaction.

The following table summarizes the allocation of the final purchase consideration to the identifiable assets acquired and liabilities assumed in the Circus Reno/Silver Legacy Purchase. 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 accounting of the acquired assets and assumed liabilities (dollars in thousands):

	Silver Legacy	Circus Reno	Total
Current and other assets, net	$ 21,625	$ 2,115	$ 23,740
Property and equipment	168,037	14,996	183,033
Intangible assets (1)	5,000	1,000	6,000
Other noncurrent assets	10,809	—	10,809
Net assets acquired	$ 205,471	$ 18,111	$ 223,582

(1) Intangible assets consist of trade names which are non-amortizable and loyalty programs which were amortized over one year.

During the second quarter of 2016, the Company finalized its valuation procedures and adjusted the preliminary purchase price accounting, as disclosed in the March 31, 2016 Quarterly Report on Form 10-Q and December 31, 2015 Annual Report on Form 10-K, to their updated values. The finalized purchase price accounting resulted in a $1.3 million decrease in property and equipment. This change related to management refining certain assumptions used in the valuation of property and equipment to its fair value. Accordingly, the Company adjusted depreciation expense from the Reno Acquisition Date through June 30, 2016, based on the revised measurement of property and equipment. The depreciation expense adjustment was not material.

Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the Reno Acquisition make use of Level 1 and Level 3 inputs including quoted prices in active markets and discounted cash flows using current interest rates.

Trade receivables and payables, 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 Reno Acquisition Date, based on management’s judgments and estimates.

The fair value estimate 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.

Trade names were valued using the relief-from-royalty method. The loyalty program was valued using a comparative business valuation method. Management has assigned trade names an indefinite useful life, in accordance with its review of applicable guidance of ASC Topic No. 350, *Intangibles—Goodwill and Other*. 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 loyalty program is being amortized on a straight-line basis over a one year useful life.

For the period from the Reno Acquisition Date through December 31, 2015, the Silver Legacy generated net revenue of $13.5 million and a net loss of $0.3 million. Circus Reno generated net revenues of $8.3 million and net income of $1.4 million during the same period.

MTR Gaming Merger

Consideration Transferred

The MTR Merger was accounted for as a reverse acquisition of MTR Gaming by HoldCo under which HoldCo was considered the acquirer for accounting purposes. HoldCo was considered the accounting acquirer on the MTR Merger Date. 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 a 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.

Final Purchase Price Accounting

The following table summarizes the fair values of the assets acquired and liabilities assumed at the MTR Merger Date. The fair values were based on management's analysis, including work performed by third-party valuation specialists. The valuation methodologies under both a market and income approach were used for the identifiable net assets acquired in the MTR Merger made use of Level 1 and Level 3 inputs including quoted prices in active markets and discounted cash flows using current interest rates. The following table summarizes the final purchase price accounting of the acquired assets and assumed liabilities as recorded at fair value on the MTR Merger Date (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 which are non-amortizable and, trade names and loyalty programs which are amortized over three and one-half and one year, respectively.

(2) Long-term debt was primarily comprised of MTR second lien notes of $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.

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 MTR Merger Date. The Company considers the goodwill to represent benefits expected to be realized as a result of the MTR Merger.

Unaudited Pro Forma Information – Reno Acquisition and MTR Merger

The following unaudited pro forma information presents the results of operations of the Company for the years ended December 31, 2015 and 2014, as if the MTR Merger and Reno Acquisition had both occurred on January 1, 2014 (in thousands except per share data).

	For the years ended December 31,			
	2015		2014	
Net revenues	$	901,455	$	908,415
Net income		97,783		40,552
Net income per common share:				
Basic	$	2.10	$	0.87
Diluted	$	2.08	$	0.87
Weighted shares outstanding:				
Basic		46,550,042		46,426,714
Diluted		47,008,980		46,509,008

These pro forma results do not necessarily represent the results of operations that would have been achieved if the acquisition had taken place on January 1, 2014, nor are they indicative of the results of operations for future periods. The pro forma amounts include the historical operating results of the Company, MTR Gaming, the Silver Legacy and Circus Reno prior to the MTR Merger and Reno Acquisition, with adjustments directly attributable to the MTR Merger and Reno Acquisition.

Note 4. Accounts Receivable

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

	December 31,	
	2016	2015
Accounts receivable	$ 15,915	$ 12,055
Allowance for doubtful accounts	(1,221)	(2,074)
Total	$ 14,694	$ 9,981

Note 5. Investment in Unconsolidated Affiliates

Hotel Partnership. The Company holds a 42.1% variable interest in a partnership with other investors to develop a new 118-room Hampton Inn & Suites hotel to be developed at Scioto Downs. Pursuant to the terms of the partnership agreement, the Company contributed $1.0 million of cash and 2.4 acres of a leasehold immediately adjacent to the Brew Brothers microbrewery and restaurant at Scioto Downs. The partnership is responsible for the construction of the hotel at a cost of approximately $16.0 million and other investor members have been identified to operate the hotel upon completion. The hotel is planned to open in March 2017. The Company is not the primary beneficiary, and therefore, the entity is accounted for under the equity method of accounting. At December 31, 2016, the Company's investment in the partnership was $1.3 million, classified as "Investment in and advances to unconsolidated affiliates" in the consolidated balance sheets, representing the Company's maximum loss exposure.

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 "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. Prior to the Reno Acquisition Date, each partner owned a 50% interest in the Silver Legacy Joint Venture. Prior to the MTR 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. The non-controlling interest's share of $103,000 in income was reflected in the accompanying consolidated statements of operations for the year ended December 31, 2014.

On the Reno Acquisition Date, Resorts consummated the acquisition of the other 50% membership interest in the Silver Legacy Joint Venture owned by Galleon, Inc. pursuant to the Purchase Agreement and also exercised its right to acquire the 3.8% interest in ELLC held by certain affiliates of the Company. As a result of these transactions, ELLC became a wholly-owned subsidiary of ERI and Silver Legacy became an indirect wholly-owned subsidiary of ERI. In conjunction with the Reno Acquisition, we recorded a $35.6 million gain related to the valuation of the pre-acquisition investment in the Silver Legacy Joint Venture.

As consideration for the non-controlling interest, the Company issued 373,135 shares of common stock. Subsequent to this action the Company owned 100% of ELLC. The Company valued the shares at the market price on the day the shares were issued to the non-controlling interest holders. The value of the total consideration paid was $3.6 million.

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. In August 2015, the remaining credit support obligation was released upon Silver Legacy's deposit of an additional $5.0 million. The collateral deposit was included as noncurrent restricted cash in the amounts of $2.5 million in the accompanying consolidated balance sheets at December 31, 2014.

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 New Silver Legacy Credit Facility was scheduled to mature on November 16, 2017, which was the maturity date of the original Silver Legacy credit facility. In connection with the Circus Reno/Silver Legacy Purchase, all amounts outstanding under the Silver Legacy Credit Facility were paid in full and the cash collateral securing such obligations were released.

Equity in income related to the Silver Legacy Joint Venture for the 2015 period prior to the Reno Acquisition Date and for the year ended December 31, 2014 amounted to $3.5 million and $2.0 million, respectively.

Summarized information for the Company's investment in and advances to the Silver Legacy Joint Venture for 2015 prior to its acquisition by the Company and for the year ended December 31, 2014 are as follows (in thousands):

	Period from, January 1, 2015 through November 23, 2015	For the year ended December 31, 2014
Beginning balance	$ 14,009	$ 13,081
Equity in income of unconsolidated affiliate	3,460	1,985
Gain on termination of supplemental executive retirement plan of unconsolidated affiliate	—	715
Other comprehensive loss minimum pension liability adjustment of unconsolidated affiliate	—	(1,772)
Valuation of unconsolidated affiliate	35,582	—
Net acquisition of non-controlling interest	3,449	—
Ending balance	$ 56,500	$ 14,009

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

	December 31, 2014
Current assets	$ 30,563
Property and equipment, net	190,592
Other assets, net	6,412
Total assets	$ 227,567
Current liabilities	$ 18,707
Long-term liabilities	89,322
Partners' equity	119,538
Total liabilities and partners' equity	$ 227,567

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

	Period from, January 1, 2015 through November 23, 2015	For the year ended December 31, 2014
Net revenues	$ 117,029	$ 127,095
Operating expenses	(90,608)	(112,086)
Operating income	26,421	15,009
Other expense	(19,226)	(9,607)
Net income	$ 7,195	$ 5,402

Tamarack. Prior to the MTR 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 previously 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. 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 totaled $0.7 million is included as a component of operating income.

On September 1, 2014, and as a condition to closing the MTR Merger, Resorts distributed to HoldCo and HoldCo subsequently distributed to its members, including members of the Carano family, 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 is as follows (in thousands):

	Period from, January 1, 2014 through September 1, 2014
Beginning balance	$ 5,268
Member's distribution	(509)
Equity in net income of unconsolidated affiliate	720
Distribution of investment	(5,479)
Ending balance	$ —

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

	Period from, January 1, 2014 through September 1, 2014
Net revenues	$ 12,908
Operating expenses	(9,431)
Operating income	3,477
Other expense	(45)
Net income	$ 3,432

Note 6. Property and Equipment

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

	December 31,	
	2016	2015
Land and improvements	$ 54,604	$ 54,633
Buildings and other leasehold improvements	628,390	619,614
Riverboat	40,148	39,027
Furniture, fixtures and equipment	251,504	229,798
Furniture, fixtures and equipment held under capital leases (Note 16)	3,571	4,199
Construction in progress	6,985	2,692
	985,202	949,963
Less—Accumulated depreciation and amortization	(372,860)	(324,547)
Property and equipment, net	$ 612,342	$ 625,416

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 $58.9 million, $51.0 million and $26.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016 and 2015, accumulated depreciation and amortization includes $2.9 million and $3.3 million, respectively, related to assets acquired under capital leases.

During the year ended December 31, 2016, the West Virginia Racing Commission reimbursed Mountaineer $0.7 million for capital expenditures in 2016. 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, 2016, Mountaineer was reimbursed $3.5 million on qualified capital expenditures. As of December 31, 2016, Mountaineer remains eligible for $3.4 million under annual modernization fund grants that expire in varying dates through June 30, 2018. We can make no assurances Mountaineer will be able to make qualifying capital expenditures purchases sufficient to receive reimbursement of the available funds prior to their expiration nor that the modernization funds will continue to be available.

Note 7. Other and Intangible Assets, net

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

	December 31,	
	2016	2015
Goodwill	$ 66,826	$ 66,826
Gaming license (indefinite-lived)	$ 482,074	$ 482,074
Trade names	9,800	9,800
Loyalty programs	7,700	7,700
Total	499,574	499,574
Accumulated amortization trade names	(4,376)	(2,462)
Accumulated amortization loyalty programs	(7,700)	(5,079)
Total other intangible assets	$ 487,498	$ 492,033
Non-operating real property	$ 14,219	$ 16,314
Land held for development	$ 906	$ 906
Other	9,214	6,048
Total other assets, net	$ 10,120	$ 6,954

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 December 31, 2016 and 2015.

Included in gaming licenses is the Eldorado Shreveport gaming license recorded at $20.6 million at December 31, 2016 and 2015. 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 in the jurisdiction. Also included in gaming licenses are the gaming and racing licenses of Mountaineer, Presque Isle Downs and Scioto Downs totaling $461.5 million at December 31, 2016 and 2015. These gaming license rights are not subject to amortization as the Company has determined that they have an indefinite useful life.

Trade names related to the MTR Merger are amortized on a straight-line basis over a 3.5 year useful life. Trade names related to the Reno Acquisition are non-amortizable, and loyalty programs are amortized on a straight-line basis over a one year useful life. Amortization expense with respect to trade names and the loyalty program amounted to $1.9 million and $2.6 million, respectively, for the year ended December 31, 2016, which is included in depreciation and amortization in the consolidated statements of operations. Such amortization expense is expected to be $1.9 million for the year ended December 31, 2017 and $0.4 million for the year ended December 31, 2018.

The Company's indefinite-lived gaming licenses and trade names are 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.

There were no impairments of goodwill, gaming licenses and trade names recorded in 2016, 2015 or 2014.

Non-operating real property totaled $14.2 million and $16.3 million at December 31, 2016 and 2015, respectively. The Company sold land (non-operating) for $2.1 million at Presque Isle Downs during the year ended December 31, 2016. This transaction resulted in a $0.1 million gain net of costs.

Note 8. Accrued Other Liabilities

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

	December 31,	
	2016	2015
Accrued insurance and medical claims	$ 3,228	$ 3,472
Unclaimed chips	1,946	2,320
Accrued purses and track related liabilities	1,007	3,758
Jackpot liabilities and other accrued gaming promotions	6,678	5,837
Player's point liabilities	2,989	3,434
Construction payables	4,005	1,911
Other	7,795	11,066
Total accrued other liabilities	$ 27,648	$ 31,798

Note 9. Long-Term Debt

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

	December 31,	
	2016	2015
Senior Notes	$ 375,000	$ 375,000
Less: Unamortized debt issuance costs	(8,141)	(8,957)
Net	366,859	366,043
Term Loan	418,625	422,875
Less: Unamortized discount and debt issuance costs	(12,578)	(14,465)
Net	406,047	408,410
Revolving Credit Facility	29,000	93,500
Less: Unamortized debt issuance costs	(2,023)	(2,533)
Net	26,977	90,967
Capital leases	543	817
Less: Current portion	(4,545)	(4,524)
Total long-term debt	$ 795,881	$ 861,713

Debt issuance costs and the discount associated with the issuance of the Senior Notes, Term Loan and Revolving Credit Facility (as such terms are defined below) in July 2015 totaled $25.8 million. Amortization of debt issuance costs is computed using the effective interest method and is included in interest expense. Amortization of the debt issuance costs and the discount associated with the Senior Notes and Credit Facility (as defined below) totaled $3.5 million for the year ended December 31, 2016.

Maturities of the principal amount of the Company's long-term debt as of December 31, 2016 are as follows:

Years ending December 31,	*(In thousands)*
2017	$ 4,545
2018	4,498
2019	4,250
2020	33,250
2021	4,250
Thereafter	772,375
	$ 823,168

Amortization of Resorts' bond costs was computed using the straight-line method, which approximated the effective interest method, over the term of the bonds, and was included in interest expense. Amortization expense with respect to deferred financing costs on Resorts senior secured notes amounted to $0.5 million for year ended December 31, 2015.

Refinancing Transaction and Senior Notes

On July 23, 2015, the Company issued $375.0 million in aggregate principal amount of 7.0% senior notes due 2023 ("Senior Notes") pursuant to the indenture, dated as of July 23, 2015 (the "Indenture"), at an issue price equal to 100.0% of the aggregate principal amount of the Senior Notes. The Senior Notes are guaranteed by all of the Company's direct and indirect restricted subsidiaries. CC-Reno, LLC and the Silver Legacy Joint Venture became guarantors in June 2016 upon receipt of the required gaming regulatory approval which occurred in May 2016. The Senior Notes will mature on August 1, 2023, with interest payable semi-annually in arrears on February 1 and August 1 of each year.

The Company used the net proceeds from the Senior Notes offering together with borrowings under the Term Loan and the Revolving Credit Facility (as defined below) to (i) purchase or otherwise redeem (a) all of the outstanding Resorts senior secured notes and (b) all of the outstanding MTR second lien notes, (ii) pay a portion of the purchase price for the Circus Reno/Silver Legacy Purchase and repay all amounts outstanding under the Silver Legacy Joint Venture credit facility, and (iii) pay fees and costs associated with such transactions. Net proceeds from the Senior Notes offering totaling $50.0 million were used for the Circus Reno/Silver Legacy Purchase on the Reno Acquisition Date. As a result of the July 2015 refinancing, we recognized a $1.9 million net loss on the early retirement of debt.

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

Year	Percentage
2018	105.250 %
2019	103.500 %
2020	101.750 %
2021 and thereafter	100.000 %

Prior to August 1, 2018, the Company may redeem all or a portion of the Senior Notes at a price equal to 100% of the Senior Notes redeemed plus accrued and unpaid interest to the redemption date, plus a "make-whole" premium. At any time prior to August 1, 2018, the Company is also entitled to redeem up to 35% of the original aggregate principal amount of the Senior Notes with proceeds of certain equity financings at a redemption price equal to 107% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest. If the Company experiences certain change of control events (as defined in the Indenture), it must offer to repurchase the Senior Notes at 101% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company must offer to repurchase the Senior Notes at 100% of their principal amount, plus accrued and unpaid interest to the applicable repurchase date. The Senior Notes are subject to redemption imposed by gaming laws and regulations of applicable gaming regulatory authorities.

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

- pay dividends or distributions or make certain other restricted payments or investments;
- incur or guarantee additional indebtedness or issue disqualified stock or create subordinated indebtedness that is not subordinated to the Senior Notes or the guarantees of the Senior Notes;
- create liens;
- transfer and sell assets;
- merge, consolidate, or sell, transfer or otherwise dispose of all or substantially all of the Company's assets;
- enter into certain transactions with affiliates;

- engage in lines of business other than the Company's core business and related businesses; and
- create restrictions on dividends or other payments by restricted subsidiaries.

These covenants are subject to a number of exceptions and qualifications as set forth in the Indenture. The Indenture also provides for customary events of default which, if any of them occurs, would permit or require the principal of and accrued interest on such Senior Notes to be declared due and payable. As of December 31, 2016, the Company was in compliance with all of the covenants under the Indenture relating to the Senior Notes.

Credit Facility

On July 23, 2015, the Company entered into a new $425.0 million seven year term loan (the "Term Loan") and a new $150.0 million five year revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan, the "Credit Facility"). Also on July 23, 2015, the Company borrowed $40.0 million under the Revolving Credit Facility. As of December 31, 2016, the Company had $418.6 million outstanding on the Term Loan and $29.0 million in borrowings outstanding under the Revolving Credit Facility. The Company had $121.0 million of available borrowing capacity under its Revolving Credit Facility as of December 31, 2016. At December 31, 2016, the interest rate on the Term Loan was 4.25% and the weighted average interest rate on the Revolving Credit Facility was 4.88% based upon the weighted average interest rate of borrowings outstanding on our Revolving Credit Facility as of December 31, 2016. Borrowings under the Revolving Credit Facility bear interest at a rate per annum of, at the Company's option, either LIBOR or base rate plus a an applicable spread.

The Term Loan bears interest at a rate per annum of, at the Company's option, either (x) LIBOR plus 3.25%, with a LIBOR floor of 1.0%, or (y) a base rate plus 2.25%. Borrowings under the Revolving Credit Facility bear interest at a rate per annum of, at the Company's option, either (x) LIBOR plus a spread ranging from 2.5% to 3.25% or (y) a base rate plus a spread ranging from 1.5% to 2.25%, in each case with the spread determined based on the Company's total leverage ratio. Additionally, the Company pays a commitment fee on the unused portion of the Revolving Credit Facility not being utilized in the amount of 0.50% per annum.

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

The credit agreement governing the Credit Facility also includes requirements the Company maintains a maximum total leverage ratio and a minimum interest coverage ratio (adjusting over time). The Company is required to maintain a maximum total leverage ratio of 6.00 to 1.00 from January 1, 2016 to December 31, 2017 and 5.00 to 1.00 thereafter. In addition, the Company is required to maintain a minimum interest coverage ratio 2.75 to 1.00 from January 1, 2016 through December 31, 2016 and 3.00 to 1.00 thereafter. A default of the financial ratio covenants shall only become an event of default under the Term Loan if the lenders providing the Revolving Credit Facility take certain affirmative actions after the occurrence of a default of such financial ratio covenants.

The credit agreement governing the Credit Facility contains a number of customary events of default, including, among others, for the non-payment of principal, interest or other amounts, the inaccuracy of certain representations and warranties, the failure to perform or observe certain covenants, a cross default to other indebtedness including the Senior Notes, certain events of bankruptcy or insolvency; certain ERISA events, the invalidity of certain loan documents, certain changes of control and the loss of certain classes of licenses to conduct gaming. If any event of default occurs, the lenders under the Credit Facility would be entitled to take various actions, including accelerating amounts due thereunder and taking all actions permitted to be taken by a secured creditor. As of December 31, 2016, the Company was in compliance with the covenants under the Credit Facility.

Note 10. Income Taxes

The components of the Company's provision for income taxes for the years ended December 31, 2016, 2015 and 2014 are presented below (amounts in thousands).

	2016	2015	2014
Current:			
Federal	$ (12)	$ (29)	$ 10
State	1,173	665	120
Local	739	557	55
Total current	1,900	1,193	185
Deferred:			
Federal	12,881	(68,103)	846
State	(1,448)	(2,691)	711
Local	(89)	21	26
Total deferred	11,344	(70,773)	1,583
Income tax (benefit) expense	$ 13,244	$ (69,580)	$ 1,768

The following is a reconciliation of the statutory federal income tax rate (benefit) to the Company's effective tax rate for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	(35.0)%
State and local taxes	4.3 %	1.0 %	(4.4)%
State tax rate adjustment	— %	(3.3)%	— %
Stock compensation	(2.0)%	— %	— %
Permanent items	1.5 %	0.4 %	3.6 %
Valuation allowance	(3.6)%	(180.5)%	77.3 %
Minority interest	0.1 %	0.2 %	1.2 %
Change in tax status	— %	18.2 %	(28.0)%
Non-taxable gain on fair value adjustment	— %	(27.9)%	— %
Credits	(1.8)%	(1.0)%	(1.1)%
Other	1.3 %	1.9 %	0.5 %
Provision (benefit) for income taxes	34.8 %	(156.0)%	14.1 %

For the year ended December 31, 2016, the difference between the effective rate and the statutory rate is attributable primarily to the release of a majority of the state valuation allowances on the Company's West Virginia deferred tax assets and excess tax benefits on stock compensation under Accounting Standards Update 2016-09, Compensation – Stock Compensation, which the Company adopted effective the first quarter of 2016. The Company continues to provide for a valuation allowance against net federal and state deferred tax assets associated with non-operating land, the sale of which could result in capital losses that can only be offset against capital gains. The Company also continues to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets.

For the year ended December 31, 2015, the difference between the effective rate and the statutory rate is attributable primarily to the release of a majority of the federal and related state valuation allowances on the Company's deferred tax assets and the non-taxable gain on the fair value adjustment of a previously unconsolidated affiliate. The Company continues to provide for a valuation allowance against net federal and state deferred tax assets associated with non-operating land, the sale of which could result in capital losses that can only be offset against capital gains. As of December 31, 2015, the Company also continued to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania and West Virginia. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets.

For the year ended December 31, 2014, 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 a result of the Company's net operating losses and net deferred tax asset position as of December 31, 2014 (after exclusion of certain deferred tax liabilities that generally cannot be offset against deferred tax assets, known as "Naked Credits"), the Company provided for a full valuation allowance against substantially all of the net federal and state deferred tax assets.

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. Management must analyze all available positive and negative evidence regarding realization of the deferred tax assets and make an assessment of the likelihood of sufficient future taxable income. For the year ended December 31, 2014, the Company was in a three-year cumulative loss position, which was significant negative evidence, and the Company did not have positive evidence to outweigh the negative evidence. For the year ended December 31, 2015, the Company's position changed to a three-year cumulative income position and management concluded it is more-likely-than-not to realize its federal, Louisiana and City of Columbus, Ohio deferred tax assets, with the exception of non-operating land. For the year ended December 31, 2016, the Company remained in a three-year cumulative income position and management concluded it is more-likely-than-not to realize its federal, Louisiana, City of Columbus, Ohio, and West Virginia deferred tax assets, with the exception of non-operating land. The Company continues to provide for a valuation allowance against net state deferred tax assets relating to operations in Pennsylvania. Management determined it was not more-likely-than-not that the Company will realize these net deferred tax assets. The Company will continue to evaluate the realization of its deferred tax assets on a quarterly basis and make adjustments to its valuation allowance as appropriate.

On November 24, 2015, Eldorado Resorts LLC, an indirect wholly-owned subsidiary of Eldorado Resorts, Inc., acquired the additional 50% membership interest in the Silver Legacy Joint Venture partnership. Prior to the 2015 acquisition, a deferred tax asset was recognized to the extent that the tax basis in the partnership interest exceeded the book basis. As a result of the 2015 acquisition, the partnership ceased to exist and the Company wrote off the outside basis deferred tax asset of $8.1 million as a change in tax status.

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 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.

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, 2016 and 2015 are as follows (amounts in thousands):

	2016	2015
Deferred tax assets:		
Loss carryforwards	$ 38,377	$ 48,722
Accrued expenses	7,748	7,134
Fixed assets	6,327	8,697
Debt	9,991	11,611
Credit carryforwards	2,576	1,378
Stock-based compensation	1,216	701
Other	51	599
	66,286	78,842
Deferred tax liabilities:		
Identified intangibles	(143,823)	(145,053)
Investment in partnerships	(2,742)	(2,008)
Prepaid expenses	(2,804)	(1,906)
Other	(100)	(97)
	(149,469)	(149,064)
Valuation allowance	(7,202)	(8,575)
Net deferred tax liabilities	$ (90,385)	$ (78,797)

At December 31, 2016, management determined it was more-likely-than-not that the Company will realize its federal, Louisiana, West Virginia and Columbus, Ohio deferred tax assets. The recognition of the West Virginia deferred tax assets during 2016 resulted in an income tax benefit of $1.4 million while the recognition of the federal deferred tax assets during 2015 resulted in an income tax benefit of $80.3 million. Management has determined that it is not more-likely-than-not that the Company will realize its Pennsylvania deferred tax assets. 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, 2016, the Company had federal and state net operating loss carryforwards of $102.3 million and $48.2 million, respectively. The federal and state net operating losses begin to expire in 2030 and 2018, respectively. As of December 31, 2016, the Company had Alternative Minimum Tax credit carryforwards of $1.1 million, which can be carried forward indefinitely. As of December 31, 2016, the Company had federal jobs credit carry forwards of $1.4 million, which begin to expire in 2026.

Utilization of net operating loss, credit, and other carryforwards are subject to annual limitations due to ownership changes as provided by the Internal Revenue Code of 1986, as amended and similar state provisions. An ownership change is defined as a greater than 50% change in ownership by 5% stockholders in any three-year period. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, the Company had a “change in ownership” event that limits the utilization of net operating loss, credit, and other carryforwards that were previously available to 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, 2016, there were no unrecognized tax benefits and the Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits within the next twelve months. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company 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 2013.

The Company was notified by the Internal Revenue Service in October of 2016 that its federal tax return for the year ended December 31, 2014 had been selected for examination. As of December 31, 2016, there have been no proposed adjustments. Management believes that its tax positions are appropriate and that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company’s tax audits are resolved in a manner not consistent with Management’s expectations, we would be required to adjust our provision for income taxes in the period such resolution occurs. While the Company believes its reported results are materially accurate, any significant adjustments could have a material adverse effect on the Company’s results of operations, cash flows and financial position if not resolved within expectations.

Note 11. Employee Benefit Plans

On January 1, 2016, the Eldorado Hotel & Casino Master 401(k) Plan, the Silver Legacy 401(k) Plan and the MGM Resorts 401(k) Savings Plan merged in the Eldorado Resorts, Inc. 401(k) Plan (the “ERI 401(k) Plan”). Generally, all employees of ERI 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 ERI 401(k) Plan. Employees who elect to participate in the ERI 401(k) Plan could defer up to 100% but not less than 1% of their annual compensation, subject to statutory and certain other limits. The plan covering ERI’s employees allows for an employer contribution up to 50 percent of the first four percent of each participating employee’s contribution, up to a maximum of $1,000, subject to statutory and certain other limits. ERI’s matching contributions totaled $1.5 million for the year ended December 31, 2016.

Prior to 2016, Resorts participated 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 participated functioned 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 maintained separate accounts for each employer so that each employer's contributions provided benefits only for its employees. Generally, all employees of Resorts who were 21 years of age or older, who had completed six months and 1,000 hours of service and who were not covered by collective bargaining agreements, including the named executive officers, were eligible to participate in the 401(k) Plan. Employees who elected to participate in the 401(k) Plan could defer up to 100% but not less than 1% of their annual compensation, subject to statutory and certain other limits. Effective February 1, 2014, Eldorado Reno implemented 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 participated in Resorts' 401(k) Plan. The plan covering Eldorado Shreveport's employees allowed 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 0.5 million and $0.4 million, respectively, for the years ended December 31, 2015 and 2014.

Previously MTR Gaming participated in 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 MTR Retirement Plan provided 401(k) participation to Presque Isle Downs' employees. Matching contributions by MTR Gaming were $0.1 million and $0.1 million for 2015 and the 2014 period subsequent to the MTR Merger Date, respectively.

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 ERI 401(k) Plan for the benefit of Mountaineer employees were $1.2 million for the year ended December 31, 2016. Contributions to the MTR Retirement Plan for the benefit of Mountaineer employees were $1.3 million and $0.4 million for 2015 and for the 2014 period subsequent to the MTR Merger Date, respectively.

Scioto Downs sponsors a noncontributory defined-benefit plan covering all full-time employees meeting certain age and service requirements. On May 31, 2001, the plan was amended to freeze eligibility, accrual of years of service and benefits. As of December 31, 2016, the fair value of the plan assets was $1.1 million and the fair value of the benefit obligations was $0.8 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 2016, 2015 and 2014.

Note 12. Common Stock and Incentive Awards

Common Stock and Stock-Based Awards

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

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. Total stock-based compensation expense recognized was $3.3 million and $1.5 million during the years ended December 31, 2016 and 2015, respectively. There was no stock based compensation expense in 2014. These amounts are included in corporate expenses in the Company's consolidated statements of operations.

The Board of Directors ("BOD") adopted the Eldorado Resorts, Inc. 2015 Equity Incentive Plan ("2015 Plan") on January 23, 2015 and our stockholders subsequently approved the adoption of the 2015 Plan on June 23, 2015. The Plan permits the granting of stock options, including incentive stock options ("ERI Stock Options"), stock appreciation rights ("SARs"), restricted stock or restricted stock units ("RSUs"), performance awards, and other stock-based awards and dividend equivalents. ERI Stock Options primarily vest ratably over three years and RSUs granted to employees and executive officers primarily vest and become non-forfeitable upon the third anniversary of the date of grant. RSUs granted to non-employee directors vest immediately and are delivered upon the date that is the earlier of termination of service on the BOD or the consummation of a change of control of the Company. The performance awards relate to the achievement of defined levels of performance and are generally measured over a one or two-year performance period depending upon the award agreement. If the performance award levels are achieved, the awards earned will vest and become payable at the end of the vesting period, defined as either a one or two calendar year period following the performance period. Payout ranges are from 0% up to 200% of the award target. Other stock-based awards will consist of any right which is not an ERI Stock Option, SAR, RSU, or performance award, and an award based on shares of the Company's common stock.

On January 22, 2016, the Compensation Committee of the BOD of the Company approved the grant of 367,519 RSUs and performance awards, to executive officers and certain key employees, and the grant of 34,920 RSUs to non-employee members of the BOD under the 2015 Plan. The RSUs had a fair value of $10.77 per unit which was the NASDAQ average price per share on that date. Throughout 2016, an additional 14,661 RSUs were granted to certain employees under the 2015 Plan.

On January 23, 2015, the Compensation Committee of the BOD of the Company approved the grant of 685,606 RSUs and performance awards with a fair value of $4.03 per unit, the NASDAQ average price per share on that date, to executive officers and certain key employees under the 2015 Plan, and the grant of 89,900 RSUs with a fair value of $4.03 per unit, the NASDAQ average price per share on that date, to non-employee members of the BOD under the 2015 Plan. Such awards became effective upon our stockholders' approval of the 2015 Plan on June 23, 2015. Throughout 2015, an additional 9,171 RSUs were granted to certain employees under the 2015 Plan.

A summary of the RSU activity for the years ended December 31, 2014, 2015 and 2016 is as follows:

	Equity Awards	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Life (in years)	Aggregate Fair Value (in millions)
Unvested outstanding as of December 31, 2014	—	$ —	$ —	$ —
Granted	917,283	4.08		
Vested	(89,900)	4.03		
Unvested outstanding as of December 31, 2015	827,383 (1)	$ 4.09	$ 2.12	$ 3.40
Granted	410,694 (2)	10.81		
Vested	(255,707)	5.83		
Unvested outstanding as of December 31, 2016	982,370	$ 6.45	$ 1.41	$ 6.33

(1) Includes 475,409 of performance awards at 135% of target and 351,974 time-based awards at 100% of target all of which were granted in 2015. There were no RSU grants in 2014.

(2) Includes 176,632 of performance awards at 96.5% of target and 234,062 time-based awards at 100% of target.

As of December 31, 2016, the Company had $2.5 million of unrecognized compensation expense, including performance awards at the 96.5% target, related to unvested RSUs that is expected to be recognized over a weighted-average period of 1.41 years.

During the first quarter of 2016, the Company's Chief Operating Officer terminated employment and the Chief Financial Officer retired. In conjunction with the termination and retirement, unvested RSUs totaling 167,511, which were outstanding as of December 31, 2015, immediately vested representing an additional $0.5 million included in stock compensation expense during the first quarter of 2016. Additionally, severance costs totaling $1.4 million were recognized during the first quarter of 2016.

On September 19, 2014, as a result of the MTR 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 "MTR 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 MTR 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.

Upon consummation of the MTR Merger, the Company assumed the MTR Plan from MTR Gaming in accordance with the Plan's terms. No future equity awards will be made pursuant to the MTR Plan. However, outstanding awards granted under the MTR Plan will continue unaffected. Due to the MTR Gaming Stock Options being fully vested immediately prior to the MTR Merger and no additional equity awards being issued by the Company subsequent to the MTR Merger, the Company did not record any stock-based compensation expense during the year ended December 31, 2014.

A summary of the ERI Stock Option activity for the years ended December 31, 2014, 2015 and 2016:

	Options	Range of Exercise Prices	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of MTR Merger Date	474,833	$ 2.44 - $ 16.27	$ 7.13		
Exercised	(76,633)	$ 2.44 - $ 3.94	$ 3.22		
Outstanding and Exercisable as of December 31, 2014	398,200	$ 2.44 - $ 16.27	$ 7.88	4.54	$ 0.2
Expired	(86,000)	$ 11.30	$ 11.30		
Outstanding and Exercisable as of December 31, 2015	312,200	$ 2.44 - $ 16.27	$ 6.94	3.47	$ 1.3
Expired	(10,000)	$ 11.30	$ 11.30		
Exercised	(132,900)	$ 2.44 - $ 3.94	$ 2.89		
Outstanding and Exercisable as of December 31, 2016	169,300	$ 2.44 - $ 16.27	$ 9.94	0.86	$ 1.2

There were 132,900 options exercised and 10,000 options expired in 2016. There were no options exercised in 2015. Cash received from the exercise of stock options was $0.4 million and $0.2 million for the years ended December 31, 2016 and 2014, respectively. The Company recognized a tax benefit from the stock option exercises of $0.8 million in 2016.

Note 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, 2016, 2015 and 2014 (dollars in thousands, except per share amounts):

	2016	2015	2014
Net income (loss) available to common stockholders	$ 24,802	$ 114,183	$ (14,425)
Shares outstanding:			
Weighted average shares outstanding	47,033,311	46,550,042	29,901,405
Diluted shares outstanding	47,701,562	47,008,980	29,901,405
Basic net income (loss) per common share	$ 0.53	$ 2.45	$ (0.48)
Diluted net income (loss) per common share	$ 0.52	$ 2.43	$ (0.48)

As the accounting acquirer in the MTR 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 MTR Merger Agreement (see Note 3) for the year ended December 31, 2014. At the MTR Merger Date, there were no dilutive securities outstanding.

Note 14. Accumulated Other Comprehensive Income

The Company's accumulated other comprehensive income is related to the Scioto Downs defined benefit pension plan. There were no changes in the accumulated other comprehensive income balance during the year ended December 31, 2016.

Note 15. Fair Value Measurements

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 (Level 1).

Restricted Cash: Restricted cash representing cash deposits that serve as collateral for certain bonding requirements were classified as Level 1 as its carrying value approximates market prices.

Accounts Receivable: Accounts receivable consists primarily of casino, hotel and other receivables. We extend casino credit to approved customers in states where it is permitted following an evaluation of creditworthiness. Accounts receivable are non-interest bearing and are initially recorded at cost. We have estimated an allowance for doubtful accounts to reduce receivables to their carrying amount, which approximates fair value (Level 2).

Long-term Debt: The $375.0 million in aggregate principal amount of Senior Notes, Resorts senior secured notes and MTR second lien notes were classified as Level 2 based upon market-based inputs. The fair value of the Senior Notes was calculated based on management's estimates of the borrowing rates available as of December 31, 2016 and 2015, for debt with similar terms and maturities.

Term Loan: ERI's term loan under the 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.

Revolving Credit Facility: ERI's revolving credit facility under the 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 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 MTR Merger Date.

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

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 61,029	$ 61,029	$ 78,278	$ 78,278
Restricted cash	2,414	2,414	5,271	5,271
Financial liabilities:				
Senior Notes	$ 366,859	$ 397,500	$ 366,043	$ 367,500
Term Loan	406,047	423,858	408,410	419,796
Credit Facility	26,977	29,000	90,967	93,500
Acquisition-related contingent considerations	496	496	529	529

The following table represents the change in acquisition-related contingent consideration liabilities during the period from the MTR Merger Date to December 31, 2016 (amounts in thousands):

Balance as of MTR 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
Amortization of present value discount (1)	52
Fair value adjustment for change in consideration expected to be paid (2)	38
Settlements	(85)
Balance as of December 31, 2015	529
Amortization of present value discount (1)	70
Fair value adjustment for change in consideration expected to be paid (2)	(13)
Settlements	(90)
Balance as of December 31, 2016	$ 496

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

Note 16. Commitments and Contingencies

Capital Leases. The Company leases certain equipment under agreements classified as capital leases. The future minimum lease payments, including interest, at December 31, 2016 are $0.3 million in 2017 and 2018. After reducing these amounts for interest of $0.1 million, the present value of the minimum lease payments at December 31, 2016 is $0.4 million.

Operating Leases. The Company leases land and certain equipment, including some of our slot machines, timing and photo finish equipment, videotape and closed circuit television equipment, and certain pari-mutuel equipment, under operating leases. Future minimum payments under non-cancellable operating leases with initial terms of one year or more consisted of the following at December 31, 2016 (in thousands):

	Leases
2017	$ 2,412
2018	1,974
2019	1,806
2020	1,320
2021	1,237
Thereafter	24,507
	$ 33,256

Total rental expense under operating leases (exclusive of the Shreveport ground lease described below) was $3.8 million, $3.7 million and $2.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. Additional rent for land upon which the Eldorado Reno resides of $0.6 million in each of the years ended December 31, 2016, 2015 and 2014 was paid to C. S. & Y. Associates, a general partnership of which Donald L. Carano is a general partner. This rental agreement expires June 30, 2027 and the rental payments are more fully described in Note 17, 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,		
	2016	2015	2014
Ground lease:			
Base rent	$ 585	$ 585	$ 585
Percentage rent	1,315	1,363	1,336
	1,900	1,948	1,921
Payment in lieu of admissions fees and school taxes	$ 5,724	$ 5,985	$ 5,908

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. Silver Legacy is required to maintain a tax bond for the benefit of the Nevada Department of Taxation in the amount of $0.4 million, Shreveport maintains a license and permit bond in the amount of $0.3 million for the benefit of the Louisiana Casino Gaming Division and Circus Reno is required to maintain a license and permit bond in the amount of $0.3 million in favor of the Nevada Department of Taxation. 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.

In connection with the Mergers, a class action lawsuit was filed by a purported stockholder of the Company alleging breach of fiduciary duty by the Company board of directors in connection with the Mergers. The case was filed on November 8, 2016 in the Second Judicial District Court of the State of Nevada and is captioned Assad v. Eldorado Resorts, Inc., et. al, case no. CV 16-02312. The case, which purports to be a class action on behalf of all of the stockholders of the Company, alleged, among other things, breach of fiduciary duty in failing to disclose all material information to stockholders in seeking approval of the issuance of shares of Company Common Stock in the Mergers and requested injunctive relief and an award of fees and costs incurred by the plaintiff in the action.

Collective Bargaining Agreements. As of December 31, 2016, we had approximately 7,400 employees. As of such date, we had 11 collective bargaining agreements covering approximately 900 employees. No collective bargaining agreements covering sizable numbers of our employees are scheduled to expire in 2017.

Environmental Remediation. In October 2004, the Company acquired 229 acres of real property, known as the International Paper site, as an alternative site to build Presque Isle Downs. In connection with the acquisition of the International Paper site, the Company entered into a consent order and decree (the “Consent Order”) with the Pennsylvania Department of Environmental Protection (“PaDEP”) and International Paper insulating us 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, the Company sold 205 acres to GEIDC who assumed primary responsibility for the remediation obligations under the Consent Order relating to the “South Yard and the Dunn Brickyard” parcels they acquired. However, the Company was advised by the PaDEP that it was not released from its liability and responsibility under the Consent Order for the “Main Site” parcel as its remediation was undertaken by the Company prior to the sale to GEIDC and nearly complete. Pursuant to the sale, the Company purchased an Environmental Risk Insurance Policy in the amount of $10.0 million with respect to the property. The Company secured an Act 2 Release of Liability for the Main Site on January 6, 2006. GEIDC subsequently obtained Act 2 releases for the South Yard and Dunn Brickyard parcels on March 26, 2013 and January 17, 2014, respectively. In October 2015, the Company renewed the insurance policy for a period of one year to seek an expert opinion regarding any continuing liability regarding the property. Having received such an opinion, the Company elected to no longer renew the insurance policy.

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 $36.1 million, and further funding was provided from additional loans from the Pennsylvania Property Tax Reserve Fund in the aggregate amount of $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 $4.1 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 $1.9 million.

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, 2016 and 2015 was $3.7 million and $4.3 million, respectively and is accrued in the accompanying consolidated balance sheet. MTR Gaming paid $0.4 million in 2016 and $0.4 million in 2015.

Agreements with Horsemen and Pari-mutuel Clerks. The Federal Interstate Horse Racing Act and the state racing laws in West Virginia, Ohio and Pennsylvania require that, in order to simulcast races, we have written agreements with the horse owners and trainers at those racetracks. In addition, in order to operate slot machines in West Virginia, we are required to enter into written agreements regarding the proceeds of the slot machines (a "proceeds agreement") with a representative of a majority of the horse owners and trainers and with a representative of a majority of the pari-mutuel clerks. 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, 2018. With respect to the Mountaineer pari-mutuel clerks, we have a labor agreement in force until November 30, 2017 and a proceeds agreement until April 14, 2018. 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.

Note 17. Related Parties

REI and HCM

Prior to the consummation of the MTR 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 was scheduled to continue in effect until July 1, 2017. During the year ended 2014 the Company paid management fees to REI and HCM in the aggregate amount of $0.5 million. 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 ownership interests in ERI of 23.6% and 11.7%, respectively, as of December 31, 2016. Management fees were not paid subsequent to the consummation of the MTR Merger. Subsequent to the consummation of the MTR Merger, Donald L. Carano and Raymond J. Poncia received remuneration in the amount of $0.4 million and $0.2 million in both 2016 and 2015, respectively, for their services as consultants to ERI and its subsidiaries in lieu of the management fees previously paid under the terms of the Eldorado Management Agreement.

REI shares certain officers with the Company including Gary Carano who holds the title of Vice President and Director with REI and Gene Carano who is the Secretary, Treasury and Director of REI.

ELLC

On the Reno Acquisition Date (see Note 1), Eldorado Resorts LLC exercised its right to acquire the 3.8% interest in Eldorado Limited Liability Company ("ELLC") held by certain affiliates and stockholders of the Company.

C. S. & Y.

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"). Mr. Carano is also a major stockholder in the Company. 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 $0.6 million in each of the years ended December 31, 2016, 2015 and 2014. Additionally, a subordination fee of $0.1 million was paid annually during the term of Resorts senior secured notes. As a result of the July 2015 refinancing, the subordination was eliminated.

Tamarack

Prior to the MTR 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, who was previously 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. 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 totaled $0.7 million is included as a component of operating income.

Note 18. 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: Nevada, Louisiana and parts of the eastern United States. The Company has aggregated its operating segments into three reportable segments: Eldorado Reno, Silver Legacy and Circus Reno as Nevada, Eldorado Shreveport as Louisiana, and Scioto Downs, Presque Isle and Mountaineer as Eastern.

	For the year ended December 31,		
	2016	2015	2014
	(in thousands)		
Revenues and expenses			
Nevada:			
Net operating revenues(a)	$ 321,922	$ 127,802	$ 105,945
Expenses, excluding depreciation and corporate	(259,819)	(107,723)	(95,592)
Loss on sale or disposal of property	(263)	(3)	—
Equity in income of unconsolidated affiliates	—	3,460	2,705
Acquisition charges	—	—	(6,298)
Depreciation	(20,220)	(9,547)	(7,951)
Operating income (loss)—Nevada	$ 41,620	$ 13,989	$ (1,191)
Louisiana:			
Net operating revenues	$ 131,496	$ 136,342	$ 133,960
Expenses, excluding depreciation, amortization(a)	(100,298)	(107,316)	(112,068)
Gain (loss) on sale or disposal of property	41	18	(84)
Depreciation and amortization	(7,861)	(7,621)	(8,403)
Operating income—Louisiana	$ 23,378	$ 21,423	$ 13,405
Eastern:			
Net operating revenues	$ 439,478	$ 455,640	$ 124,168
Expenses, excluding depreciation, amortization and corporate	(350,312)	(359,841)	(100,808)
(Loss) gain on sale or disposal of property	(669)	33	—
Depreciation and amortization	(34,887)	(39,341)	(12,274)
Operating income—Eastern	$ 53,610	$ 56,491	$ 11,086
Corporate:			
Corporate expenses	$ (19,880)	$ (16,469)	$ (4,617)
Gain (loss) on sale or disposal of property	55	(54)	—
Acquisition charges	(9,184)	(2,452)	(1,113)
Depreciation and amortization	(481)	(412)	(15)
Operating loss—Corporate	$ (29,490)	$ (19,387)	$ (5,745)
Total Reportable Segments			
Net operating revenues (a)	$ 892,896	$ 719,784	$ 364,073
Expenses, excluding depreciation, amortization (a)	(730,309)	(591,349)	(313,085)
Loss on sale or disposal of property	(836)	(6)	(84)
Equity in income of unconsolidated affiliates	—	3,460	2,705
Acquisition charges	(9,184)	(2,452)	(7,411)
Depreciation and amortization	(63,449)	(56,921)	(28,643)
Operating income – Total Reportable Segments	$ 89,118	$ 72,516	$ 17,555
Reconciliations to Consolidated Net Income (Loss):			
Operating Income — Total Reportable Segments	$ 89,118	$ 72,516	$ 17,555
Unallocated income and expenses:			
Interest expense, net	(50,917)	(61,558)	(30,734)
Gain on valuation of unconsolidated affiliate	—	35,582	—
Gain on termination of supplemental executive retirement plan assets of unconsolidated affiliate	—	—	715
Loss on early retirement of debt	(155)	(1,937)	(90)
Non-controlling interest	—	—	(103)
(Provision) benefit for income taxes	(13,244)	69,580	(1,768)
Net income (loss)	$ 24,802	$ 114,183	$ (14,425)

(a) Net revenues for Nevada and expenses for Louisiana are net of the elimination of $2.3 million of management and incentive fees received by Eldorado Reno and paid by Eldorado Shreveport for 2014. There were no such fees paid in 2015 and 2016.

	For the Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Capital Expenditures (a)			
Nevada	$ 22,812	$ 4,682	$ 3,475
Louisiana	5,842	4,032	3,273
Eastern (a)	18,491	26,556	3,816
Corporate	235	1,492	—
Total	$ 47,380	$ 36,762	$ 10,564

(a) Before reimbursements from the state of West Virginia for qualified capital expenditures of $4.2 million, $1.3 million and $0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. (see Note 6)

	As of December 31,	
	2016	2015
	(in thousands)	
Total Assets		
Nevada	$ 377,688	$ 376,760
Louisiana	128,427	135,403
Eastern	850,904	883,344
Corporate	407,557	495,202
Eliminating entries (a)	(470,532)	(565,701)
Total	$ 1,294,044	$ 1,325,008

(a) Reflects the following eliminations for the periods indicated.

Intercompany receivables/payables	$ 302,047	$ 394,804
Net investment in Silver Legacy/Circus Reno	88,314	88,314
Net investment in and advances to Silver Legacy	56,500	56,500
Accrued interest on the above intercompany loan	10,938	11,521
Net investment in and advances to Eldorado Shreveport	7,733	8,482
Net investment in and advances to MTR Gaming	5,000	5,000
Reclass deferred tax assets against deferred tax liabilities	—	1,080
	$ 470,532	$ 565,701

Note 19. Consolidating Condensed Financial Information

All of our wholly-owned subsidiaries, except for the subsidiaries acquired in the Reno Acquisition, have fully and conditionally guaranteed on a joint and several basis, the payments of all obligations under our Senior Notes and Credit Facility as of December 31, 2015 and 2014. Silver Legacy Joint Venture, LLC and CC-Reno, LLC were acquired in November 2015 and were not guarantors as of December 31, 2015. Silver Legacy Joint Venture, LLC and CC-Reno, LLC became guarantors in June 2016 upon receipt of regulatory approval in May 2016.

The consolidating condensed balance sheet as of December 31, 2015 is as follows:

Balance Sheet

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Current assets	$ 2,248	$ 87,976	$ 31,102	$ (5,147)	$ 116,179
Intercompany receivables	401,998	—	—	(401,998)	—
Investment in and advances to unconsolidated affiliates	—	62,786	—	(61,500)	1,286
Investments in subsidiaries	88,314	—	—	(88,314)	—
Property and equipment, net	2,553	439,640	183,223	—	625,416
Other assets	89	575,466	6,572	—	582,127
Total assets	$ 495,202	$ 1,165,868	$ 220,897	$ (556,959)	$ 1,325,008
Current liabilities	$ 24,238	$ 78,508	$ 30,616	$ (27,652)	$ 105,710
Intercompany payables	—	389,272	(8,149)	(381,123)	—
Long-term debt, less current maturities	486,171	325,542	50,000	—	861,713
Other accrued liabilities	4,905	151,910	2,525	(72,422)	86,918
Stockholders' equity	(20,112)	220,636	145,905	(75,762)	270,667
Total liabilities and stockholders' equity	$ 495,202	$ 1,165,868	$ 220,897	$ (556,959)	$ 1,325,008

The consolidating condensed statement of cash flows for the year ended December 31, 2015 is as follows:

Statement of Operations:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Revenues:					
Gaming and pari-mutuel commissions	$ —	$ 612,229	$ 11,029	$ —	$ 623,258
Non-gaming	—	147,894	13,389	—	161,283
Gross revenues	—	760,123	24,418	—	784,541
Less promotional allowances	—	(62,113)	(2,644)	—	(64,757)
Net revenues	—	698,010	21,774	—	719,784
Operating expenses:					
Gaming and pari-mutuel commissions	—	362,011	5,534	—	367,545
Non-gaming	—	71,966	7,272	—	79,238
Marketing and promotions	—	30,100	1,127	—	31,227
General and administrative	13,738	109,808	3,553	(13,760)	113,339
Depreciation and amortization	369	54,893	1,659	—	56,921
Total operating expenses	14,107	628,778	19,145	(13,760)	648,270
Loss on disposal of assets	—	(6)	—	—	(6)
Acquisition charges	(2,368)	(84)	—	—	(2,452)
Equity in income of unconsolidated affiliates	—	3,460	—	—	3,460
Operating (loss) income	(16,475)	72,602	2,629	13,760	72,516
Interest expense, net	(10,613)	(49,409)	(1,536)	—	(61,558)
Gain on valuation of unconsolidated affiliate	—	35,582	—	—	35,582
Loss on early retirement of debt	(1,855)	(82)	—	—	(1,937)
Net (loss) income before income taxes	(28,943)	58,693	1,093	13,760	44,603
Income tax benefit	—	2,561	—	67,019	69,580
Net (loss) income	$ (28,943)	$ 61,254	$ 1,093	$ 80,779	$ 114,183

The consolidating condensed statement of cash flows for the year ended December 31, 2015 is as follows:

Statement of Cash Flows

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Net cash (used in) provided by operating activities	$ (856)	$ 51,784	$ 8,379	$ (2,592)	$ 56,715
INVESTING ACTIVITIES:					
Capital expenditures, net of payables	(2,602)	(33,920)	(240)	—	(36,762)
Reimbursement of capital expenditures from West Virginia regulatory authorities	—	1,266	—	—	1,266
Investment in unconsolidated affiliate	—	(1,010)	—	—	(1,010)
Proceeds from sale of property and equipment	—	153	—	—	153
Decrease in restricted cash due to credit support deposit	—	2,500	—	—	2,500
(Increase) Decrease in other assets, net	(89)	1,993	(42)	(1,747)	115
Net cash (used) acquired in business combinations	(211,813)	—	—	86,797	(125,016)
Net cash (used in) provided by investing activities	(214,504)	(29,018)	(282)	85,050	(158,754)
FINANCING ACTIVITIES:					
Proceeds from long-term debt borrowings	800,000	—	—	—	800,000
Borrowings under Revolving Credit Facility	131,000	—	—	—	131,000
Payments under Revolving Credit Facility	(37,500)	—	—	—	(37,500)
Principal payments under Senior Notes	(2,125)	—	—	—	(2,125)
Retirement of long-term debt	(649,538)	(79,126)	—	—	(728,664)
Principal payments on capital leases	—	(88)	—	—	(88)
Debt issuance costs	(25,820)	—	—	—	(25,820)
Call premium on early retirement of debt	—	(44,090)	—	—	(44,090)
Net proceeds from (payments to) related parties	—	73,036	(5,832)	(67,204)	—
Net cash provided by (used in) financing activities	216,017	(50,268)	(5,832)	(67,204)	92,713
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	657	(27,502)	2,265	15,254	(9,326)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	87,604	15,254	(15,254)	87,604
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 657	$ 60,102	$ 17,519	$ —	$ 78,278

Note 20. Quarterly Data (Unaudited)

The following table sets forth certain consolidated quarterly financial information for the years ended December 31, 2016, 2015 and 2014. The quarterly information only includes the operations of Silver Legacy and Circus Reno from the Reno Acquisition Date through December 31, 2016 and MTR Gaming from the MTR Merger Date through December 31, 2015.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Dollars in thousands, except per share amounts)			
2016:				
Revenues	$ 234,551	$ 255,010	$ 266,256	$ 227,379
Less—promotional allowances	(20,985)	(23,695)	(24,691)	(20,929)
Net revenues	213,566	231,315	241,565	206,450
Operating expenses	194,854	200,768	208,731	189,405
Operating income	18,263	29,655	28,109	13,091
Net income	$ 3,370	$ 10,791	$ 9,682	$ 959
Basic net income per common share	$ 0.07	$ 0.23	$ 0.21	$ 0.02
Diluted net income per common share	$ 0.07	$ 0.23	$ 0.20	$ 0.02
Weighted average shares outstanding—basic	46,933,094	47,071,608	47,193,120	47,105,744
Weighted average shares outstanding—diluted	47,534,761	47,721,075	47,834,644	47,849,554

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Dollars in thousands, except per share amounts)			
2015:				
Revenues	$ 182,809	$ 198,356	$ 199,536	$ 203,840
Less—promotional allowances	(15,358)	(15,723)	(15,996)	(17,680)
Net revenues	167,451	182,633	183,540	186,160
Operating expenses	154,766	160,430	161,610	171,464
Operating income	12,084	23,059	24,092	13,281
Net (loss) income	$ (6,164)	$ 4,795	$ 5,399	$ 110,153
Basic net (loss) income per common share	$ (0.13)	$ 0.10	$ 0.12	$ 2.36
Diluted net (loss) income per common share	$ (0.13)	$ 0.10	$ 0.12	$ 2.33
Weighted average shares outstanding—basic	46,494,638	46,516,614	46,516,614	46,670,735
Weighted average shares outstanding—diluted	46,494,638	46,657,618	46,763,589	47,227,127

	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 (loss) 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

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, 2016:				
Allowance for doubtful accounts	$ 2,074	$ 161	$ 1,014	$ 1,221
Year ended December 31, 2015:				
Allowance for doubtful accounts	$ 2,589	$ (18)	$ 497	$ 2,074
Year ended December 31, 2014:				
Allowance for doubtful accounts	$ 1,379	$ 1,266	$ 56	$ 2,589

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

(2) Uncollectible accounts written off, net of recoveries of $0.9 million and $0.2 million in 2015 and 2014, respectively. There were no recoveries in 2016.

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
CC-Reno, LLC (dba Circus Circus Reno)	Nevada
CC-Newco, LLC	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

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No's. 333-198830 and 333-203227) of Eldorado Resorts, Inc. of our reports dated March 13, 2017 with respect to the consolidated financial statements and schedule of Eldorado Resorts, Inc. and the effectiveness of internal control over financial reporting of Eldorado Resorts, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Roseville, California
March 13, 2017

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 13, 2017

/s/ GARY L. CARANO

Gary L. Carano
Chief Executive Officer

Exhibit 31.2

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

I, Thomas R. Reeg, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eldorado Resorts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and 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 13, 2017

/s/ Thomas R. Reeg
Thomas R. Reeg
President and Chief Financial Officer

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, 2016 (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 13, 2017

/s/ GARY L. CARANO
Gary L. Carano
Chief Executive Officer

Exhibit 32.2

CERTIFICATION
of
Thomas R. Reeg
President and Chief Financial Officer

I, Thomas R. Reeg, 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, 2016 (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 13, 2017

/s/ THOMAS R. REEG
Thomas R. Reeg
President and Chief Financial Officer

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 CC-Reno LLC, the licensed operator of Circus Circus Reno, and HoldCo, the owner of ERI's other 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 Silver Legacy Joint Venture, the licensed operator of the Silver Legacy. 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, CC-Reno LLC, 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. In July 2015, the Nevada Commission granted us approval for three years, the maximum time permitted, in which to make public offerings of debt or equity, which approval was amended in May 2016 to include CC-Reno LLC and Silver Legacy Joint Venture. This three-year approval or continuous or delayed public offering approval, also known as a shelf approval, is subject to certain conditions and expires in July 2018, at which time we will seek to renew the approval. 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 the amount of consideration collected in connection with admission to certain indoor or outdoor premises or areas where live entertainment is provided, subject to certain exclusions.

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 racetrack 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 well 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 racetrack 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 applying for a video lottery license, Mountaineer must present WVLC evidence of agreements, regarding the proceeds from video lottery terminals, between Mountaineer and the representative of a majority of the horse owners and trainers, the representative of a majority of the pari-mutuel clerks, and the representative of a majority of the breeders at the racetrack.

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 or changes in key personnel. Mountaineer must also request commission approval of any change in financing or lease arrangements at least thirty days before the effective date of the change. 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 lottery racetrack 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 or changes in key personnel. Mountaineer must also request commission approval of any change in financing or lease arrangements at least thirty days before the effective date of the change. 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.

Mountaineer's 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 Mountaineer's 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 lottery 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.

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.

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, upon request of the OLC;
- 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 maintain a number of VLT's within the range rquired by the Ohio 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 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, minus approved video lotter terminal promotional gaming credits, minus video lottery prize awards.

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.