

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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
(State or other jurisdiction of
incorporation or organization)

46-3657681
(I.R.S. Employer
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the Registrant's Common Stock, \$0.00001 par value per share, outstanding as of August 3, 2018 was 77,337,667.

ELDORADO RESORTS, INC.
QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED
June 30, 2018
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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

ELDORADO RESORTS, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 202,016	\$ 134,596
Restricted cash	4,683	3,267
Marketable securities	17,066	17,631
Accounts receivable, net	34,808	45,797
Due from affiliates	125	243
Inventories	14,847	16,870
Prepaid income taxes	187	4,805
Prepaid expenses and other	30,469	27,823
Assets held for sale	201,202	—
Total current assets	505,403	251,032
Property and equipment, net	1,400,088	1,502,817
Gaming licenses and other intangibles, net	915,936	996,816
Goodwill	719,254	747,106
Non-operating real property	14,030	18,069
Other assets, net	45,035	30,632
Total assets	\$ 3,599,746	\$ 3,546,472
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 486	\$ 615
Accounts payable	28,949	34,778
Due to affiliates	20	—
Accrued property, gaming and other taxes	35,133	43,212
Accrued payroll and related	50,936	53,330
Accrued interest	26,788	25,607
Income taxes payable	222	171
Accrued other liabilities	69,341	66,037
Liabilities related to assets held for sale	5,817	—
Total current liabilities	217,692	223,750
Long-term debt, less current portion	2,190,749	2,189,578
Deferred income taxes	176,607	162,967
Other long-term liabilities	17,975	28,579
Total liabilities	2,603,023	2,604,874
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY:		
Common stock, 200,000,000 and 100,000,000 shares authorized, 77,326,124 and 76,825,966 issued and outstanding, par value \$0.00001 as of June 30, 2018 and December 31, 2017, respectively	1	—
Paid-in capital	744,020	746,547
Retained earnings	252,623	194,972
Accumulated other comprehensive income	79	79
Total stockholders' equity	996,723	941,598
Total liabilities and stockholders' equity	\$ 3,599,746	\$ 3,546,472

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

ELDORADO RESORTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Casino	\$ 343,675	\$ 275,593	\$ 683,133	\$ 417,147
Pari-mutuel commissions	5,045	4,112	9,115	4,748
Food and beverage	54,293	49,709	106,491	82,130
Hotel	38,926	34,278	69,667	53,583
Other	14,863	11,934	28,588	20,411
Net revenues	<u>456,802</u>	<u>375,626</u>	<u>896,994</u>	<u>578,019</u>
EXPENSES:				
Casino	165,353	139,707	331,203	219,688
Pari-mutuel commissions	4,592	4,030	8,293	5,237
Food and beverage	44,770	42,803	89,546	68,821
Hotel	13,695	12,270	26,201	21,349
Other	8,310	6,901	15,715	13,070
Marketing and promotions	21,832	21,531	43,133	31,660
General and administrative	73,745	60,887	147,947	92,687
Corporate	12,232	7,442	23,801	14,016
Impairment charges	—	—	9,815	—
Depreciation and amortization	31,910	24,909	63,444	40,513
Total operating expenses	<u>376,439</u>	<u>320,480</u>	<u>759,098</u>	<u>507,041</u>
Gain (loss) on sale or disposal of property and equipment	423	(89)	(283)	(57)
Transaction expenses	(3,404)	(85,464)	(5,952)	(87,078)
Equity in income (loss) of unconsolidated affiliates	32	(60)	(53)	(282)
Operating income (loss)	<u>77,414</u>	<u>(30,467)</u>	<u>131,608</u>	<u>(16,439)</u>
OTHER INCOME (EXPENSE):				
Interest expense, net	(31,405)	(27,527)	(62,494)	(40,197)
Loss on early retirement of debt, net	—	(27,317)	(162)	(27,317)
Total other expense	<u>(31,405)</u>	<u>(54,844)</u>	<u>(62,656)</u>	<u>(67,514)</u>
Net income (loss) before income taxes	46,009	(85,311)	68,952	(83,953)
(Provision) benefit for income taxes	(9,213)	39,121	(11,301)	38,708
Net income (loss)	<u>\$ 36,796</u>	<u>\$ (46,190)</u>	<u>\$ 57,651</u>	<u>\$ (45,245)</u>
Net income (loss) per share of common stock:				
Basic	<u>\$ 0.48</u>	<u>\$ (0.68)</u>	<u>\$ 0.74</u>	<u>\$ (0.79)</u>
Diluted	<u>\$ 0.47</u>	<u>\$ (0.68)</u>	<u>\$ 0.74</u>	<u>\$ (0.79)</u>
Weighted average basic shares outstanding	<u>77,458,584</u>	<u>67,453,095</u>	<u>77,406,447</u>	<u>57,405,834</u>
Weighted average diluted shares outstanding	<u>78,258,629</u>	<u>67,453,095</u>	<u>78,169,629</u>	<u>57,405,834</u>

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

ELDORADO RESORTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(dollars in thousands)

(unaudited)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ 36,796	\$ (46,190)	\$ 57,651	\$ (45,245)
Other comprehensive income, net of tax:				
Other comprehensive income	—	—	—	—
Comprehensive income (loss), net of tax	<u>\$ 36,796</u>	<u>\$ (46,190)</u>	<u>\$ 57,651</u>	<u>\$ (45,245)</u>

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

ELDORADO RESORTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 57,651	\$ (45,245)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	63,444	40,513
Amortization of deferred financing costs, discount and debt premium	2,533	3,034
Loss on early retirement of debt	162	27,317
Stock compensation expense	7,151	3,062
Impairment charges	9,815	—
Provision (benefit) for deferred income taxes	10,461	(38,072)
Other	1,212	1,132
Change in operating assets and liabilities:		
Sale of trading securities	565	295
Accounts receivable	7,507	4,037
Inventory	198	(630)
Prepaid expenses and other assets	(1,722)	(4,415)
Accounts payable and accrued liabilities	(10,473)	12,015
Net cash provided by operating activities	<u>148,504</u>	<u>3,043</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(55,181)	(29,824)
Proceeds from sale of property and equipment	840	—
Net cash used in business combinations	—	(1,313,051)
Escrow deposit	(15,000)	—
Net cash used in investing activities	<u>(69,341)</u>	<u>(1,342,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Term Loan	—	1,450,000
Proceeds from issuance of 6% Senior Notes	—	375,000
Borrowings under Revolving Credit Facility	—	189,953
Payments under Term Loan	—	(422,250)
Payments under Revolving Credit Facility	—	(128,953)
Debt issuance costs	(305)	(44,992)
Taxes paid related to net share settlement of equity awards	(9,677)	(8,993)
Proceeds from exercise of stock options	—	2,898
Payments on other long-term payables	(344)	(210)
Net cash (used in) provided by financing activities	<u>(10,326)</u>	<u>1,412,453</u>
Increase in cash, cash equivalents and restricted cash	68,837	72,621
Cash, cash equivalents and restricted cash, beginning of period	147,749	63,444
Cash, cash equivalents and restricted cash, end of period	<u>\$ 216,586</u>	<u>\$ 136,065</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO AMOUNTS REPORTED WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	\$ 202,016	\$ 103,624
Restricted cash	4,683	22,566
Restricted cash included in other noncurrent assets	9,887	9,875
Total cash, cash equivalents and restricted cash	<u>\$ 216,586</u>	<u>\$ 136,065</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 58,694	\$ 30,742
Income taxes (refunded) paid	(3,829)	589
NON-CASH FINANCING ACTIVITIES:		
Net change in payables for capital expenditures	(5,018)	(1,156)

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

ELDORADO RESORTS, INC.
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

The accompanying unaudited 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. The Company acquired Mountaineer, Presque Isle Downs and Scioto Downs in September 2014 pursuant to a merger (the “MTR Merger”) with MTR Gaming Group, Inc. (“MTR Gaming”) and in November 2015 it acquired Circus Reno and the interests in the Silver Legacy that it did not own prior to such date (the “Reno Acquisition”).

On May 1, 2017 (the “Isle Acquisition Date”), the Company completed its acquisition of Isle of Capri Casinos, Inc. pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated as of September 19, 2016 with Isle of Capri Casinos, Inc. (“Isle” or “Isle of Capri”). As a result of the Isle Merger, Isle became a wholly-owned subsidiary of ERI.

ERI owns and operates 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 that includes 1,128 slot machines and 36 table games;
- Silver Legacy Resort Casino (“Silver Legacy”)—A 1,685-room themed hotel and casino connected via an enclosed skywalk to Eldorado Reno and Circus Reno that includes 1,208 slot machines, 58 table games and a 13 table poker room;
- 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 that includes 706 slot machines and 24 table games;
- 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 that includes 1,388 slot machines, 52 table games and an eight table poker room;
- Mountaineer Casino, Racetrack & Resort (“Mountaineer”)—A 357-room hotel, casino, entertainment and live thoroughbred horse racing facility located on the Ohio River at the northern tip of West Virginia’s northwestern panhandle that includes 1,487 slot machines and 36 table games, including a 10 table poker room;
- Presque Isle Downs & Casino (“Presque Isle Downs”)—A casino and live thoroughbred horse racing facility with 1,596 slot machines, 32 table games and a seven table poker room located in Erie, Pennsylvania;
- Eldorado Gaming Scioto Downs (“Scioto Downs”)—A modern “racino” offering 2,237 video lottery terminals (“VLTs”), harness racing and a 118-room third party hotel connected to Scioto Downs located 15 minutes from downtown Columbus, Ohio;
- Isle Casino Hotel—Black Hawk (“Isle Black Hawk”)—A land-based casino on an approximately 10-acre site in Black Hawk, Colorado that includes 1,005 slot machines, 30 table games, a nine table poker room and a 238-room hotel;
- Lady Luck Casino—Black Hawk (“Lady Luck Black Hawk”)—A land-based casino across the intersection from Isle Casino Hotel in Black Hawk Colorado, that includes 472 slot machines, eleven table games and a 164-room hotel with a parking structure connecting Isle Casino Hotel-Black Hawk and Lady Luck Casino-Black Hawk;
- Isle Casino Racing Pompano Park (“Pompano”)—A casino and harness racing track on an approximately 223-acre owned site in Pompano Beach, Florida that includes 1,461 slot machines and a 45 table poker room. In April 2018, the Company announced the formation of a joint venture with the Cordish Companies to master plan and develop a mixed-use entertainment and hospitality destination expected to be located on unused land adjacent to the casino and racetrack;
- Isle Casino Bettendorf (“Bettendorf”)—A land-based single-level casino located off Interstate 74 in Bettendorf, Iowa that includes 974 slot machines and 20 table games with two hotel towers with 509 hotel rooms;

- Isle Casino Waterloo (“Waterloo”)—A single-level land-based casino in Waterloo, Iowa that includes 936 slot machines, 25 table games, and a 194-room hotel;
- Isle of Capri Casino Hotel Lake Charles (“Lake Charles”)—A gaming vessel on an approximately 19 acre site in Lake Charles, Louisiana, with 1,173 slot machines, 45 table games, including 13 poker tables, and two hotels offering 493 rooms;
- Isle of Capri Casino Lula (“Lula”)—Two dockside casinos in Lula, Mississippi with 871 slot machines and 19 table games, two on-site hotels with a total of 486 rooms and a 28-space RV Park;
- Lady Luck Casino Vicksburg (“Vicksburg”)—A dockside casino in Vicksburg, Mississippi that includes 603 slot machines, eight table games and a hotel with a total of 89 rooms;
- Isle of Capri Casino Boonville (“Boonville”)—A single-level dockside casino in Boonville, Missouri that includes 885 slot machines, 20 table games and a 140-room hotel;
- Isle Casino Cape Girardeau (“Cape Girardeau”)—A dockside casino and pavilion and entertainment center in Cape Girardeau, Missouri that includes 870 slot machines and 24 table games, including four poker tables;
- Lady Luck Casino Caruthersville (“Caruthersville”)—A riverboat casino located along the Mississippi River in Caruthersville, Missouri that includes 512 slot machines and nine table games;
- Isle of Capri Casino Kansas City (“Kansas City”)—A dockside casino located close to downtown Kansas City, Missouri offering 969 slot machines and 13 table games; and
- Lady Luck Casino Nemaocolin (“Nemaocolin”)—A casino property located on the 2,000-acre Nemaocolin Woodlands Resort in Western Pennsylvania that includes 600 slot machines and 27 table games.

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 TwinSpire.com, an affiliate of Churchill Downs Incorporated.

Reclassifications

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

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, all of which are normal and recurring, considered necessary for a fair presentation and have been included herein. The results of operations for these interim periods are not necessarily indicative of the operating results for other quarters, for the full year or any future period.

The financial information included for periods prior to our acquisition of Isle are those of ERI and its subsidiaries. The presentation of information herein for periods prior to our acquisition of Isle and after our acquisition of Isle are not fully comparable because the results of operations for Isle are not included for periods prior to our acquisition of Isle.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Recently Issued Accounting Pronouncements – New Developments and Adoptions of New Accounting Standards

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

We adopted this standard effective January 1, 2018, and elected to apply the full retrospective adoption method. The most significant impacts of the adoption are summarized below in Note 2.

In November 2016, ASU No. 2016-18 was issued related to the inclusion of restricted cash in the statement of cash flows. This new guidance requires that a statement of cash flows present the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalent. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017. The Company retrospectively adopted this guidance on December 31, 2017. Upon adoption, the Company included a reconciliation of Cash and cash equivalents and restricted cash reported within the Consolidated Balance Sheets to the total shown in the Consolidated Statements of Cash Flows. Adoptions of this guidance had no other impact on the Consolidated Financial Statements or disclosures.

Certain amounts have been retrospectively reclassified for the three and six months ended June 30, 2017 to conform to the current period presentation and reflect the change in the Company's Consolidated Statements of Cash Flows required with the adoption of ASU No. 2016-15.

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, with early adoption 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. We adopted this accounting standard during the first quarter of 2018, which did not have an impact on our consolidated financial statements, and will result in future acquisitions which do not involve substantive processes being accounted for as asset acquisitions.

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 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.

Note 2. Revenue Recognition

The Company's revenue contracts with customers consists primarily of casino wagers, pari-mutuel commissions, food and beverage transactions, hotel, retail and entertainment sales.

Casino Revenue and Pari-mutuel Commissions

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

Gaming wager contracts involve two performance obligations for those customers earning points under the Company's loyalty program and a single performance obligation for customers who don't participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract.

Loyalty Programs and Other Contract Obligations

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

For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone selling price of the points earned, which is determined by the value of a point that can be redeemed for a non-gaming good or service. An amount is allocated to the gaming wager performance obligation using the residual approach as the stand-alone price for wagers is highly variable and no set established price exists for such wagers. The allocated revenue for gaming wagers is recognized when the wagers occur as all such wagers settle immediately. The loyalty point contract liability amount is deferred and recognized as revenue when the customer redeems the points for the non-gaming good or service at the time such goods or services are delivered to the customer.

The Company's liability for its loyalty point performance obligations totaled \$11.0 million and \$11.8 million at June 30, 2018 and December 31, 2017, respectively, inclusive of liabilities associated with assets held for sale. Historically, the Company's loyalty points earned and redeemed are substantially constant over time, which results in the loyalty point performance obligation balance remaining fairly consistent across our reporting periods.

Non-gaming Revenue

Hotel, food and beverage, and other operating revenues are recognized as services are performed. The transaction price for hotel, food and beverage contracts is the net amount collected from the customer for such goods and services. Hotel, food and beverage services have been determined to be separate, stand-alone performance obligations and the transaction price for such contracts is recorded as revenue as the good or service is transferred to the customer over the customer's stay at the hotel or when the delivery is made for the food and beverage. Advance deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred income until the revenue recognition criteria has been met.

The Company also provides goods and services that may include multiple performance obligations, such as for packages, for which revenues are allocated on a pro rata basis based on each service's stand-alone selling price.

Complimentaries

The Company offers discretionary coupons and other discretionary complimentaries to customers outside of the loyalty program. The retail value of complimentary food, beverage, hotel rooms and other services provided to customers, including loyalty point redemptions, is recognized in revenues when the goods or services are transferred to the customer. Complimentaries provided by third parties at the discretion and under the control of the Company is recorded as an expense when incurred. The Company's revenues included complimentaries and loyalty point redemptions of \$48.9 million and \$43.2 million for the three months ended June 30, 2018 and 2017, respectively, and \$96.1 million and \$66.9 million for the six months ended June 30, 2018 and 2017, respectively.

Adoption of ASC Topic 606

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

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

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

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

Adoption of the new standard did not have a significant impact on our previously reported net revenue, expenses, operating income, and net income. The impact of adoption of the new standard to previously reported selected financial statement information was as follows (in thousands):

	Three Months Ended June 30, 2017			
	As Reported	ASC 606 Adjustments	Other Reclassifications(1)	As Adjusted
Gross revenues	\$ 389,237	\$ (31,215)	\$ 17,604	\$ 375,626
Promotional allowances	(34,057)	33,226	831	—
Net revenues	\$ 355,180	\$ 2,011	\$ 18,435	\$ 375,626
Operating (loss) income	\$ (32,116)	\$ 110	\$ 1,539	\$ (30,467)
Net (loss) income	\$ (46,328)	\$ 138	\$ —	\$ (46,190)

	Six Months Ended June 30, 2017			
	As Reported	ASC 606 Adjustments	Other Reclassifications(1)	As Adjusted
Gross revenues	\$ 608,783	\$ (48,235)	\$ 17,471	\$ 578,019
Promotional allowances	(52,678)	51,713	965	—
Net revenues	\$ 556,105	\$ 3,478	\$ 18,436	\$ 578,019
Operating (loss) income	\$ (17,967)	\$ (11)	\$ 1,539	\$ (16,439)
Net (loss) income	\$ (45,307)	\$ 62	\$ —	\$ (45,245)

(1) Other reclassifications are comprised of the reversal of our Lake Charles property from discontinued operations and other reclassifications to conform to current period presentations.

Additionally, adoption of the new standard resulted in a net loss per share adjustment from the as reported \$0.69 per share to \$0.68 per share for the three months ended June 30, 2017. There was no adjustment for the net loss per share for the six months ended June 30, 2017.

The Company's consolidated statement of operations presents net revenue disaggregated by type or nature of the good or service (i.e., casino, pari-mutuel, food and beverage, hotel and other). A summary of net revenues disaggregated by type of revenue and reportable segment is presented below (amounts in thousands). Refer to Note 13 for a discussion of the Company's reportable segments.

	Three Months Ended June 30, 2018					Total
	West	Midwest	South	East	Corporate and Other	
Casino	\$ 57,696	\$ 87,448	\$ 88,994	\$ 109,537	\$ —	\$ 343,675
Pari-mutuel commissions	—	—	2,590	2,455	—	5,045
Food and beverage	25,812	6,744	12,583	9,154	—	54,293
Hotel	26,222	4,418	6,301	1,985	—	38,926
Other	8,150	1,997	1,774	2,830	112	14,863
Net revenues	<u>\$ 117,880</u>	<u>\$ 100,607</u>	<u>\$ 112,242</u>	<u>\$ 125,961</u>	<u>\$ 112</u>	<u>\$ 456,802</u>

	Three Months Ended June 30, 2017					Total
	West	Midwest	South	East	Corporate and Other	
Casino	\$ 45,229	\$ 57,987	\$ 69,001	\$ 103,376	\$ —	\$ 275,593
Pari-mutuel commissions	—	—	1,504	2,608	—	4,112
Food and beverage	25,002	5,035	10,828	8,844	—	49,709
Hotel	23,207	3,454	5,575	2,042	—	34,278
Other	6,314	1,165	1,551	2,768	136	11,934
Net revenues	<u>\$ 99,752</u>	<u>\$ 67,641</u>	<u>\$ 88,459</u>	<u>\$ 119,638</u>	<u>\$ 136</u>	<u>\$ 375,626</u>

	Six Months Ended June 30, 2018					Total
	West	Midwest	South	East	Corporate and Other	
Casino	\$ 107,430	\$ 175,807	\$ 186,503	\$ 213,393	\$ —	\$ 683,133
Pari-mutuel commissions	—	—	5,999	3,116	—	9,115
Food and beverage	49,023	13,660	26,444	17,364	—	106,491
Hotel	45,652	8,056	12,292	3,667	—	69,667
Other	15,354	3,879	3,804	5,312	239	28,588
Net revenues	<u>\$ 217,459</u>	<u>\$ 201,402</u>	<u>\$ 235,042</u>	<u>\$ 242,852</u>	<u>\$ 239</u>	<u>\$ 896,994</u>

	Six Months Ended June 30, 2017					Total
	West	Midwest	South	East	Corporate and Other	
Casino	\$ 69,062	\$ 57,987	\$ 92,169	\$ 197,929	\$ —	\$ 417,147
Pari-mutuel commissions	—	—	1,505	3,243	—	4,748
Food and beverage	44,494	5,035	16,561	16,040	—	82,130
Hotel	37,858	3,454	8,500	3,771	—	53,583
Other	11,826	1,165	2,284	4,943	193	20,411
Net revenues	<u>\$ 163,240</u>	<u>\$ 67,641</u>	<u>\$ 121,019</u>	<u>\$ 225,926</u>	<u>\$ 193</u>	<u>\$ 578,019</u>

Note 3. Isle Acquisition and Final Purchase Price Accounting

Final Purchase Price Accounting – Isle of Capri

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

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

- (1) The cash component of the consideration represents 58% of the aggregate consideration paid in the Isle Acquisition. The Merger Agreement provided that Isle stockholders could elect to exchange each share of Isle common stock for either \$23.00 in cash or 1.638 shares of ERI common stock, subject to proration such that the outstanding shares of Isle common stock will be exchanged for aggregate consideration comprised of 58% cash and 42% ERI common stock. See discussion of Stock Consideration component in note (2) below.
- (2) The Stock Consideration component of the consideration represents 42% of the aggregate consideration paid in the Isle Acquisition. The Merger Agreement provided that 58% of the aggregate consideration would be paid by ERI in cash, as described in note (1) above. The remaining 42% of the aggregate consideration was paid in shares of ERI common stock. The total Stock Consideration and per share consideration above were based on the ERI stock price on April 28, 2017 (the last business day prior to Isle Acquisition Date) which was \$19.12 per share.
- (3) In addition to the cash paid to retire the principal amounts outstanding of Isle's long-term debt, ERI paid \$26.6 million in premiums and interest.
- (4) This amount represents consideration paid for the replacement of Isle's outstanding equity awards. As discussed in Note 1, Isle's outstanding equity awards were replaced by ERI equity awards with similar terms. A portion of the fair value of ERI awards issued represents consideration transferred, while a portion represents compensation expense based on the vesting terms of the equity awards.

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

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

- (i) Intangible assets consist of gaming licenses, trade names, and player relationships.
- (ii) Deferred tax liabilities were derived based on fair value adjustments for property and equipment and identified intangibles.

During the three months ended March 31, 2018, the Company finalized its valuation procedures and adjusted the Isle of Capri preliminary purchase price accounting, as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2017, to their updated values. Except for other long-term liabilities related to Bettendorf and Nemacolin (see Note 8) and a corresponding goodwill adjustment totaling \$6.1 million (net of tax), the finalization of our purchase price accounting resulted in minimal changes and refinements by management as of, and for the three months ended March 31, 2018.

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

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

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

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

The fair value of the gaming licenses was determined using the excess earnings or replacement cost methodology based on the respective states' legislation. The excess earnings methodology, which is an income approach methodology that allocates the projected cash flows of the business to the gaming license intangible assets less charges for the use of other identifiable assets of Isle including working capital, fixed assets and other intangible assets. This methodology was considered appropriate as the gaming licenses are the primary asset of Isle and the licenses are linked to each respective facility. Under the respective state's gaming legislation, the property specific licenses can only be acquired if a theoretical buyer were to acquire each existing facility. The existing licenses could not be acquired and used for a different facility. The properties' estimated future cash flows were the primary assumption in the respective valuations. Cash flow estimates included net gaming revenue, gaming operating expenses, general and administrative expenses, and tax expense. The replacement cost methodology is a cost approach methodology based on replacement or reproduction cost of the gaming license as an indicator of fair value. The acquired Isle properties currently have licenses in Pennsylvania, Iowa, Missouri, Mississippi, Florida and Colorado. The renewal of each state's gaming license depends on a number of factors, including payment of certain fees and taxes, providing certain information to the state's gaming regulator, and meeting certain inspection requirements. However, ERI's historical experience has not indicated, nor does ERI expect, any limitations regarding its ability to continue to renew each license. No other competitive, contractual, or economic factor limits the useful lives of these assets. Accordingly, ERI has concluded that the useful lives of these licenses are indefinite.

Trademarks are valued using the relief from royalty method, which presumes that without ownership of such trademarks, ERI would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, ERI avoids any such payments and record the related intangible value of ERI's ownership of the brand name. The primary assumptions in the valuation included revenue, pre-tax royalty rate, and tax expense.

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 after considering, 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, ERI's own historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, ERI determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful lives of these intangible assets.

Isle Operating Results and Transaction Expenses

For the six months ended June 30, 2018, Isle generated revenue of \$454.8 million and net income of \$66.7 million.

Transaction expenses attributed to the Isle Acquisition are reported on the accompanying statements of operations related to legal, accounting, financial advisory services, severance, stock awards and other costs and totaled \$0.2 million and \$1.1 million for the three and six months ended June 30, 2018, respectively, and \$85.5 million and \$87.1 million for the three and six months ended June 30, 2017, respectively.

Unaudited Pro Forma Information

The following unaudited pro forma information presents the results of operations of the Company for the three and six months ended June 30, 2017, as if the Isle Acquisition had occurred on January 1, 2017 (in thousands).

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Net operating revenues	\$ 458,106	\$ 906,588
Net income (loss)	11,628	(15,176)

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

Note 4. Assets Held for Sale

On February 28, 2018, the Company entered into definitive agreements to sell substantially all of the assets and liabilities of Presque Isle Downs and Vicksburg to Churchill Downs Incorporated (“CDI”). Under the terms of the agreements, CDI agreed to purchase Presque Isle Downs for cash consideration of approximately \$178.9 million and Vicksburg for cash consideration of approximately \$50.6 million, in each case subject to a customary working capital adjustment. In relation to the dispositions, an impairment charge was recorded related to Vicksburg during the six months ended June 30, 2018 (see Note 6).

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

On July 6, 2018, in consideration of the time and expense needed to reply to the Second Request, the Company and CDI entered into a termination agreement and release, mutually agreeing to terminate the asset purchase agreement with respect to Vicksburg (the “Vicksburg Termination Agreement”). Concurrently with the termination of the Vicksburg agreement, the Company agreed to enter into an agreement pursuant to which CDI will acquire and assume the rights and obligations to operate Nemaacolin. In connection with the Vicksburg Termination Agreement, CDI has agreed to pay the Company a \$5.0 million termination fee, subject to the parties’ execution of a definitive agreement with respect to the Nemaacolin transaction.

Both sales are expected to close in the fourth quarter of 2018, subject to satisfaction of closing conditions, including receipt of Pennsylvania regulatory approvals, termination of the waiting period under the Hart-Scott-Rodino Act and, in the case of Presque Isle Downs, the execution of the definitive agreement with respect to the Nemaacolin transaction.

The dispositions of Vicksburg and Presque Isle Downs met the requirements for presentation as assets held for sale under generally accepted accounting principles as of June 30, 2018.

The assets and liabilities held for sale were as follows (in thousands):

	June 30, 2018		
	Vicksburg	Presque Isle Downs	Total
Assets:			
Accounts receivable, net	\$ 100	\$ 2,529	\$ 2,629
Inventories	252	1,574	1,826
Prepaid expenses and other	275	992	1,267
Property and equipment, net	35,852	69,558	105,410
Goodwill	8,806	3,122	11,928
Other intangibles, net	2,720	75,422	78,142
Assets held for sale	<u>\$ 48,005</u>	<u>\$ 153,197</u>	<u>\$ 201,202</u>
Liabilities:			
Accounts payable	\$ 175	\$ 756	\$ 931
Accrued payroll and related	300	636	936
Accrued property and other taxes	—	78	78
Accrued other liabilities	379	3,493	3,872
Liabilities related to assets held for sale	<u>\$ 854</u>	<u>\$ 4,963</u>	<u>\$ 5,817</u>

Note 5. Stock-Based Compensation

Common Stock and Stock-Based Awards

The Company has authorized common stock of 200,000,000 shares, par value \$0.00001 per share. In June 2018 the Company amended its certificate of incorporation to increase the total number of authorized shares of common stock from 100,000,000 shares to 200,000,000 shares.

Total stock-based compensation expense in the accompanying consolidated statements of operations totaled \$3.5 million and \$1.3 million during the three months ended June 30, 2018 and 2017, respectively, and \$7.2 million and \$3.1 million during the six months ended June 30, 2018 and 2017, respectively.

A summary of the RSU and RSA activity for the six months ended June 30, 2018 is presented in the following table:

	Restricted Stock Units		Restricted Stock Awards	
	Units	Weighted- Average Grant Date Fair Value (in millions)	Units	Weighted- Average Grant Date Fair Value (in millions)
Unvested outstanding as of December 31, 2017	1,579,499	\$ 12.25	10,809	\$ 19.13
Granted	316,431	32.91	—	—
Vested	(783,672)	8.05	(10,809)	19.13
Canceled	(9,885)	19.13	—	—
Unvested outstanding as of June 30, 2018	<u>1,102,373</u>	<u>\$ 21.11</u>	<u>—</u>	<u>\$ —</u>

A summary of the ERI Stock Option activity for the six months ended June 30, 2018 is presented in the following table:

	Options	Weighted- Average Exercise Price
Outstanding as of December 31, 2017	271,852	\$ 9.63
Expired	(15,776)	10.89
Exercised	(103,120)	9.09
Outstanding as of June 30, 2018	<u>152,956</u>	<u>\$ 9.63</u>

136,505 options were exercisable as of June 30, 2018.

Note 6. Other and Intangible Assets, net

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

	June 30, 2018 (unaudited)	December 31, 2017	Useful Life
Goodwill	\$ 719,254	\$ 747,106	Indefinite
Gaming licenses	\$ 801,774	\$ 877,174	Indefinite
Trade names	105,550	108,250	Indefinite
Trade names	5,100	6,700	1 - 3.5 years
Loyalty programs	20,193	21,820	1 - 3 years
Subtotal	932,617	1,013,944	
Accumulated amortization trade names	(5,100)	(6,290)	
Accumulated amortization loyalty programs	(11,581)	(10,838)	
Total gaming licenses and other intangible assets	\$ 915,936	\$ 996,816	
Non-operating real property	\$ 14,030	\$ 18,069	
Unamortized debt issuance costs - Revolving			
Credit Facility	\$ 7,613	\$ 8,616	
Restricted cash	9,887	9,886	
Other	27,535	12,130	
Total other assets, net	\$ 45,035	\$ 30,632	

Goodwill represents the excess of the purchase prices of acquiring MTR Gaming and Isle over the fair market value of the net assets acquired. In conjunction with the classification of Vicksburg's operations as assets held for sale (see Note 4) as a result of the announced sale to Churchill Downs Incorporated, an impairment charge totaling \$9.8 million was recorded for the six months ended June 30, 2018 due to the carrying value exceeding the estimated net sales proceeds.

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

Amortization expense related to trade names and loyalty programs for the three months ended June 30, 2018 and 2017 totaled \$1.2 million and \$1.1 million, respectively, and \$2.7 million and \$1.6 million for the six months ended June 30, 2018 and 2017, respectively, which is included in depreciation and amortization expense in the consolidated statements of operations. Such amortization expense is expected to be \$2.3 million for the remainder of 2018 and \$4.7 million and \$1.6 million for the years ended December 31, 2019 and 2020, respectively.

Note 7. Income Taxes

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

Through the quarter ended June 30, 2018, the Company recognized no adjustments to the provisional amounts recorded at December 31, 2017. Additionally, the Company has not completed its accounting for all of the tax effects of the Tax Act that became effective January 1, 2018, but has recognized provisional amounts in its income tax provision. The Company is awaiting further guidance from U.S. federal and state regulatory bodies with regards to the final accounting and reporting of these items in the several jurisdictions where the Company file tax returns. In all cases, the Company will continue to make and refine its calculations as additional analysis is completed. Its estimates may also be affected as the Company gains a more thorough understanding of the tax law.

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period.

For the three and six months ended June 30, 2018, the Company's tax expense was \$9.2 million and \$11.3 million, respectively, and for the three and six months ended June 30, 2017, the Company's tax benefit was \$39.1 million and \$38.7 million. For the three and six months ended June 30, 2018, the difference between the effective rate and the statutory rate is attributed primarily to state and local income taxes less excess tax benefits associated with stock compensation. For the three and six months ended June 30, 2017, the difference between the effective rate and the statutory rate is attributed primarily to non-deductible transaction costs incurred and changes in the effective state tax rate associated with the Isle Acquisition. As of June 30, 2018 and 2017, 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.

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

The Company was notified by the Internal Revenue Service in October of 2016 that its federal tax return for the year ended December 31, 2014 had been selected for examination. In September 2017, the IRS informed the Company that they completed the examination of the tax return and made no changes.

Note 8. Long-Term Debt and Other Long-Term Liabilities

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

	June 30, 2018 (unaudited)	December 31, 2017
Term Loan	\$ 956,750	\$ 956,750
Less: Unamortized discount and debt issuance costs	(17,487)	(18,748)
Net	939,263	938,002
6% Senior Notes	875,000	875,000
Plus: Unamortized debt premium	25,068	26,605
Less: Unamortized debt issuance costs	(19,580)	(20,716)
Net	880,488	880,889
7% Senior Notes	375,000	375,000
Less: Unamortized discount and debt issuance costs	(6,620)	(7,146)
Net	368,380	367,854
Capital leases	617	917
Long-term notes payable	2,487	2,531
Less: Current portion	(486)	(615)
Total long-term debt	<u>\$ 2,190,749</u>	<u>\$ 2,189,578</u>

Amortization of the debt issuance costs and the discount and premium associated with our indebtedness totaled \$1.2 million and \$2.5 million for the three and six months ended June 30, 2018, respectively. Amortization of the debt issuance costs and the discount and premium associated with our indebtedness totaled \$2.2 million and \$3.0 million for the three and six months ended June 30, 2017, respectively. Amortization of debt issuance costs is computed using the effective interest method and is included in interest expense.

Scheduled maturities of long-term debt are \$375.0 million in 2023, \$956.8 million in 2024, and \$875.0 million in 2025.

Term Loan and Revolving Credit Facility

In April 2017, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto dated as of April 17, 2017 (the “Credit Facility”), consisting of a \$1.45 billion term loan facility (the “Term Loan Facility” or “Term Loan”) and a \$300.0 million revolving credit facility (the “Revolving Credit Facility”). The Company’s obligations under the Revolving Credit Facility will mature on April 17, 2022. The Company’s obligations under the Term Loan Facility will mature on April 17, 2024. The Company was required to make quarterly principal payments in an amount equal to \$3.6 million on the Term Loan Facility on the last day of each fiscal quarter beginning on June 30, 2017 but satisfied this requirement as a result of the principal prepayment of \$444.5 million on September 13, 2017 in conjunction with the issuance of the additional 6% Senior Notes. In addition, the Company is required to make mandatory payments of amounts outstanding under the Credit Facility with the proceeds of certain casualty events, debt issuances, and asset sales and, depending on its consolidated total leverage ratio, the Company may be required to apply a portion of its excess cash flow to repay amounts outstanding under the Credit Facility.

As of June 30, 2018, the Company had \$956.8 million outstanding on the Term Loan. There were no borrowings outstanding under the Revolving Credit Facility as of June 30, 2018. The Company had \$290.9 million of available borrowing capacity, after consideration of \$9.1 million in outstanding letters of credit, under its Revolving Credit Facility as of June 30, 2018.

The interest rate per annum applicable to loans under the Revolving Credit Facility are, at our option, either LIBOR plus a margin ranging from 1.75% to 2.50% or a base rate plus a margin ranging from 0.75% to 1.50%, which margin is based on our total leverage ratio. The interest rate per annum applicable to the loans under the Term Loan Facility is, at our option, either LIBOR plus 2.25%, or a base rate plus 1.25%; provided, however, that in no event will LIBOR be less than zero or the base rate be less than 1.00% over the term of the Term Loan Facility or the Revolving Credit Facility. Additionally, the Company pays a commitment fee on the unused portion of the Revolving Credit Facility in the amount of 0.50% per annum. At June 30, 2018, the weighted average interest rate on the Term Loan was 4.1% based upon the weighted average interest rate of borrowings outstanding during the six months ended June 30, 2018.

We have obtained commitments to increase our revolving credit facility from \$300 million to \$500 million effective substantially concurrently with the consummation of the Tropicana Acquisition and extend the maturity date of our revolving credit facility to the fifth anniversary of the effective date of such increase.

On June 6, 2018, the Company executed an amendment that modified certain covenants in the Credit Facility to allow for considerations related to the acquisition of Tropicana.

Senior Notes

6% Senior Notes

On March 29, 2017, Eagle II issued at par \$375.0 million aggregate principal amount of 6.0% senior notes due 2025 (the “6% Senior Notes”) pursuant to an indenture, dated as of March 29, 2017 (the “6% Senior Notes Indenture”), between Eagle II and U.S. Bank, National Association, as Trustee. The 6% Senior Notes will mature on April 1, 2025, with interest payable semi-annually in arrears on April 1 and October 1, commencing October 1, 2017. In connection with the consummation of the Isle Acquisition on May 1, 2017, the Company assumed Eagle II’s obligations under the 6% Senior Notes and the 6% Senior Notes Indenture and certain of the Company’s subsidiaries (including Isle and certain of its subsidiaries) executed guarantees of the Company’s obligations under the 6% Senior Notes.

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

7% Senior Notes

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

As of June 30, 2018 we were in compliance with all covenants under the Credit Facility, 6% Senior Notes, and 7% Senior Notes.

Other Long-Term Liabilities

In conjunction with the Isle Acquisition, the Company acquired the existing lease and management agreements at its Nemaocolin location. Under the terms of the agreements, Nemaocolin Woodland Resort (“Resort”) provided land, land improvements and a building for the casino property. The Company was deemed, for accounting purposes only, to be the owner of these assets provided by the Resort during the construction and casino operating periods due to the Company’s continuing involvement. Therefore, the transaction was accounted for using the direct financing method. As of June 30, 2018 and December 31, 2017, the Company recorded property and equipment, net of accumulated depreciation, of \$4.1 million and \$4.2 million, respectively, and a liability of \$2.4 million and \$4.5 million, respectively, in other long-term liabilities related to the agreement. The decrease in the liability was primarily due to the Company finalizing its purchase price accounting related to the Isle Acquisition as of March 31, 2018.

In conjunction with the Isle Acquisition, the Company acquired the existing lease and management agreements at its Bettendorf location. Under the terms of the agreements with the City of Bettendorf, Iowa, the Company leases, manages, and provides financial and operating support for the convention center (Quad-Cities Waterfront Convention Center). The Company was deemed, for accounting purposes only, to be the owner of the convention center due to the Company’s continuing involvement. Therefore, the transaction was accounted for using the direct financing method. As of June 30, 2018 and December 31, 2017, the Company recorded property and equipment, net of accumulated depreciation, of \$12.0 million and \$11.9 million, respectively, and a liability of \$5.5 million and \$12.5 million, respectively, in other long-term liabilities related to the agreement. The changes in property and equipment and in the liability were primarily due to the Company finalizing its purchase price accounting related to the Isle Acquisition as of March 31, 2018.

Note 9. Fair Value Measurements

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

- *Level 1 Inputs:* Quoted market prices in active markets for identical assets or liabilities.
- *Level 2 Inputs:* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- *Level 3 Inputs:* Unobservable inputs that are not corroborated by market data.

Items Measured at Fair Value on a Recurring Basis: The following table sets forth the assets measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at June 30, 2018 and December 31, 2017 (amounts in thousands):

Assets:	June 30, 2018		
	Level 1	Level 2	Total
Restricted cash and investments	\$ 10,753	\$ 3,817	\$ 14,570
Marketable securities	9,512	7,554	17,066

Assets:	December 31, 2017		
	Level 1	Level 2	Total
Restricted cash and investments	\$ 9,055	\$ 4,098	\$ 13,153
Marketable securities	7,906	9,725	17,631

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. Cash and cash equivalents also includes cash maintained for gaming operations. The carrying amounts approximate the fair value because of the short maturity of those instruments (Level 1).

Restricted Cash: Restricted cash includes cash reserved for unredeemed winning tickets from the Company's 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, 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 estimated fair values of our restricted cash and investments are based upon quoted prices available in active markets (Level 1), or quoted prices for similar assets in active and inactive markets (Level 2), and represent the amounts we would expect to receive if we sold our restricted cash and investments. Restricted investments, included in Other Assets, net, relate to trading securities pledged as collateral by our captive insurance company.

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

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

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

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

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
7% Senior Notes	\$ 368,380	\$ 393,750	\$ 367,854	\$ 400,800
6% Senior Notes	880,488	868,438	880,889	914,375
Term Loan	939,263	956,750	938,002	956,750
Other long-term debt	2,487	2,487	2,531	2,531
Capital leases	617	617	917	917

Note 10. Earnings per Share

The following table illustrates the reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the three and six months ended June 30, 2018 and 2017 (dollars in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(unaudited)			
Net income (loss) available to common stockholders	\$ 36,796	\$ (46,190)	\$ 57,651	\$ (45,245)
Shares outstanding:				
Weighted average shares outstanding – basic	77,458,584	67,453,095	77,406,447	57,405,834
Effect of dilutive securities:				
Stock options	131,148	N/A	142,027	N/A
RSUs	668,897	N/A	621,155	N/A
Weighted average shares outstanding – diluted (1)	78,258,629	67,453,095	78,169,629	57,405,834
Net income (loss) per common share attributable to common stockholders – basic:	\$ 0.48	\$ (0.68)	\$ 0.74	\$ (0.79)
Net income (loss) per common share attributable to common stockholders – diluted:	\$ 0.47	\$ (0.68)	\$ 0.74	\$ (0.79)

- (1) Excluded from “Weighted average shares outstanding – diluted” are 78,435 and 64,617 stock options for the three and six months ended June 30, 2017, respectively, and 937,661 and 868,987 RSUs for the three and six months ended June 30, 2017, respectively.

Note 11. Commitments and Contingencies

Litigation. The Company is a party to various lawsuits, which have arisen in the normal course of 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 the consolidated financial condition and those estimated losses are not expected to have a material impact on the results of operations.

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, 2018, which will automatically renew for an additional one-year period, and a proceeds agreement until April 14, 2019. 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, 2021. 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 12. Related Affiliates

The Company has a lease agreement with C.S. &Y. Associates (“CS&Y”) which is an entity partially owned by Recreational Enterprises, Inc. (“REI”), which is owned by members of the Carano family, including Gary L. Carano, and various trusts of which members of the Carano family are beneficiaries. In addition, each of Gary L. Carano and Thomas R. Reeg serve as members of the board of directors of REI. The Company owns the entire parcel on which Eldorado Reno is located, except for approximately 30,000 square feet which is leased from CS&Y. For the three and six months ended June 30, 2018, the Company paid CS&Y \$150,000 and \$300,000, respectively. For the three and six months ended June 30, 2017, the Company paid CS&Y \$90,000 and \$215,000, respectively. No amounts were due to or due from CS&Y as of June 30, 2018 and December 31, 2017.

The Company holds a 42.1% variable interest in a partnership with other investors that developed a new 118-room Hampton Inn & Suites hotel at Scioto Downs that opened in March 2017. Pursuant to the terms of the partnership agreement, the Company contributed \$1.0 million of cash and 2.4 acres of a leasehold immediately adjacent to *The Brew Brothers* microbrewery and restaurant at Scioto Downs. The partnership constructed the hotel at a cost of \$16.0 million and other investor members operate the hotel. As of June 30, 2018, the Company’s receivable from the partnership totaled \$125,000 and the Company’s payable to the partnership totaled \$20,000. These amounts are reflected on the accompanying balance sheet under “due from affiliates” and “due to affiliates.”

The Company formed a joint venture in April 2018 with Cordish Companies (“Cordish”) to master plan and develop a mixed use entertainment and hospitality destination expected to be located on unused land adjacent to the casino and racetrack at our Pompano property. No amounts were due to or due from Cordish as of June 30, 2018.

Note 13. Segment Information

The following table sets forth, for the period indicated, certain operating data for our reportable segments. The executive decision maker of our Company reviews operating results, assesses performance and makes decisions on a “significant market” basis. Management views each of our casinos as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, and their management and reporting structure. Prior to the Isle Acquisition, the Company’s principal operating activities occurred in three geographic regions: Nevada, Louisiana and parts of the eastern United States. Following the Isle Acquisition, the Company’s principal operating activities expanded and now occur in four geographic regions and reportable segments based on the similar characteristics of the operating segments within the regions in which they operate. The previously reported segments, Nevada, Louisiana, and Eastern, are now included in the West, South, and East segments, respectively, which are summarized as follows, along with the Midwest segment.

Segment	Property	State
West	Eldorado Reno	Nevada
	Silver Legacy	Nevada
	Circus Reno	Nevada
	Isle Black Hawk	Colorado
	Lady Luck Black Hawk	Colorado
Midwest	Waterloo	Iowa
	Bettendorf	Iowa
	Boonville	Missouri
	Cape Girardeau	Missouri
	Caruthersville	Missouri
	Kansas City	Missouri
South	Pompano	Florida
	Eldorado Shreveport	Louisiana
	Lake Charles	Louisiana
	Lula	Mississippi
	Vicksburg	Mississippi
East	Presque Isle Downs	Pennsylvania
	Nemacolin	Pennsylvania
	Scioto Downs	Ohio
	Mountaineer	West Virginia

The following table sets forth, for the periods indicated, certain operating data for our four reportable segments. Amounts related to pre-acquisition periods (prior to May 1, 2017) conform to prior presentation as the additional operating segments associated with the Isle Acquisition are incremental to the previously disclosed reportable segments.

	Three Months Ended Ended June 30,		Six months ended Ended June 30,	
	2018	2017	2018	2017
	(in thousands, unaudited)		(in thousands, unaudited)	
Revenues and expenses				
<i>West:</i>				
Net operating revenues	\$ 117,880	\$ 99,752	\$ 217,459	\$ 163,240
Operating income	\$ 21,865	\$ 16,512	\$ 32,004	\$ 17,933
<i>Midwest:</i>				
Net operating revenues	\$ 100,607	\$ 67,641	\$ 201,402	\$ 67,641
Operating income	\$ 27,411	\$ 15,412	\$ 54,087	\$ 15,412
<i>South:</i>				
Net operating revenues	\$ 112,242	\$ 88,459	\$ 235,042	\$ 121,019
Operating income	\$ 20,564	\$ 12,610	\$ 33,923	\$ 18,528
<i>East:</i>				
Net operating revenues	\$ 125,961	\$ 119,638	\$ 242,852	\$ 225,926
Operating income	\$ 24,397	\$ 18,228	\$ 43,528	\$ 33,196
<i>Corporate:</i>				
Net operating revenues	\$ 112	\$ 136	\$ 239	\$ 193
Operating loss	\$ (16,823)	\$ (93,229)	\$ (31,934)	\$ (101,508)
Total Reportable Segments				
Net operating revenues	\$ 456,802	\$ 375,626	\$ 896,994	\$ 578,019
Operating income (loss)	\$ 77,414	\$ (30,467)	\$ 131,608	\$ (16,439)
Reconciliations to consolidated net income (loss):				
Operating income (loss)	\$ 77,414	\$ (30,467)	\$ 131,608	\$ (16,439)
Unallocated income and expenses:				
Interest expense, net	(31,405)	(27,527)	(62,494)	(40,197)
Loss on early retirement of debt, net	—	(27,317)	(162)	(27,317)
(Provision) benefit for income taxes	(9,213)	39,121	(11,301)	38,708
Net income (loss)	\$ 36,796	\$ (46,190)	\$ 57,651	\$ (45,245)

	Six Months Ended June 30,	
	2018	2017
	(in thousands, unaudited)	
Capital Expenditures		
West	\$ 29,080	\$ 18,632
Midwest	9,384	1,763
South	7,083	1,646
East	6,008	4,048
Corporate	3,626	3,735
Total	\$ 55,181	\$ 29,824

	West	Midwest	South	East	Corporate, Other & Eliminations	Total
	(in thousands)					
Balance sheet as of June 30, 2018 (unaudited)						
Total assets	\$ 1,300,315	\$ 1,215,157	\$ 814,364	\$ 1,209,463	\$ (939,553)	\$ 3,599,746
Goodwill	152,761	322,745	180,044	63,704	—	719,254
Balance sheet as of December 31, 2017						
Total assets	\$ 1,278,062	\$ 1,188,758	\$ 804,318	\$ 1,185,806	\$ (910,472)	\$ 3,546,472
Goodwill	152,775	327,088	200,417	66,826	—	747,106

Note 14. Consolidating Condensed Financial Information

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

The following wholly-owned subsidiaries of the Company are guarantors, on a joint and several basis, under the 7% Senior Notes, 6% Senior Notes and Credit Facility: Isle of Capri Casinos LLC; Eldorado Holdco LLC; Eldorado Resorts LLC; Eldorado Shreveport 1 LLC; Eldorado Shreveport 2 LLC; Eldorado Casino Shreveport Joint Venture; MTR Gaming Group Inc.; Mountaineer Park Inc.; Presque Isle Downs Inc.; Scioto Downs Inc.; Eldorado Limited Liability Company; Circus and Eldorado Joint Venture, LLC; CC Reno LLC; CCR Newco LLC; Black Hawk Holdings, L.L.C.; IC Holdings Colorado, Inc.; CCSC/Blackhawk, Inc.; IOC-Black Hawk Distribution Company, LLC; IOC-Black Hawk County, Inc.; Isle of Capri Bettendorf, L.C.; PPI, Inc.; Pompano Park Holdings LLC; IOC-Lula, Inc.; IOC-Kansas City, Inc.; IOC-Boonville, Inc.; IOC-Caruthersville, LLC; IOC Cape Girardeau, LLC; IOC-Vicksburg, Inc.; IOC-Vicksburg, L.L.C.; Rainbow Casino-Vicksburg Partnership, L.P.; IOC Holdings L.L.C.; St. Charles Gaming Company, L.L.C.; Elgin Riverboat Resort-Riverboat Casino; Elgin Holdings I LLC; Elgin Holdings II LLC, PPI Development Holdings LLC; and PPI Development LLC. Each of the subsidiaries' guarantees is joint and several with the guarantees of the other subsidiaries.

The consolidating condensed balance sheet as of June 30, 2018 is as follows:

Balance Sheet	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands, unaudited)				
Current assets	\$ 100,202	\$ 378,207	\$ 26,994	\$ —	\$ 505,403
Intercompany receivables	145,580	—	33,680	(179,260)	—
Investments in subsidiaries	2,541,456	—	—	(2,541,456)	—
Property and equipment, net	13,659	1,378,375	8,054	—	1,400,088
Other assets	49,707	1,655,020	22,847	(33,319)	1,694,255
Total assets	<u>\$ 2,850,604</u>	<u>\$ 3,411,602</u>	<u>\$ 91,575</u>	<u>\$ (2,754,035)</u>	<u>\$ 3,599,746</u>
Current liabilities	\$ 34,402	\$ 156,325	\$ 26,965	\$ —	\$ 217,692
Intercompany payables	—	154,260	25,000	(179,260)	—
Long-term debt, less current maturities	1,815,523	375,000	226	—	2,190,749
Deferred income tax liabilities	—	209,926	—	(33,319)	176,607
Other accrued liabilities	4,035	11,160	2,780	—	17,975
Stockholders' equity	996,644	2,504,931	36,604	(2,541,456)	996,723
Total liabilities and stockholders' equity	<u>\$ 2,850,604</u>	<u>\$ 3,411,602</u>	<u>\$ 91,575</u>	<u>\$ (2,754,035)</u>	<u>\$ 3,599,746</u>

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

Balance Sheet	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands)				
Current assets	\$ 27,572	\$ 201,321	\$ 22,139	\$ —	\$ 251,032
Intercompany receivables	274,148	—	34,492	(308,640)	—
Investments in subsidiaries	2,437,287	—	—	(2,437,287)	—
Property and equipment, net	12,042	1,483,473	7,302	—	1,502,817
Other assets	37,458	1,764,291	27,283	(36,409)	1,792,623
Total assets	<u>\$ 2,788,507</u>	<u>\$ 3,449,085</u>	<u>\$ 91,216</u>	<u>\$ (2,782,336)</u>	<u>\$ 3,546,472</u>
Current liabilities	\$ 28,676	\$ 169,348	\$ 25,726	\$ —	\$ 223,750
Intercompany payables	—	283,640	25,000	(308,640)	—
Long-term debt, less current maturities	1,814,185	375,000	393	—	2,189,578
Deferred income tax liabilities	—	199,376	—	(36,409)	162,967
Other accrued liabilities	4,127	19,624	4,828	—	28,579
Stockholders' equity	941,519	2,402,097	35,269	(2,437,287)	941,598
Total liabilities and stockholders' equity	<u>\$ 2,788,507</u>	<u>\$ 3,449,085</u>	<u>\$ 91,216</u>	<u>\$ (2,782,336)</u>	<u>\$ 3,546,472</u>

The consolidating condensed statement of operations for the three months ended June 30, 2018 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands, unaudited)				
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 340,960	\$ 7,760	\$ —	\$ 348,720
Non-gaming	—	105,555	2,527	—	108,082
Net revenues	—	446,515	10,287	—	456,802
Operating expenses:					
Gaming and pari-mutuel commissions	—	164,837	5,108	—	169,945
Non-gaming	—	66,092	683	—	66,775
Marketing and promotions	—	21,421	411	—	21,832
General and administrative	—	71,872	1,873	—	73,745
Corporate	11,259	335	638	—	12,232
Impairment charges	—	—	—	—	—
Management fee	(7,030)	7,030	—	—	—
Depreciation and amortization	950	30,798	162	—	31,910
Total operating expenses	5,179	362,385	8,875	—	376,439
Gain on sale of asset or disposal of property and equipment	—	421	2	—	423
Transaction expenses	(3,335)	(69)	—	—	(3,404)
Equity in income of unconsolidated affiliate	—	32	—	—	32
Operating (loss) income	(8,514)	84,514	1,414	—	77,414
Interest expense, net	(25,075)	(5,919)	(411)	—	(31,405)
Loss on early retirement of debt, net	—	—	—	—	—
Subsidiary income (loss)	60,771	—	—	(60,771)	—
Income (loss) before income taxes	27,182	78,595	1,003	(60,771)	46,009
Income tax benefit (provision)	9,614	(18,438)	(389)	—	(9,213)
Net income (loss)	<u>\$ 36,796</u>	<u>\$ 60,157</u>	<u>\$ 614</u>	<u>\$ (60,771)</u>	<u>\$ 36,796</u>

The consolidating condensed statement of operations for the three months ended June 30, 2017 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
(in thousands, unaudited)					
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 274,023	\$ 5,682	\$ —	\$ 279,705
Non-gaming	—	94,023	1,898	—	95,921
Net revenues	—	368,046	7,580	—	375,626
Operating expenses:					
Gaming and pari-mutuel commissions	—	139,891	3,846	—	143,737
Non-gaming	—	61,325	649	—	61,974
Marketing and promotions	—	20,893	638	—	21,531
General and administrative	—	59,637	1,250	—	60,887
Corporate	6,974	(328)	796	—	7,442
Management fee	(6,974)	6,774	200	—	—
Depreciation and amortization	183	24,637	89	—	24,909
Total operating expenses	183	312,829	7,468	—	320,480
(Loss) gain on sale of asset or disposal of property and equipment	(21)	(68)	—	—	(89)
Transaction expenses	(67,559)	(17,905)	—	—	(85,464)
Equity in loss of unconsolidated affiliate	—	(60)	—	—	(60)
Operating (loss) income	(67,763)	37,184	112	—	(30,467)
Interest expense, net	(20,905)	(6,344)	(278)	—	(27,527)
Loss on early retirement of debt, net	(27,317)	—	—	—	(27,317)
Subsidiary income (loss)	16,401	—	—	(16,401)	—
(Loss) income before income taxes	(99,584)	30,840	(166)	(16,401)	(85,311)
Income tax benefit (provision)	53,394	(14,364)	91	—	39,121
Net (loss) income	\$ (46,190)	\$ 16,476	\$ (75)	\$ (16,401)	\$ (46,190)

The consolidating condensed statement of operations for the six months ended June 30, 2018 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
(in thousands, unaudited)					
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 676,753	\$ 15,495	\$ —	\$ 692,248
Non-gaming	—	199,578	5,168	—	204,746
Net revenues	—	876,331	20,663	—	896,994
Operating expenses:					
Gaming and pari-mutuel commissions	—	329,140	10,356	—	339,496
Non-gaming	—	130,067	1,395	—	131,462
Marketing and promotions	—	42,256	877	—	43,133
General and administrative	—	144,299	3,648	—	147,947
Corporate	21,553	657	1,591	—	23,801
Impairment charges	—	9,815	—	—	9,815
Management fee	(12,167)	12,167	—	—	—
Depreciation and amortization	1,723	61,398	323	—	63,444
Total operating expenses	11,109	729,799	18,190	—	759,098
(Loss) gain on sale of asset or disposal of property and equipment	—	(285)	2	—	(283)
Transaction expenses	(5,453)	(499)	—	—	(5,952)
Equity in loss of unconsolidated affiliate	—	(53)	—	—	(53)
Operating (loss) income	(16,562)	145,695	2,475	—	131,608
Interest expense, net	(49,345)	(12,205)	(944)	—	(62,494)
Loss on early retirement of debt, net	(162)	—	—	—	(162)
Subsidiary income (loss)	104,076	—	—	(104,076)	—
Income (loss) before income taxes	38,007	133,490	1,531	(104,076)	68,952
Income tax benefit (provision)	19,644	(30,741)	(204)	—	(11,301)
Net income (loss)	\$ 57,651	\$ 102,749	\$ 1,327	\$ (104,076)	\$ 57,651

The consolidating condensed statement of operations for the six months ended June 30, 2017 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in thousands, unaudited)	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
Revenues:					
Gaming and pari-mutuel commissions	\$ —	\$ 416,208	\$ 5,687	\$ —	\$ 421,895
Non-gaming	—	154,168	1,956	—	156,124
Net revenues	—	570,376	7,643	—	578,019
Operating expenses:					
Gaming and pari-mutuel commissions	—	221,079	3,846	—	224,925
Non-gaming	—	102,591	649	—	103,240
Marketing and promotions	—	31,018	642	—	31,660
General and administrative	—	91,437	1,250	—	92,687
Corporate	13,548	(328)	796	—	14,016
Management fee	(13,548)	13,348	200	—	—
Depreciation and amortization	332	40,092	89	—	40,513
Total operating expenses	332	499,237	7,472	—	507,041
Loss on sale of asset or disposal of property and equipment	(21)	(36)	—	—	(57)
Transaction expenses	(69,173)	(17,905)	—	—	(87,078)
Equity in loss of unconsolidated affiliate	—	(282)	—	—	(282)
Operating (loss) income	(69,526)	52,916	171	—	(16,439)
Interest expense, net	(26,994)	(12,925)	(278)	—	(40,197)
Loss on early retirement of debt, net	(27,317)	—	—	—	(27,317)
Subsidiary income (loss)	25,656	—	—	(25,656)	—
(Loss) income before income taxes	(98,181)	39,991	(107)	(25,656)	(83,953)
Income tax benefit (provision)	52,936	(14,319)	91	—	38,708
Net (loss) income	\$ (45,245)	\$ 25,672	\$ (16)	\$ (25,656)	\$ (45,245)

The consolidating condensed statement of cash flows for the six months ended June 30, 2018 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands, unaudited)				
Net cash (used in) provided by operating activities	\$ (34,171)	\$ 179,830	\$ 2,845	\$ —	\$ 148,504
INVESTING ACTIVITIES:					
Purchase of property and equipment, net	(2,246)	(51,862)	(1,073)	—	(55,181)
Proceeds from sale of property and equipment	—	840	—	—	840
Deposit on acquisitions	(15,000)	—	—	—	(15,000)
Net cash used in investing activities	(17,246)	(51,022)	(1,073)	—	(69,341)
FINANCING ACTIVITIES:					
Net proceeds from (payments to) related parties	128,564	(128,034)	(530)	—	—
Payments on other long-term payables	(44)	(157)	(143)	—	(344)
Debt issuance costs	(305)	—	—	—	(305)
Taxes paid related to net share settlement of equity awards	(9,677)	—	—	—	(9,677)
Net cash provided by (used in) financing activities	118,538	(128,191)	(673)	—	(10,326)
Increase in cash, cash equivalents and restricted cash	67,121	617	1,099	—	68,837
Cash, cash equivalents and restricted cash, beginning of period	13,836	118,483	15,430	—	147,749
Cash, cash equivalents and restricted cash, end of period	<u>\$ 80,957</u>	<u>\$ 119,100</u>	<u>\$ 16,529</u>	<u>\$ —</u>	<u>\$ 216,586</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO AMOUNTS REPORTED WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS:					
Cash and cash equivalents	\$ 80,240	\$ 114,283	\$ 7,493	\$ —	\$ 202,016
Restricted cash	717	3,817	149	—	4,683
Restricted cash included in other noncurrent assets	—	1,000	8,887	—	9,887
Total cash, cash equivalents and restricted cash	<u>\$ 80,957</u>	<u>\$ 119,100</u>	<u>\$ 16,529</u>	<u>\$ —</u>	<u>\$ 216,586</u>

The consolidating condensed statement of cash flows for the six months ended June 30, 2017 is as follows:

	Eldorado Resorts, Inc. (Parent Obligor)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Eldorado Resorts, Inc. Consolidated
	(in thousands, unaudited)				
Net cash (used in) provided by operating activities	\$ (82,624)	\$ 79,645	\$ 6,022	\$ —	\$ 3,043
INVESTING ACTIVITIES:					
Purchase of property and equipment, net	(3,273)	(26,536)	(15)	—	(29,824)
Net cash used in business combinations	(1,313,051)	—	—	—	(1,313,051)
Net cash used in investing activities	(1,316,324)	(26,536)	(15)	—	(1,342,875)
FINANCING ACTIVITIES:					
Proceeds from issuance of Term Loan	1,450,000	—	—	—	1,450,000
Proceeds from issuance of 6% Senior Notes	375,000	—	—	—	375,000
Borrowings under Revolving Credit Facility	189,953	—	—	—	189,953
Payments under Term Loan	(422,250)	—	—	—	(422,250)
Payments under Revolving Credit Facility	(128,953)	—	—	—	(128,953)
Net (payments to) proceeds from related parties	(4,167)	(3,283)	7,450	—	—
Payments on other long-term payables	—	(169)	(41)	—	(210)
Debt issuance costs	(44,992)	—	—	—	(44,992)
Taxes paid related to net share settlement of equity awards	(8,993)	—	—	—	(8,993)
Proceeds from exercise of stock options	2,898	—	—	—	2,898
Net cash provided by (used in) financing activities	1,408,496	(3,452)	7,409	—	1,412,453
Increase in cash, cash equivalents and restricted cash	9,548	49,657	13,416	—	72,621
Cash, cash equivalents and restricted cash, beginning of period	1,410	61,702	332	—	63,444
Cash, cash equivalents and restricted cash, end of period	\$ 10,958	\$ 111,359	\$ 13,748	\$ —	\$ 136,065
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO AMOUNTS REPORTED WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS:					
Cash and cash equivalents	\$ 10,280	\$ 88,439	\$ 4,905	\$ —	\$ 103,624
Restricted cash	678	21,920	(32)	—	22,566
Restricted cash included in other noncurrent assets	—	1,000	8,875	—	9,875
Total cash, cash equivalents and restricted cash	\$ 10,958	\$ 111,359	\$ 13,748	\$ —	\$ 136,065

Note 15. Acquisitions

Grand Victoria Casino

On April 16, 2018, the Company announced that it entered into a definitive agreement to acquire the Grand Victoria Casino in Elgin, Illinois for \$327.5 million in cash, subject to a customary working capital adjustment (the “Grand Victoria Acquisition”).

The transaction closed on August 7, 2018 and was funded using cash from our ongoing operations and borrowings under our revolving credit facility. The Company is in the preliminary phase of determining the fair value of the assets and liabilities assumed and as of the filing date cannot estimate the financial impact of the acquisition.

Transaction expenses attributed to the Grand Victoria Acquisition for the three and six months ended June 30, 2018 totaled \$0.7 million and \$1.3 million, respectively. As of June 30, 2018, \$0.1 million of accrued costs and expenses related to the Grand Victoria are included in accrued other liabilities.

Tropicana Entertainment Inc.

Also on April 16, 2018, the Company announced that it entered into a definitive agreement to acquire Tropicana Entertainment Inc. (“Tropicana”) in a cash transaction valued at \$1.85 billion. The definitive agreement provides that Gaming and Leisure Properties (“GLPI”) will pay \$1.21 billion, excluding taxes and expenses, for substantially all of Tropicana’s real estate, will enter into a master lease with the Company for the acquired real estate, and the Company will fund the remaining \$640 million of cash consideration payable in the acquisition (the “Tropicana Acquisition” and, together with the Elgin Acquisition, the “Acquisitions”). Pursuant to the transaction, GLPI is expected to acquire the real estate associated with the Tropicana property portfolio, except the MontBleu Casino Resort & Spa in South Lake Tahoe and the Tropicana Aruba Resort and Casino. Following the acquisition of the real estate portfolio by GLPI, the Company will enter into a triple net master lease for the acquired properties with an initial term of 15 years, with renewals of up to 20 years at the Company’s option. The initial annual rent under the terms of the lease is expected to be approximately \$110 million. Tropicana intends to dispose of Tropicana Aruba Resort and Casino prior to closing.

The Company intends to fund the consideration of approximately \$640 million payable by the Company in the Tropicana Acquisition and repay debt outstanding under Tropicana’s credit facility with cash generated from our current operations, proceeds from pending asset sales, Tropicana’s cash on hand, cash flow generated from Tropicana operations through closing and \$600 million of committed debt financing. In addition, the Company has obtained commitments to increase its revolving credit facility from \$300 million to \$500 million effective substantially concurrently with the consummation of the Tropicana Acquisition and extend the maturity of the revolving credit facility to the fifth anniversary of the effective date of such increase.

The transaction is expected to close in the fourth quarter of 2018.

Transaction expenses attributed to the Tropicana Acquisition for the three and six months ended June 30, 2018 totaled \$2.5 million and \$3.5 million, respectively. As of June 30, 2018, \$0.1 million of accrued costs and expenses related to the Tropicana Acquisition are included in accrued other liabilities.

ITEM 2. 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 Quarterly Report on Form 10-Q.

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 geographically diversified gaming and hospitality company owning and operating 20 gaming facilities in 10 states. Our properties, which are located in Ohio, Louisiana, Nevada, Pennsylvania, West Virginia, Colorado, Florida, Iowa, Mississippi and Missouri, feature approximately 21,000 slot machines and video lottery terminals, approximately 600 table games and over 7,000 hotel rooms. Our primary source of revenue is generated by gaming operations and we utilize our hotels, restaurants, bars, entertainment, racing, retail shops and other services to attract customers to our properties.

We were founded in 1973 by the Carano Family with the opening of the Eldorado Hotel Casino in Reno, Nevada. In 1993, we partnered with MGM Resorts International on the Silver Legacy Resort Casino, the first mega-themed resort in Reno. In 2005, we acquired our first property outside of Reno when we acquired a casino in Shreveport, Louisiana, now known as Eldorado Shreveport. In September 2014, we merged with MTR Gaming Group, Inc. and acquired its three gaming and racing facilities in Ohio, Pennsylvania and West Virginia. The following year, in November 2015, we acquired Circus Circus Reno and the 50% membership interest in the Silver Legacy that was owned by MGM Resorts International. On May 1, 2017, we completed our most recent – and largest – acquisition to date when we acquired Isle of Capri Casinos, Inc. (“Isle” or “Isle of Capri”), adding another 13 gaming properties to our portfolio.

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 that includes 1,128 slot machines and 36 table games;
- Silver Legacy Resort Casino (“Silver Legacy”)—A 1,685-room themed hotel and casino connected via an enclosed skywalk to Eldorado Reno and Circus Reno that includes 1,208 slot machines, 58 table games and a 13 table poker room;
- 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 that includes 706 slot machines and 24 table games;
- 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 that includes 1,388 slot machines, 52 table games and an eight table poker room;
- Mountaineer Casino, Racetrack & Resort (“Mountaineer”)—A 357-room hotel, casino, entertainment and live thoroughbred horse racing facility located on the Ohio River at the northern tip of West Virginia’s northwestern panhandle that includes 1,487 slot machines and 36 table games, including a 10 table poker room;
- Presque Isle Downs & Casino (“Presque Isle Downs”)—A casino and live thoroughbred horse racing facility with 1,596 slot machines, 32 table games and a seven table poker room located in Erie, Pennsylvania;
- Eldorado Gaming Scioto Downs (“Scioto Downs”)—A modern “racino” offering 2,237 video lottery terminals (“VLTs”), harness racing and a 118-room third party hotel connected to Scioto Downs located 15 minutes from downtown Columbus, Ohio;
- Isle Casino Hotel—Black Hawk (“Isle Black Hawk”)—A land-based casino on an approximately 10-acre site in Black Hawk, Colorado that includes 1,005 slot machines, 30 table games, a nine table poker room and a 238-room hotel;
- Lady Luck Casino—Black Hawk (“Lady Luck Black Hawk”)—A land-based casino across the intersection from Isle Casino Hotel in Black Hawk Colorado, that includes 472 slot machines, eleven table games and a 164-room hotel with a parking structure connecting Isle Casino Hotel-Black Hawk and Lady Luck Casino-Black Hawk;

- Isle Casino Racing Pompano Park (“Pompano”)—A casino and harness racing track on an approximately 223-acre owned site in Pompano Beach, Florida that includes 1,461 slot machines and a 45 table poker room. In April 2018, the Company announced the formation of a joint venture with the Cordish Companies to master plan and develop a mixed-use entertainment and hospitality destination expected to be located on unused land adjacent to the casino and racetrack;
- Isle Casino Bettendorf (“Bettendorf”)—A land-based single-level casino located off Interstate 74 in Bettendorf, Iowa that includes 974 slot machines and 20 table games with two hotel towers with 509 hotel rooms;
- Isle Casino Waterloo (“Waterloo”)—A single-level land-based casino in Waterloo, Iowa that includes 936 slot machines, 25 table games, and a 194-room hotel;
- Isle of Capri Casino Hotel Lake Charles (“Lake Charles”)—A gaming vessel on an approximately 19 acre site in Lake Charles, Louisiana, with 1,173 slot machines, 45 table games, including 13 poker tables, and two hotels offering 493 rooms;
- Isle of Capri Casino Lula (“Lula”)—Two dockside casinos in Lula, Mississippi with 871 slot machines and 19 table games, two on-site hotels with a total of 486 rooms and a 28-space RV Park;
- Lady Luck Casino Vicksburg (“Vicksburg”)—A dockside casino in Vicksburg, Mississippi that includes 603 slot machines, eight table games and a hotel with a total of 89 rooms;
- Isle of Capri Casino Boonville (“Boonville”)—A single-level dockside casino in Boonville, Missouri that includes 885 slot machines, 20 table games and a 140-room hotel;
- Isle Casino Cape Girardeau (“Cape Girardeau”)—A dockside casino and pavilion and entertainment center in Cape Girardeau, Missouri that includes 870 slot machines and 24 table games, including four poker tables;
- Lady Luck Casino Caruthersville (“Caruthersville”)—A riverboat casino located along the Mississippi River in Caruthersville, Missouri that includes 512 slot machines and nine table games;
- Isle of Capri Casino Kansas City (“Kansas City”)—A dockside casino located close to downtown Kansas City, Missouri offering 969 slot machines and 13 table games; and
- Lady Luck Casino Nemaquin (“Nemaquin”)—A casino property located on the 2,000-acre Nemaquin Woodlands Resort in Western Pennsylvania that includes 600 slot machines and 27 table games.

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 TwinSpire.com, an affiliate of Churchill Downs Incorporated.

Acquisitions

On April 16, 2018, we announced that we entered into a definitive agreement to acquire the Grand Victoria Casino in Elgin, Illinois for \$327.5 million in cash plus a customary working capital adjustment. The transaction closed on August 7, 2018 and was funded using cash from our ongoing operations and borrowings under our revolving credit facility.

Also on April 16, 2018, we announced that we entered into a definitive agreement to acquire Tropicana Entertainment Inc. in a cash transaction that is valued at \$1.85 billion. The definitive agreement provides that Gaming and Leisure Properties will pay \$1.21 billion, excluding taxes and expenses, for substantially all of Tropicana’s real estate and enter into a master lease with us for the acquired real estate and we will fund the remaining \$640 million of cash consideration payable in the acquisition. Pursuant to the transaction, Gaming and Leisure Properties is expected to acquire the real estate associated with the Tropicana property portfolio, except the MontBleu Casino Resort & Spa in South Lake Tahoe and the Tropicana Aruba Resort and Casino. Following the acquisition of the real estate portfolio by Gaming and Leisure Properties, we will enter into a triple net master lease for the acquired properties with an initial term of 15 years, with renewals of up to 20 years at our option. The initial annual rent under the lease is expected to be approximately \$110 million. Tropicana intends to dispose of Tropicana Aruba Resort and Casino prior to closing.

We intend to fund the consideration of approximately \$640 million payable by us in the Tropicana transaction and repay debt outstanding under Tropicana's credit facility with cash generated from our current operations, Tropicana's cash on hand, cash flow generated from Tropicana operations through closing and \$600 million of committed debt financing. In addition, the Company has obtained commitments to increase its revolving credit facility from \$300 million to \$500 million effective substantially concurrently with the consummation of the Tropicana Acquisition and extend the maturity of the revolving credit facility to the fifth anniversary of the effective date of such increase. The transaction is expected to close in the fourth quarter of 2018.

Dispositions

On February 28, 2018, we entered into definitive agreements to sell substantially all of the assets and liabilities of Presque Isle Downs and Vicksburg to Churchill Downs Incorporated ("CDI"). Under the terms of the agreements, CDI agreed to purchase Presque Isle Downs for cash consideration of approximately \$178.9 million and Vicksburg for cash consideration of approximately \$50.6 million, in each case subject to a customary working capital adjustment.

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

Following receipt of, and in consideration of the time and expense needed to reply to, the Second Request, pursuant to a Termination Agreement and Release, dated as of July 6, 2018 (the "Vicksburg Termination Agreement"), by and among CDI, ERI and a wholly owned subsidiary of ERI, the Company and CDI mutually agreed to terminate the asset purchase agreement with respect to the Vicksburg transaction. Concurrently with the termination of the Vicksburg agreement, we agreed to enter into an agreement pursuant to which CDI will acquire and assume our rights and obligations to operate Nemaquin. In connection with the Vicksburg Termination Agreement, CDI has agreed to pay the Company a \$5.0 million termination fee, subject to the parties' execution of a definitive agreement with respect to the Nemaquin transaction.

Both sales are expected to close in the fourth quarter of 2018, subject to satisfaction of closing conditions, including receipt of Pennsylvania regulatory approvals, termination of the waiting period under the Hart-Scott-Rodino Act and, in the case of Presque Isle Downs, the execution of the definitive agreement with respect to the Nemaquin transaction.

Reportable Segments

The following table sets forth, for the period indicated, certain operating data for our reportable segments. The executive decision maker of our Company reviews operating results, assesses performance and makes decisions on a “significant market” basis. Management views each of our casinos as an operating segment. Operating segments are aggregated based on their similar economic characteristics, types of customers, types of services and products provided, and their management and reporting structure. Prior to the Isle Acquisition, the Company’s principal operating activities occurred in three geographic regions: Nevada, Louisiana and parts of the eastern United States. Following the Isle Acquisition, the Company’s principal operating activities expanded and now occur in four geographic regions and reportable segments based on the similar characteristics of the operating segments within the regions in which they operate. The previously reported segments, Nevada, Louisiana, and Eastern, are now included in the West, South, and East segments, respectively, which are summarized as follows, along with the Midwest segment.

Segment	Property	State
West	Eldorado Reno	Nevada
	Silver Legacy	Nevada
	Circus Reno	Nevada
	Isle Black Hawk	Colorado
	Lady Luck Black Hawk	Colorado
Midwest	Waterloo	Iowa
	Bettendorf	Iowa
	Boonville	Missouri
	Cape Girardeau	Missouri
	Caruthersville	Missouri
	Kansas City	Missouri
South	Pompano	Florida
	Eldorado Shreveport	Louisiana
	Lake Charles	Louisiana
	Lula	Mississippi
	Vicksburg	Mississippi
East	Presque Isle Downs	Pennsylvania
	Nemacolin	Pennsylvania
	Scioto Downs	Ohio
	Mountaineer	West Virginia

Presentation of Financial Information

The financial information included in this Item 2 for periods prior to our acquisition of Isle are those of ERI and its subsidiaries. The presentation of information herein for periods prior to our acquisition of Isle and after our acquisition of Isle are not fully comparable because the results of operations for Isle are not included for periods prior to our acquisition of Isle.

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 for the three and six months ended June 30, 2018 and 2017.

- *Isle Acquisition* – Our results of operations for the three and six months ended June 30, 2018 include incremental revenues and expenses attributable to the 13 properties we acquired in our acquisition of Isle on May 1, 2017.
- Transaction expenses related to our acquisition of Isle for legal, accounting, financial advisory services, severance, stock awards and other costs totaled \$0.2 million and \$1.1 million for the three and six months ended June 30, 2018, respectively, and \$85.5 million and \$87.1 million for the three and six months ended June 30, 2017, respectively.
- *Debt Refinancing* – In connection with the Isle Acquisition, we completed a debt financing transaction comprised of: a senior secured credit facility in an aggregate principal amount of \$1.75 billion with a term loan facility of \$1.45 billion and revolving credit facility of \$300.0 million and \$375.0 million of senior unsecured notes. The proceeds of such borrowings were used to pay the cash portion of the consideration payable in the Isle Merger, refinance all of Isle’s existing credit facilities, redeem or otherwise repurchase all of Isle’s senior and senior subordinated notes, refinance our existing credit facility and pay transaction fees and expenses related to the foregoing. We recognized a loss totaling \$0.7 million for the three and six months ended June 30, 2017 as a result of the debt refinancing transaction (See “Liquidity and Capital Resources” for more information related to the debt refinancing).
- *Acquisitions* – Transaction expenses related to our acquisition of Grand Victoria Casino and pending acquisition of Tropicana Entertainment Inc. totaled \$0.7 million and \$2.5 million, respectively, for the three months ended June 30, 2018, and \$1.3 million and \$3.5 million, respectively, for the six months ended June 30, 2018.
- *Pending Dispositions* – The sales of Presque Isle Downs and Vicksburg met the requirements for presentation as assets held for sale under generally accepted accounting principles. However, they did not meet the requirements for presentation as discontinued operations and are included in income from continuing operations for the three and six months ended June 30, 2018. Based on the triggering event, we recorded an impairment charge for the six months ended June 30, 2018 totaling \$9.8 million related to our Vicksburg property. Effective July 6, 2018, the sale of Vicksburg was terminated. Concurrently with the termination, we agreed to enter into an agreement to sell our rights and obligations to operate Nemaquin.
- *Lake Charles Terminated Sale* – On August 22, 2016, Isle entered into an agreement to sell its casino and hotel property in Lake Charles, Louisiana, for \$134.5 million, subject to a customary purchase price adjustment, to an affiliate of Laguna Development Corporation, a Pueblo of Laguna-owned business based in Albuquerque, New Mexico. On November 21, 2017, we terminated the agreement. The closing of the transaction was subject to certain closing conditions, including obtaining certain gaming approvals, and was to occur on or before the termination date, which had been extended by the parties to November 20, 2017. The buyer did not obtain the required gaming approvals prior to the termination date, and pursuant to the terms of the agreement, and the \$20.0 million deposit was forfeited upon termination of the agreement.

In previous periods, the operations of Lake Charles have been classified as discontinued operations and as an asset held for sale. As a result of the termination of the sale, Lake Charles is no longer classified as an asset held for sale and as discontinued operations, and is included in our results of operations for the three and six months ended June 30, 2018 and 2017.

- *Income Taxes* – On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate from 35% to 21% and has a positive impact on net income.
- *Severe Weather* – Our West segment’s operations are subject to seasonal variation, with our lowest business volume generally occurring during the winter months. The northern Nevada region experienced record snowfall and severe weather conditions, including major snow storms during eleven of the fourteen weekends in the 2017 first quarter, making travel to Reno from northern California, our main feeder market, difficult or impossible due to road closures. As a result, there was a significant adverse effect on business levels, especially hotel occupancy and gaming volume, and our operating performance during the six months ended June 30, 2017.

Additionally, our operations were impacted system wide by challenging weather in January and February of 2018 as well as our Reno operations in March of 2018.

- *Execution of Cost Savings Program* – We continue to achieve margin growth in 2018 through exercising financial discipline throughout the company without impacting the guest 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 our acquisitions, we have achieved savings in marketing and promotion, advertising, food and beverage and labor expense management as a result of operating efficiencies and purchasing power of the combined Eldorado organization.
- *Property Enhancement Capital Expenditures* – Property enhancement initiatives and targeted investments that improve our guests’ experiences and elevate our properties’ overall competitiveness in their markets continued throughout 2017 and 2018. As part of the continuing evolution of the Reno tri-properties, we are building a new 21,000 square foot spa at Silver Legacy planned to open this fall. We have substantially renovated every room at Circus Reno and will start the first phase of 400 rooms at Silver Legacy and 42 high-end suites at Eldorado after the busy summer season. In Black Hawk we expect to renovate all 402 hotel rooms this winter. In addition, recently we announced a joint venture with the Cordish Companies for the development of a new world-class, mixed-use entertainment and hospitality destination anchored by our Isle Casino Racing Pompano Park.

A 118-room Hampton Inn Hotel at Scioto Downs developed by a third party opened in March 2017 and since opening has driven visitation and spend at the property.

Results of Operations

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Net revenues	\$ 456,802	\$ 375,626	21.6 %	\$ 896,994	\$ 578,019	55.2 %
Operating income (loss)	77,414	(30,467)	354.1 %	131,608	(16,439)	900.6 %
Net income (loss)	36,796	(46,190)	179.7 %	57,651	(45,245)	227.4 %

Operating Results. For the three months ended June 30, 2018 compared to the same prior year period, Isle contributed incremental net revenues totaling \$76.0 million for April 2018. For the six months ended June 30, 2018 compared to the same prior year period, Isle contributed \$308.0 million of incremental net revenues from January 1, 2018 through April 30, 2018 (the comparative period preceding our acquisition of Isle on May 1, 2017). Including incremental Isle net revenues, net revenues increased 21.6% and 55.2%, respectively, for the three and six months ended June 30, 2018 compared to the same prior year periods. Incremental Isle net revenues in both periods consisted primarily of gaming revenues. Excluding incremental Isle net revenues, net revenues increased 1.4% and 1.9%, respectively, for the three and six months ended June 30, 2018 compared to the same prior year periods primarily due to growth in our West and East segments.

Operating income increased \$107.9 million and \$148.0 for the three and six months ended June 30, 2018 compared to the same prior year periods. In addition to the incremental operating income contributed by the acquired Isle properties, these increases over prior year were mainly due to the significant amount of Isle transaction expenses incurred during the three and six months ended June 30, 2017.

Net income increased \$83.0 million and \$102.9 million for the three and six months ended June 30, 2018, respectively, compared to the same prior year periods. These increases were due to the same factors impacting operating income combined with the loss on the early retirement of debt for the three and six months ended June 30, 2017 associated with our refinancing completed in May of 2017. These increases were partially offset by higher interest expense during the 2018 periods resulting from increased debt following our acquisition of Isle along with increases in our tax provision.

Net Revenues and Operating Income (Loss)

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

	Net Revenues for the Three Months Ended June 30,		Operating Income (Loss) for the Three Months Ended June 30,	
	2018	2017	2018	2017
West	\$ 117,880	\$ 99,752	\$ 21,865	\$ 16,512
Midwest	100,607	67,641	27,411	15,412
South	112,242	88,459	20,564	12,610
East	125,961	119,638	24,397	18,228
Corporate	112	136	(16,823)	(93,229)
Total	<u>\$ 456,802</u>	<u>\$ 375,626</u>	<u>\$ 77,414</u>	<u>\$ (30,467)</u>

	Net Revenues for the Six Months Ended June 30,		Operating Income (Loss) for the Six Months Ended June 30,	
	2018	2017	2018	2017
West	\$ 217,459	\$ 163,240	\$ 32,004	\$ 17,933
Midwest	201,402	67,641	54,087	15,412
South	235,042	121,019	33,923	18,528
East	242,852	225,926	43,528	33,196
Corporate	239	193	(31,934)	(101,508)
Total	<u>\$ 896,994</u>	<u>\$ 578,019</u>	<u>\$ 131,608</u>	<u>\$ (16,439)</u>

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

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

	Three Months Ended June 30,		Variance	Percent Change
	2018	2017		
Revenues:				
Gaming and Pari-Mutuel Commissions:				
West	\$ 57,696	\$ 45,229	\$ 12,467	27.6 %
Midwest	87,448	57,987	29,461	50.8 %
South	91,584	70,505	21,079	29.9 %
East	111,992	105,984	6,008	5.7 %
Total Gaming and Pari-Mutuel Commissions	348,720	279,705	69,015	24.7 %
Non-gaming:				
West	60,184	54,523	5,661	10.4 %
Midwest	13,159	9,654	3,505	36.3 %
South	20,658	17,954	2,704	15.1 %
East	13,969	13,654	315	2.3 %
Corporate	112	136	(24)	(17.6) %
Total Non-gaming	108,082	95,921	12,161	12.7 %
Total Net Revenues	456,802	375,626	81,176	21.6 %
Expenses:				
Gaming and Pari-Mutuel Commissions:				
West	21,328	18,126	3,202	17.7 %
Midwest	35,531	24,252	11,279	46.5 %
South	43,631	35,423	8,208	23.2 %
East	69,455	65,936	3,519	5.3 %
Total Gaming and Pari-Mutuel Commissions	169,945	143,737	26,208	18.2 %
Non-gaming				
West	36,691	33,197	3,494	10.5 %
Midwest	7,802	6,779	1,023	15.1 %
South	13,485	12,893	592	4.6 %
East	8,797	9,105	(308)	(3.4) %
Total Non-gaming	66,775	61,974	4,801	7.7 %
Marketing and promotions	21,832	21,531	301	1.4 %
General and administrative	73,745	60,887	12,858	21.1 %
Corporate	12,232	7,442	4,790	64.4 %
Depreciation and amortization	31,910	24,909	7,001	28.1 %
Total Operating Expenses	\$ 376,439	\$ 320,480	\$ 55,959	17.5 %

Gaming Revenues and Pari-Mutuel Commissions. Isle contributed \$64.8 million of incremental gaming revenues and pari-mutuel commissions for the three months ended June 30, 2018 resulting in an increase of 24.7% compared to the same prior year period.

Excluding incremental Isle gaming revenues and pari-mutuel commissions, gaming revenues and pari-mutuel commissions increased 1.5% for the three months ended June 30, 2018 compared to the same prior year period mainly due to higher gaming revenues in the West segment driven by a strong quarter and traffic generated by increased convention business.

Non-gaming Revenues. Isle contributed \$11.0 million of incremental non-gaming revenues for the three months ended June 30, 2018 resulting in an increase of 12.7% over the same prior year period.

Excluding incremental Isle non-gaming revenues, non-gaming revenues increased 1.2% for the three months ended June 30, 2018 compared to the same prior year period. Growth in the West segment's non-gaming revenues principally due to higher hotel revenues associated with increased occupancy and room rates were partially offset by decreased non-gaming revenues in the Midwest and South segments.

Gaming Expenses and Pari-Mutuel Commissions. Isle contributed \$28.3 million of incremental gaming expenses and pari-mutuel commissions for the three months ended June 30, 2018 resulting in an increase of 18.2% in gaming expenses and pari-mutuel commissions over the same prior year period.

Excluding incremental Isle gaming expenses and pari-mutuel commissions, gaming expenses and pari-mutuel commissions decreased 1.5% for the three months ended June 30, 2018 compared to the same prior year period. Despite the increase in gaming revenues, gaming expenses declined in comparison to the same prior year period due to savings initiatives targeted at reducing variable expenses. Successful efforts to control costs and maximize departmental profit across all segments also drove the improved departmental profit margin during the three months ended June 30, 2018 compared to the same prior year period.

Non-gaming Expenses. Isle contributed \$7.2 million of incremental non-gaming expenses for the three months ended June 30, 2018 resulting in an increase of 7.7% over the same prior year period.

Excluding incremental Isle non-gaming expenses, non-gaming expenses decreased 3.9% for the three months ended June 30, 2018 compared to the same prior year period. Increased expenses associated with higher non-gaming revenues and hotel occupancy in the West segment were offset by lower non-gaming expenses in the Midwest and South segments. Additionally, the growth in room rates in the West segment contributed to improved non-gaming margins for the three months ended June 30, 2018 compared to the same prior year period.

Marketing and Promotions Expenses. Isle contributed \$3.6 million of incremental marketing and promotions expense in for the three months ended June 30, 2018 resulting in an increase of 1.4% over the same prior year period.

Excluding incremental Isle marketing and promotions expenses, consolidated marketing and promotions expense decreased 15.3% for the three months ended June 30, 2018 compared to the same prior year period resulting from realized savings across all segments.

General and Administrative Expenses. Isle contributed \$13.6 million of general and administrative expense for the three months ended June 30, 2018 resulting in an increase of 21.1% over the same prior year period.

Excluding incremental Isle general and administrative expenses, consolidated general and administrative expenses decreased 1.3% for the three months ended June 30, 2018 compared to the same prior year period mainly due to the centralization of certain corporate services provided to our properties.

Corporate Expenses. For the three months ended June 30, 2018 compared to the same prior year period, corporate expenses increased primarily due to payroll and other expenses associated with additional corporate costs, including stock comp expense, driven by growth related to the Isle Acquisition.

Depreciation and Amortization Expense. Isle contributed \$5.9 million of depreciation expense for the three months ended June 30, 2018 resulting in an increase of 28.1% over the same prior year period.

Excluding incremental Isle depreciation and amortization expense, depreciation and amortization expense increased 4.5% for the three months ended June 30, 2018 compared to the same prior year period.

Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

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

	Six Months Ended June 30,		Variance	Percent Change
	2018	2017		
Revenues:				
Gaming and Pari-Mutuel Commissions:				
West	\$ 107,430	\$ 69,062	\$ 38,368	55.6 %
Midwest	175,807	57,987	117,820	203.2 %
South	192,502	93,674	98,828	105.5 %
East	216,509	201,172	15,337	7.6 %
Total Gaming and Pari-Mutuel Commissions	<u>692,248</u>	<u>421,895</u>	<u>270,353</u>	<u>64.1 %</u>
Non-gaming:				
West	110,029	94,178	15,851	16.8 %
Midwest	25,595	9,654	15,941	165.1 %
South	42,540	27,345	15,195	55.6 %
East	26,343	24,754	1,589	6.4 %
Corporate	239	193	46	23.8 %
Total Non-gaming	<u>204,746</u>	<u>156,124</u>	<u>48,622</u>	<u>31.1 %</u>
Total Net Revenues	<u>896,994</u>	<u>578,019</u>	<u>318,975</u>	<u>55.2 %</u>
Expenses:				
Gaming and Pari-Mutuel Commissions:				
West	41,726	28,439	13,287	46.7 %
Midwest	71,475	24,251	47,224	194.7 %
South	91,987	47,651	44,336	93.0 %
East	134,308	124,584	9,724	7.8 %
Total Gaming and Pari-Mutuel Commissions	<u>339,496</u>	<u>224,925</u>	<u>114,571</u>	<u>50.9 %</u>
Non-gaming				
West	70,434	61,118	9,316	15.2 %
Midwest	15,955	6,779	9,176	135.4 %
South	28,042	18,510	9,532	51.5 %
East	17,031	16,833	198	1.2 %
Total Non-gaming	<u>131,462</u>	<u>103,240</u>	<u>28,222</u>	<u>27.3 %</u>
Marketing and promotions	43,133	31,660	11,473	36.2 %
General and administrative	147,947	92,687	55,260	59.6 %
Corporate	23,801	14,016	9,785	69.8 %
Impairment charges	9,815	—	9,815	100.0 %
Depreciation and amortization	63,444	40,513	22,931	56.6 %
Total Operating Expenses	<u>\$ 759,098</u>	<u>\$ 507,041</u>	<u>\$ 252,057</u>	<u>49.7 %</u>

Gaming Revenues and Pari-Mutuel Commissions. Isle contributed \$262.8 million of incremental gaming revenues and pari-mutuel commissions for the six months ended June 30, 2018 resulting in an increase of 64.1% compared to the same prior year period.

Excluding incremental Isle gaming revenues and pari-mutuel commissions, gaming revenues and pari-mutuel commissions increased 1.8% for the six months ended June 30, 2018 compared to the same prior year period mainly due to higher gaming revenues in the West segment driven by increased visitor traffic and milder weather in 2018.

Non-gaming Revenues. Isle contributed \$44.9 million of incremental non-gaming revenues for the six months ended June 30, 2018 resulting in an increase of 31.1% in non-gaming revenues compared to the same prior year period.

Excluding incremental Isle non-gaming revenues, non-gaming revenues increased 2.4% for the six months ended June 30, 2018 compared to the same prior year period mainly due to growth in the West segment's hotel occupancy and room rates associated with increased visitor traffic and milder weather. Additionally, the West segment benefitted from the Reno properties' capital improvements including renovated hotel rooms and new food, beverage and entertainment offerings.

Gaming Expenses and Pari-Mutuel Commissions. Isle contributed \$116.1 million of incremental gaming expenses and pari-mutuel commissions for the six months ended June 30, 2018 resulting in an increase of 50.9% in gaming expenses and pari-mutuel commissions over the same prior year period.

Excluding incremental Isle gaming expenses and pari-mutuel commissions, gaming expenses and pari-mutuel commissions remained flat for the six months ended June 30, 2018 compared to the same prior year period despite the increase in gaming revenues due to savings initiatives targeted at reducing variable expenses along with continued synergies. Additionally, successful efforts to control costs and maximize departmental profit across all segments also drove the improved departmental profit margin during the three months ended June 30, 2018 compared to the same prior year period.

Non-gaming Expenses. Isle contributed \$30.5 million of incremental non-gaming expenses for the six months ended June 30, 2018 resulting in an increase of 27.3% compared to the same prior year period.

Excluding incremental Isle non-gaming expenses, non-gaming expenses decreased 2.2% for the six months ended June 30, 2018 compared to the same prior year period. Increased expenses associated with higher non-gaming hotel occupancy in the West segment were offset by lower non-gaming expenses in the South and East segments. Additionally, the growth in room rates in the West segment contributed to improved non-gaming margins for the six months ended June 30, 2018 compared to the same prior year period.

Marketing and Promotions Expenses. Isle contributed \$14.7 million of incremental marketing and promotions expense for the six months ended June 30, 2018 resulting in an increase of 36.2% compared to the same prior year period.

Excluding incremental Isle marketing and promotions expenses, consolidated marketing and promotions expense decreased 10.3% for the six months ended June 30, 2018 compared to the same prior year period due to strategic changes to eliminate unprofitable promotional events and decrease advertising spend.

General and Administrative Expenses. Isle contributed \$55.0 million of incremental general and administrative expense for the six months ended June 30, 2018 resulting in an increase of 59.6% compared to the same prior year period.

Excluding incremental Isle general and administrative expenses, consolidated general and administrative expenses remained flat for the six months ended June 30, 2018 compared to the same prior year period. Increased expenses in the West and East segments were offset by decreased expenses in the Midwest and South segments.

Corporate Expenses. For the six months ended June 30, 2018 compared to the same prior year period, corporate expenses increased primarily due to payroll and other expenses associated with additional corporate costs, including stock comp expense, driven by growth related to the Isle Acquisition.

Impairment Charges: Based on the pending disposition, we recorded an impairment charge for the six months ended June 30, 2018 totaling \$9.8 million related to our Vicksburg property.

Depreciation and Amortization Expense. Isle contributed \$23.3 million of depreciation expense for the six months ended June 30, 2018 resulting in an increase of 56.6% compared to the same prior year period.

Excluding incremental Isle depreciation and amortization expense, depreciation and amortization expense remained flat for the six months ended June 30, 2018 compared to the same prior year period.

Supplemental Unaudited Presentation of Consolidated Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA for the Three and Six Months Ended June 30, 2018 and 2017

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. Management has historically used Adjusted EBITDA when evaluating operating performance because we believe that the inclusion or exclusion of certain recurring and non-recurring items is necessary to provide a full understanding of our core operating results and as a means to evaluate period-to-period results. Adjusted EBITDA represents operating income (loss) before depreciation and amortization, stock-based compensation, transaction expenses, severance expense, costs associated with the Presque Isle Downs, Vicksburg and Lake Charles sales, impairment charges, equity in income of unconsolidated affiliates, (gain) loss on the sale or disposal of property and equipment, and other non-cash regulatory gaming assessments. Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with accounting principles generally accepted in the United States (“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 three and six months ended June 30, 2018 and 2017, in addition to reconciling Adjusted EBITDA to operating income (loss) in accordance with US GAAP (unaudited, in thousands):

	Three Months Ended June 30, 2018					
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation	Transaction Expenses (3)	Other (4)	Adjusted EBITDA
West	\$ 21,865	\$ 9,382	\$ (95)	\$ —	\$ 606	\$ 31,758
Midwest	27,411	8,404	31	—	77	35,923
South	20,564	8,108	17	—	(287)	28,402
East	24,397	4,717	3	—	246	29,363
Corporate and Other	(16,823)	1,299	3,516	3,404	1,173	(7,431)
Total	\$ 77,414	\$ 31,910	\$ 3,472	\$ 3,404	\$ 1,815	\$ 118,015

	Three Months Ended June 30, 2017 (6)					
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation	Transaction Expenses (3)	Other (4)	Adjusted EBITDA
Excluding Pre-Acquisition:						
West	\$ 16,512	\$ 6,571	\$ 52	\$ —	\$ 64	\$ 23,199
Midwest	15,412	4,966	86	—	(6)	20,458
South	12,610	4,662	64	—	1,130	18,466
East	18,228	8,273	4	—	53	26,558
Corporate and Other	(93,229)	437	1,123	85,464	321	(5,884)
Total Excluding Pre-Acquisition	\$ (30,467)	\$ 24,909	\$ 1,329	\$ 85,464	\$ 1,562	\$ 82,797
Pre-Acquisition (1):						
West	\$ 2,709	\$ 925	\$ 2	\$ —	\$ 4	\$ 3,640
Midwest	10,637	2,001	14	—	34	12,686
South	5,739	1,441	9	—	110	7,299
East	(197)	239	—	—	—	42
Corporate and Other	(2,550)	96	461	286	(22)	(1,729)
Total Pre-Acquisition	\$ 16,338	\$ 4,702	\$ 486	\$ 286	\$ 126	\$ 21,938
Including Pre-Acquisition:						
West	\$ 19,221	\$ 7,496	\$ 54	\$ —	\$ 68	\$ 26,839
Midwest	26,049	6,967	100	—	28	33,144
South	18,349	6,103	73	—	1,240	25,765
East	18,031	8,512	4	—	53	26,600
Corporate and Other	(95,779)	533	1,584	85,750	299	(7,613)
Total Including Pre-Acquisition (2)	\$ (14,129)	\$ 29,611	\$ 1,815	\$ 85,750	\$ 1,688	\$ 104,735

	Six Months Ended June 30, 2018					
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation	Transaction Expenses (3)	Other (4)	Adjusted EBITDA
Excluding Pre-Acquisition:						
West	\$ 32,004	\$ 17,571	\$ (32)	\$ —	\$ 639	\$ 50,182
Midwest	54,087	16,049	75	—	227	70,438
South	33,923	16,639	42	—	10,015	60,619
East	43,528	10,766	8	—	1,241	55,543
Corporate and Other	(31,934)	2,419	7,058	5,952	1,282	(15,223)
Total	\$ 131,608	\$ 63,444	\$ 7,151	\$ 5,952	\$ 13,404	\$ 221,559

	Six Months Ended June 30, 2017 (6)					
	Operating Income (Loss)	Depreciation and Amortization	Stock-Based Compensation	Transaction Expenses (3)	Other (4)	Adjusted EBITDA
Excluding Pre-Acquisition:						
West	\$ 17,933	\$ 11,214	\$ 52	\$ —	\$ 224	\$ 29,423
Midwest	15,412	4,966	86	—	(6)	20,458
South	18,528	6,594	64	—	1,130	26,316
East	33,196	17,153	4	—	209	50,562
Corporate and Other	(101,508)	586	2,856	87,078	310	(10,678)
Total Excluding Pre-Acquisition	\$ (16,439)	\$ 40,513	\$ 3,062	\$ 87,078	\$ 1,867	\$ 116,081

Pre-Acquisition (5):						
West	\$ 9,525	\$ 3,694	\$ 8	\$ —	\$ 4	\$ 13,231
Midwest	34,819	11,952	51	—	34	46,856
South	25,086	5,693	35	—	184	30,998
East	(1,072)	952	—	—	—	(120)
Corporate and Other	(8,811)	371	1,631	286	527	(5,996)
Total Pre-Acquisition	\$ 59,547	\$ 22,662	\$ 1,725	\$ 286	\$ 749	\$ 84,969

Including Pre-Acquisition:						
West	\$ 27,458	\$ 14,908	\$ 60	\$ —	\$ 228	\$ 42,654
Midwest	50,231	16,918	137	—	28	67,314
South	43,614	12,287	99	—	1,314	57,314
East	32,124	18,105	4	—	209	50,442
Corporate and Other	(110,319)	957	4,487	87,364	837	(16,674)
Total Including Pre-Acquisition (2)	\$ 43,108	\$ 63,175	\$ 4,787	\$ 87,364	\$ 2,616	\$ 201,050

- Figures are for Isle for April 2017. Such figures were prepared by the Company to reflect Isle's unaudited consolidated historical operating revenues, operating income and Adjusted EBITDA for periods corresponding to the Company's fiscal quarterly calendar. Such figures are based on the unaudited internal financial statements and have not been reviewed by the Company's auditors and do not conform to GAAP.
- Total figures for 2017 include combined results of operations for Isle and the Company for periods preceding the date that the Company acquired Isle. Such presentation does not conform with GAAP or the Securities and Exchange Commission rules for proforma presentation; however, we believe that the additional financial information will be helpful to investors in comparing current results with results of prior periods. This is non-GAAP data and should not be considered a substitute for data prepared in accordance with GAAP, but should be viewed in addition to the results of operations reported by the Company.
- Transaction expenses represent costs related to the acquisition of Isle for the three and six months ended June 30, 2017 and costs primarily related to the acquisitions of Grand Victoria Casino and Tropicana Entertainment Inc. for the three and six months ended June 30, 2018.

- (4) Other is comprised of severance expense, (gain) loss on the sale or disposal of property and equipment, equity in income (loss) of unconsolidated affiliate and other non-cash regulatory gaming assessments for the three and six months ended June 30, 2018 and 2017. Also included are costs associated with the sales of Vicksburg and Presque Isle Downs for the three and six months ended June 30, 2018 and the failed sale of Lake Charles for the three and six months ended June 30, 2017. In conjunction with the announced sale of Vicksburg, an impairment charge totaling \$9.8 million was recorded for the six months ended June 30, 2018.
- (5) Figures are for Isle for the four months ended April 30, 2017. Such figures were prepared by the Company to reflect Isle's unaudited consolidated historical operating revenues, operating income and Adjusted EBITDA for periods corresponding to the Company's fiscal quarterly calendar. Such figures are based on the unaudited internal financial statements and have not been reviewed by the Company's auditors and do not conform to GAAP.
- (6) The prior period presentation has been adjusted for the adoption of Accounting Standards Codification (ASC) No. 606 "Revenue from Contracts with Customers" effective January 1, 2018 utilizing the full retrospective transition method. See Note 2 to our Condensed Notes to Unaudited Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

We are a holding company and our only significant assets are ownership interests in our subsidiaries. Our ability to fund our obligations depends on the cash flow of our subsidiaries and the ability of our subsidiaries to distribute or otherwise make funds available to us.

Our primary sources of liquidity and capital resources have been existing cash, cash flow from operations, borrowings under our revolving credit facility and proceeds from the issuance of debt securities.

Our cash requirements can fluctuate significantly depending on our decisions with respect to business acquisitions or dispositions and strategic capital investments to maintain the quality of our properties. We expect that our primary capital requirements going forward will relate to the operation and maintenance of our properties, servicing our outstanding indebtedness and funding the recently announced acquisitions. During the remainder of 2018, we plan to spend \$94.8 million on capital expenditures and \$61.4 million to pay interest on our outstanding indebtedness. However, we expect that our capital requirements and interest on our outstanding debt will increase significantly following the consummation of the acquisition of Tropicana Entertainment and the Grand Victoria Casino and the related incurrence of debt and obligation to pay annual rent in an initial amount of approximately \$110 million under the master lease with respect to certain of the Tropicana properties. We also expect that our capital expenditures will increase significantly following the acquisition of Tropicana Entertainment and the Grand Victoria Casino and the related increase in the number of properties in our portfolio. We funded the \$327.5 million of cash consideration for the acquisition of the Grand Victoria Casino using cash from ongoing operations and borrowings under our revolving credit facility and we intend to fund cash consideration of approximately \$640 million payable by us in the Tropicana transaction and repay debt outstanding under Tropicana's credit facility with cash generated from our current operations, Tropicana's cash on hand, cash flow generated from Tropicana operations through closing and \$600 million of committed debt financing. In addition, the Company has obtained commitments to increase its revolving credit facility from \$300 million to \$500 million effective substantially concurrently with the consummation of the Tropicana Acquisition and extend the maturity of the revolving credit facility to the fifth anniversary of the effective date of such increase. We expect that cash generated from operations will be sufficient to fund our operations and capital requirements, and service our outstanding indebtedness for the next twelve months.

At June 30, 2018, we had consolidated cash and cash equivalents of \$202.0 million, excluding restricted cash. At June 30, 2017, we had consolidated cash and cash equivalents of \$134.6 million, excluding restricted cash. This increase in cash was primarily due to cash generated from operations for the six months ended June 30, 2018.

Operating Cash Flow. For the six months ended June 30, 2018, cash flows provided by operating activities totaled \$148.5 million compared to \$3.0 million for the same prior year period. The increase in operating cash was primarily due to cash generated from operations combined with changes in the balance sheet accounts in the normal course of business. Additionally, significant payments were made during the six months ended 2017 in conjunction with the acquisition of Isle.

Investing Cash Flow and Capital Expenditures. Net cash flows used in investing activities totaled \$69.3 million for the six months ended June 30, 2018 compared to \$1,342.9 million for the same prior year period. Net cash flows used in investing activities in the six months ended June 30, 2018 were primarily due to \$55.2 million in capital expenditures for various property enhancement and maintenance projects along with equipment purchases. Net cash flows used in investing activities for the six months ended June 30, 2017 consisted of \$1,313.1 million related to funds used in the acquisition of Isle which closed on May 1, 2017, and \$29.8 million in capital expenditures for various property enhancement and maintenance projects and equipment purchases.

Financing Cash Flow. Net cash used for financing activities for the six months ended June 30, 2018 totaled \$10.3 million compared to \$1,412.5 million net cash provided by financing activities in the same prior year period. The cash used for financing activities for the six months ended June 30, 2018 was principally due to \$9.7 million of net taxes paid related to the net share settlement of equity awards. During the six months ended June 30, 2017, cash provided by financing activities consisted primarily of \$1,450.0 million and \$375.0 million of proceeds from the issuance of the credit facility and 6% Senior Notes, respectively, partially offset by payments of \$422.3 million on our credit facility in conjunction with our refinancing of debt in May of 2017.

Debt Obligations

Term Loan and Revolving Credit Facility

In April 2017, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto dated as of April 17, 2017 (the “Credit Facility”), consisting of a \$1.45 billion term loan facility (the “Term Loan Facility” or “Term Loan”) and a \$300.0 million revolving credit facility (the “Revolving Credit Facility”). The Company’s obligations under the Revolving Credit Facility will mature on April 17, 2022. The Company’s obligations under the Term Loan Facility will mature on April 17, 2024. The Company was required to make quarterly principal payments in an amount equal to \$3.6 million on the Term Loan Facility on the last day of each fiscal quarter beginning on June 30, 2017 but satisfied this requirement as a result of the principal prepayment of \$444.5 million on September 13, 2017 in conjunction with the issuance of the additional 6% Senior Notes. In addition, the Company is required to make mandatory payments of amounts outstanding under the Credit Facility with the proceeds of certain casualty events, debt issuances, and asset sales and, depending on its consolidated total leverage ratio, the Company may be required to apply a portion of its excess cash flow to repay amounts outstanding under the Credit Facility.

As of June 30, 2018, the Company had \$956.8 million outstanding on the Term Loan. There were no borrowings outstanding under the Revolving Credit Facility as of June 30, 2018. The Company had \$290.9 million of available borrowing capacity, after consideration of \$9.1 million in outstanding letters of credit, under its Revolving Credit Facility as of June 30, 2018.

The interest rate per annum applicable to loans under the Revolving Credit Facility are, at our option, either LIBOR plus a margin ranging from 1.75% to 2.50% or a base rate plus a margin ranging from 0.75% to 1.50%, which margin is based on our total leverage ratio. The interest rate per annum applicable to the loans under the Term Loan Facility is, at our option, either LIBOR plus 2.25%, or a base rate plus 1.25%; provided, however, that in no event will LIBOR be less than zero or the base rate be less than 1.00% over the term of the Term Loan Facility or the Revolving Credit Facility. Additionally, the Company pays a commitment fee on the unused portion of the Revolving Credit Facility in the amount of 0.50% per annum. At June 30, 2018, the weighted average interest rate on the Term Loan was 4.1% based upon the weighted average interest rate of borrowings outstanding during the six months ended June 30, 2018.

Senior Notes

6% Senior Notes

On March 29, 2017, Eagle II issued at par \$375.0 million aggregate principal amount of 6.0% senior notes due 2025 (the “6% Senior Notes”) pursuant to an indenture, dated as of March 29, 2017 (the “6% Senior Notes Indenture”), between Eagle II and U.S. Bank, National Association, as Trustee. The 6% Senior Notes will mature on April 1, 2025, with interest payable semi-annually in arrears on April 1 and October 1, commencing October 1, 2017. In connection with the consummation of the Isle Acquisition on May 1, 2017, the Company assumed Eagle II’s obligations under the 6% Senior Notes and the 6% Senior Notes Indenture and certain of the Company’s subsidiaries (including Isle and certain of its subsidiaries) executed guarantees of the Company’s obligations under the 6% Senior Notes.

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

7% Senior Notes

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

As of June 30, 2018 we were in compliance with all covenants under the Credit Facility, 6% Senior Notes, and 7% Senior Notes.

Contractual Obligations

There have been no material changes for the six months ended June 30, 2018 to our contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Other Liquidity Matters

We are faced with certain contingencies involving litigation and environmental remediation and compliance. These commitments and contingencies are discussed in “Part II, Item 1. Legal Proceedings” and Note 10 to our unaudited 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 in our Annual Report on Form 10-K for the year ended December 31, 2017 and “Part II, Item IA. Risk Factors” which is included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.

Critical Accounting Policies

Our critical accounting policies disclosures are included in our Annual Report on Form 10-K for the year ended December 31, 2017. Except as described in footnotes 2 and 3 to the accompanying condensed notes of these consolidated financial statements, we believe there have been no material changes since December 31, 2017. We have not substantively changed the application of our policies and there have been no material changes in assumptions or estimation techniques used as compared to prior periods.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

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. Specifically, forward-looking statements may include, among others, statements concerning:

- projections of future results of operations or financial condition;
- expectations regarding our business and results of operations of our existing casino properties and prospects for future development;

- expectations regarding trends that will affect our market and the gaming industry generally and the impact of those trends on our business and results of operations;
- our ability to comply with the covenants in the agreements governing our outstanding indebtedness;
- our ability to meet our projected debt service obligations, operating expenses, and maintenance capital expenditures;
- expectations regarding availability of capital resources;
- our ability to consummate the acquisition of Tropicana Entertainment and the disposition of Presque Isle Downs and Nemaacolin on the timeline and terms described herein or at all;
- our intention to pursue development opportunities, including the development of a mixed-use entertainment and hospitality destination expected to be located on unused land adjacent to the Pompano casino and racetrack, and additional acquisition;
- our ability to obtain financing for, and realize the anticipated benefits, of such development and acquisitions, including the acquisition of Tropicana Entertainment and the Grand Victoria Casino and the development of Pompano; and
- the impact of regulation on our business and our ability to receive and maintain necessary approvals for our existing properties and future projects.

Any forward-looking statements are based upon a number of estimates and assumptions that, while considered reasonable by us, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and are subject to change. Actual results of operations may vary materially from any forward-looking statements made herein. Forward-looking statements speak only as of the date they are made, and we assume no duty to update forward-looking statements. Forward-looking statements should not be regarded as a representation by us or any other person that the forward-looking statements will be achieved. Undue reliance should not be placed on any forward-looking statements. Some of the contingencies and uncertainties to which any forward-looking statement contained herein is subject include, but are not limited to, the following:

- 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;
- the ability to identify suitable acquisition opportunities and realize growth and cost synergies from any future acquisitions;
- 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 development, 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

- the other factors set forth in Part I, Item 1A. “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2017.

In addition, the acquisition of Tropicana Entertainment and the Grand Victoria Casino, the dispositions of Presque Isle Downs and Nemaquin and the provisions of the related acquisition agreements create additional risks, uncertainties and other important factors, including but not limited to:

- our ability to obtain required regulatory approvals (including, in the case of the dispositions, approval from gaming regulators and expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976) and satisfy or waive other closing conditions to consummate such transactions on a timely basis;
- the possibility that the one or more of such transactions do not close on the terms described herein or that we are required to modify aspects of one or more of such transactions to obtain regulatory approval;
- our ability to promptly and effectively implement our operating strategies at the acquired properties and integrate our business and the business of the acquired companies to realize the synergies contemplated by the proposed acquisition;
- our ability to obtain debt financing on the terms expected, or at all
- the possibility that the business of Tropicana or the Grand Victoria Casino may suffer as a result of the announcement of the acquisition;
- the ability to retain key employees of the acquired companies;
- the outcome of legal proceedings that may be instituted as a result of the proposed transactions; and
- other risks and uncertainties described in Part II, Item 1A. “Risk Factors” contained herein and our reports on Form 10-K, Form 10-Q and Form 8-K filed with the Securities and Exchange Commission.

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 on which this statement is made, 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.

ITEM 3. 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 June 30, 2018, interest on borrowings under our Credit Facility was subject to fluctuation based on changes in short-term interest rates.

As of June 30, 2018, our long-term variable-rate borrowings totaled \$956.8 million under the Term Loan and represented approximately 43% of our long-term debt compared to 67% of our long-term debt as of June 30, 2017. During the six months ended June 30, 2018, the weighted average interest rates on our variable and fixed rate debt were 4.1% and 6.3%, respectively.

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 three months ended June 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES.

(a) 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.

We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q are effective to ensure that the information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized, evaluated and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure

(b) Changes in Internal Controls

There were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. 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.

Legal matters are discussed in greater detail in “Part I, Item 3. Legal Proceedings” and Note 15 to our Consolidated Financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 1A. RISK FACTORS

A description of our risk factors can be found in “Part I, Item 1A. Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes to those risk factors during the three months ended June 30, 2018, except for the following additional risk factors related to certain acquisitions and dispositions.

Factors relating to the acquisitions and dispositions

Some of our casinos are located on leased property and we expect to enter into a master lease with respect to certain properties that we expect to acquire in the Tropicana Acquisition. If we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected casino.

We currently lease certain parcels of land on which several of our properties are located and we expect to enter into a master lease with respect to six of the properties that we will acquire in the Tropicana Acquisition (the “Master Lease”). As a ground lessee, we have the right to use the leased land; however, we do not hold fee ownership of 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. Our leases provide that they may be terminated for a number of reasons, including failure to pay rent, taxes or other payment obligations or the breach of other covenants contained in the leases. In particular, the Master Lease is expected to require initial annual rent payments of \$110 million and obligate us to make specified minimum capital expenditures with respect to the leased properties. 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. A termination of our ground leases or the master lease could result in a default under our debt agreements and could have a material adverse effect on our business, financial condition and results of operations. Further, in the event that any lessor with respect to our leased properties, including properties that will be subject to the Master Lease, encounters financial, operational, regulatory or other challenges, there can be no assurance that such lessor will be able to comply with its obligations under the applicable lease.

The Master Lease is expected to be a triple-net lease. Accordingly, in addition to rent, we will be required to pay, among other things, the following: (1) all facility maintenance, (2) all insurance required in connection with the leased properties and the business conducted on the leased properties, (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. We will be responsible for incurring the costs described in the preceding sentence notwithstanding the fact that many of the benefits received in exchange for such costs shall in part accrue to the lessor as the owner of the associated facilities. In addition, we expect that we will remain obligated for lease payments and other obligations under the Master Lease even if one or more of such leased facilities is unprofitable or if we decide to withdraw from those locations. We could incur special charges relating to the closing of such facilities including lease termination costs, impairment charges and other special charges that would reduce our net income and could have a material adverse effect on our business, financial condition and results of operations.

Delay or failure to complete the Tropicana Acquisition or dispositions would prevent the Company from realizing the anticipated benefits of the transactions.

Any delay in completing the Tropicana Acquisition or dispositions may reduce the synergies, use of proceeds and other benefits that we anticipate if we successfully complete the transactions within the expected timeframe and integrate our business and the business of Tropicana. In addition, the market price of our common stock may reflect various market assumptions as to whether and when the Tropicana Acquisition and dispositions will be completed. Consequently, the completion of, the failure to complete, or any delay in the completion of the Tropicana Acquisition or dispositions could result in significant changes in the market price of our common stock.

The acquisition of Tropicana and the sale of Presque Isle Downs are subject to the receipt of approvals and clearances that may impose conditions that could have an adverse effect on us or, if not obtained, could prevent completion of the transactions. We may be required to pay significant reverse termination fee if we are unable to obtain regulatory approvals for the Tropicana Acquisition.

Completion of each of the Tropicana Acquisition and dispositions is conditioned upon the receipt of certain governmental approvals, including, without limitation, gaming regulatory. There can be no assurance that these approvals will be obtained and that the other conditions to completing the acquisitions and dispositions will be satisfied in a timely fashion, or at all. In addition, the governmental authorities from which the regulatory approvals are required may impose conditions on the completion of the transactions or require changes to the terms of the agreements governing the transactions. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying or impeding consummation of the Acquisitions and dispositions or of imposing additional costs or limitations on us following completion of the transactions, any of which might have an adverse effect on us. The waiting period under the Hart-Scott-Rodino Antitrust Improvement Acts of 1976, as amended, has been terminated with respect to the Tropicana Acquisition and the Presque Isle Downs disposition.

In addition, if we fail to obtain required regulatory approvals for the Tropicana Acquisition, we may be required to pay a reverse termination fee of \$92.5 million and could be liable for additional damages. Further, we have incurred and will continue to incur significant costs, such as legal, accounting, and similar costs, relating to the Tropicana Acquisition. We will be required to pay such costs whether or not the acquisition is consummated.

Our obligation to consummate the Tropicana Acquisition is not subject to a financing condition.

Our obligation to consummate the Tropicana Acquisition is not subject to a financing condition. As a result, if we are unable to obtain financing to pay the consideration for such transaction we may be subject to liability for a breach of the agreement governing the acquisition.

We intend to finance a portion of the cash consideration that we are required to pay in connection with the Tropicana Acquisition with debt financing expected to be obtained pursuant to a \$600.0 million commitment provided by J.P. Morgan (the "Commitment Letter"). We expected to issue at least \$600.0 million of senior unsecured notes to finance such portion of the cash consideration, but if the notes are not issued and sold on or prior to the date of the consummation of Tropicana, the Commitment Letter contemplates that the lenders thereunder will make available at least \$600.0 million in senior unsecured bridge loans under a senior unsecured credit facility. As a result, if financing cannot be obtained and the Tropicana Acquisition is not completed, we may be required to pay Tropicana damages, including a reverse termination fee of \$92.5 million, or we may be compelled to specifically perform our obligation to consummate the transaction.

The pending Tropicana Acquisition and dispositions may be disruptive to our business.

Whether or not the Tropicana Acquisition or dispositions are completed, the pendency of the transactions could cause disruptions in our business and the business of Tropicana, which could have an adverse effect on our businesses and financial results. These disruptions could include the following:

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

Litigation challenging the Tropicana Acquisition could delay or prevent the completion of the transaction.

One of the conditions to the Tropicana Acquisition 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 merger 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 merger. While we are not aware of any lawsuit that has been filed seeking to enjoin the Tropicana Acquisition, there can be no assurance that such a claim will not be filed by seeking damages relating to, or otherwise challenging, the acquisition. If the plaintiffs in any such action secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting our ability or Tropicana's ability to consummate the Tropicana Acquisition, then such injunctive or other relief may prevent the merger from becoming effective within the expected time frame or at all. If consummation of the Tropicana Acquisition is prevented or delayed, it could result in substantial costs to us or Tropicana. In addition, we and Tropicana could incur significant costs in connection with such lawsuits, including costs associated with the indemnification of directors and officers.

The integration of our operations with Tropicana and the Grand Victoria following the acquisitions may present significant challenges and impair our ability to realize the anticipated benefits of the acquisitions in the anticipated time frame or at all.

Our ability to realize the anticipated benefits of the acquisitions will depend, to a large extent, on our ability to integrate the business of Tropicana and the Grand Victoria into our operations in the anticipated time frame or at all. We may face significant challenges in combining the operations of the acquired companies into our operations in a timely and efficient manner. The combination of independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating the business practices and operations of the acquired companies into our operations. The integration process may disrupt the business of the acquired properties and, if implemented ineffectively or inefficiently, could preclude realization of the full benefits that we expect. The failure to successfully integrate the acquired properties and to manage the challenges presented by the integration process successfully may result in an interruption of, or loss of momentum in, the combined business, which may have the effect of depressing the market price of our common stock following the closing of the transactions.

In addition, while we expect to realize cost synergies from combining the sales and general and administrative functions of the acquired businesses with ours, we will be required to incur costs, including severance and related expenses, to realize the anticipated cost savings. While we believe that the combined entity will benefit from cost synergies, we may be unable to realize all of the expected cost synergies within the time frame expected or at all. In addition, we may incur additional or unexpected costs in order to realize these cost synergies.

The Acquisitions may not be accretive and may cause dilution to our earnings per share, which may negatively affect the price of our common stock.

We currently anticipate that the acquisitions will be accretive to the earnings per share of the combined company in 2019. 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 acquisitions. 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 acquisitions or other factors beyond our control. All of these factors could delay, decrease or eliminate the expected accretive effect of the acquisitions and cause resulting dilution to our earnings per share or to the price of our common stock.

We will have a substantial amount of debt outstanding following the Acquisitions and we may incur additional indebtedness.

We expect that we will have approximately \$2.8 billion of debt and an additional \$110 million of other annual obligations relating to the Master Lease following the completion of the acquisitions and dispositions. In addition, we expect that our borrowing capacity under our revolving credit facility will be increased from \$300 million to \$500 million effective at the time of the consummation of the Tropicana Acquisition and that we will have the ability to incur additional debt under the increased facility revolving credit facility. We incurred debt under our revolving credit facility to purchase Elgin and may be required to incur indebtedness in excess of the \$600 million of committed financing to fund the consideration payable under the Tropicana Acquisition. In addition, we may incur debt to finance costs associated with the development of a mixed-use entertainment and hospitality destination expected to be located on unused land adjacent to the Pompano casino and racetrack. As a result of the increased levels of outstanding indebtedness following the acquisitions and rent payments under the Master Lease, future interest expense, rent and debt service obligations will be significantly higher than our historic interest expense and other obligations associated with financing.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Method of Filing</u>
2.1	<u>Agreement and Plan of Merger by and among Eldorado Resorts, Inc., Delta Merger Sub, Inc., GLP Capital, L.P. and Tropicana Entertainment Inc., dated as of April 15, 2018</u>	Previously filed on Form 8-K filed on April 16, 2018.
2.2	<u>Interest Purchase Agreement by and among MGM Elgin Sub, Inc., Illinois RBG, L.L.C., Eldorado Resorts, Inc., Elgin Holdings I LLC, Elgin Holdings II LLC, Elgin Riverboat Resort-Riverboat Casino and MGM Resorts International, dated as of April 15, 2018</u>	Previously filed on Form 8-K filed on April 16, 2018.
3.1	<u>Certificate of Amendment to Articles of Incorporation, dated June 28, 2018</u>	Filed herewith.
4.1	<u>Fifth Supplemental Indenture, dated as of June 18, 2018, by and among Eldorado Resorts, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee, under the 2023 Notes Indenture</u>	Filed herewith.
4.2	<u>Second Supplemental Indenture, dated as of June 18, 2018, by and among Eldorado Resorts, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee, under the 2025 Notes Indenture</u>	Filed herewith.
4.3	<u>Sixth Supplemental Indenture, dated as of August 7, 2018, by and among Eldorado Resorts, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee, under the 2023 Notes Indenture</u>	Filed herewith.
4.4	<u>Third Supplemental Indenture, dated as of August 7, 2018, by and among Eldorado Resorts, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee, under the 2025 Notes Indenture</u>	Filed herewith.
10.1	<u>Amendment Agreement No. 2, dated June 6, 2018, by and between Eldorado Resorts, Inc. and JPMorgan Chase, N.A., as administrative agent in connection with the Credit Agreement, dated as of April 17, 2017</u>	Filed herewith.
31.1	<u>Certification of Gary L. Carano pursuant to Rule 13a-14a and Rule 15d-14(a)</u>	Filed herewith.
31.2	<u>Certification of Thomas R. Reeg pursuant to Rule 13a-14a and Rule 15d-14(a)</u>	Filed herewith.
32.1	<u>Certification of Gary L. Carano in accordance with 18 U.S.C. Section 1350</u>	Filed herewith.
32.2	<u>Certification of Thomas R. Reeg in accordance with 18 U.S.C. Section 1350</u>	Filed herewith.
101.1	XBRL Instance Document	Filed herewith.
101.2	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.3	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.4	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.5	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.6	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

SIGNATURES

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

ELDORADO RESORTS, INC.

Date: August 7, 2018

/s/ GARY L. CARANO

Gary L. Carano
Chief Executive Officer and Chairman of the Board

Date: August 7, 2018

/s/ THOMAS R. REEG

Thomas R. Reeg
*President and Chief Financial Officer
(Principal Financial Officer)*



BARBARA K. CEGAVSKE
Secretary of State
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Website: www.nvsos.gov

Table with 2 columns: Filed in the office of /s/Barbara K. Cegavske, Barbara K. Cegavske Secretary of State, State of Nevada; Document Number 20180288973-38, Filing Date and Time 06/28/2018 8:00 AM, Entity Number E0435072013-1

Certificate of Amendment
(PURSUANT TO NRS 78.385 AND 78.390)

USE BLACK INK ONLY • DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:

Eldorado Resorts, Inc.

2. The articles have been amended as follows: (provide article numbers, if available)

Section A of Article IV is hereby amended and restated in its entirety as follows:
"A. Authorized Shares.
The Corporation is authorized to issue two hundred million (200,000,000) shares of common stock having a par value of \$0.00001 per share (hereinafter referred to as "Common Stock")."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is:

51,471,217

4. Effective date and time of filing: (optional)

Date: [] Time: []

(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X /s/Edmund L. Quatmann, Jr.
Signature of Officer

*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

Nevada Secretary of State Amend Profit-After
Revised: 1-5-15

This form must be accompanied by appropriate fees.

FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of June 18, 2018, among ELGIN HOLDINGS I LLC, a Delaware limited liability company, ELGIN HOLDINGS II LLC, a Delaware limited liability company, PPI DEVELOPMENT HOLDINGS LLC, a Delaware limited liability company and PPI DEVELOPMENT LLC, a Delaware limited liability company (each, a “*Guaranteeing Subsidiary*” and, collectively, the “*Guaranteeing Subsidiaries*”), each a subsidiary of Eldorado Resorts, Inc. (or its permitted successor), a Nevada corporation (the “*Company*”), the Company and U.S. Bank National Association, as trustee under the Indenture referred to below (the “*Trustee*”).

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended by that certain First Supplemental Indenture dated as of December 16, 2015, that certain Second Supplemental Indenture dated as of May 26, 2016, that certain Third Supplemental Indenture, dated as of March 16, 2017 and that certain Fourth Supplemental Indenture, dated as of May 1, 2017 and as may be further amended, supplemented, or otherwise modified, the “*Indenture*”), dated as of July 23, 2015 providing for the issuance of 7% Senior Notes due 2023 (the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranting Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranting Subsidiaries shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Note Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranting Subsidiaries and the Trustee mutually covenant and agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
 2. AGREEMENT TO GUARANTEE. Each Guaranting Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.
 3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.
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4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

ELGIN HOLDINGS I LLC
ELGIN HOLDING II LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

PPI DEVELOPMENT HOLDINGS LLC
PPI DEVELOPMENT LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

ELDORADO RESORTS, INC.

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

[Signature Page to Fifth Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Laurel A. Melody-Casasania

Name: Laurel A. Melody-Casasania

Title: Vice President

[Signature Page to Supplemental Indenture]

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of June 18, 2018, among ELGIN HOLDINGS I LLC, a Delaware limited liability company, ELGIN HOLDINGS II LLC, a Delaware limited liability company, PPI DEVELOPMENT HOLDINGS LLC, a Delaware limited liability company and PPI DEVELOPMENT LLC, a Delaware limited liability company (each, a “*Guaranteeing Subsidiary*” and, collectively, the “*Guaranteeing Subsidiaries*”), each a subsidiary of Eldorado Resorts, Inc. (or its permitted successor), a Nevada corporation (the “*Company*”), the Company, the other Guarantors (as defined in the Indenture referred to herein) and U.S. Bank National Association, as trustee under the Indenture referred to below (the “*Trustee*”).

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended by that certain Supplemental Indenture dated as of May 1, 2017 and as may be further amended, supplemented, or otherwise modified, the “*Indenture*”), dated as of March 29, 2017 providing for the issuance of 6% Senior Notes due 2025 (the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Note Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. Each Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

ELGIN HOLDINGS I LLC
ELGIN HOLDING II LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

PPI DEVELOPMENT HOLDINGS LLC
PPI DEVELOPMENT LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

ELDORADO RESORTS, INC.

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Laurel A. Melody-Casania

Name: Laurel A. Melody-Casania

Title: Vice President

SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of August 7, 2018, among ELGIN RIVERBOAT RESORT-RIVERBOAT CASINO, an Illinois partnership (the “*Guaranteeing Subsidiary*”), a subsidiary of Eldorado Resorts, Inc. (or its permitted successor), a Nevada corporation (the “*Company*”), the Company and U.S. Bank National Association, as trustee under the Indenture referred to below (the “*Trustee*”).

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended by that certain First Supplemental Indenture dated as of December 16, 2015, that certain Second Supplemental Indenture dated as of May 26, 2016, that certain Third Supplemental Indenture, dated as of March 16, 2017, that certain Fourth Supplemental Indenture, dated as of May 1, 2017 and that certain Fifth Supplemental Indenture, dated as of June 18, 2018 and as may be further amended, supplemented, or otherwise modified, the “*Indenture*”), dated as of July 23, 2015 providing for the issuance of 7% Senior Notes due 2023 (the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranting Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranting Subsidiary shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Note Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranting Subsidiary and the Trustee mutually covenant and agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
 2. AGREEMENT TO GUARANTEE. The Guaranting Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.
 3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company or the Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.
 4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.
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5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

ELGIN RIVERBOAT RESORT-RIVERBOAT CASINO

By: /s/ Edmund L. Quatmann, Jr.
Name: Edmund L. Quatmann, Jr.
Title: Executive Vice President, Chief Legal
Officer and Secretary

ELDORADO RESORTS, INC.

By: /s/ Edmund L. Quatmann, Jr.
Name: Edmund L. Quatmann, Jr.
Title: Executive Vice President, Chief Legal
Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Michael M. Hopkins

Name: Michael M. Hopkins

Title: Vice President

[Signature Page to Sixth Supplemental Indenture]

THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of August 7, 2018, among ELGIN RIVERBOAT RESORT-RIVERBOAT CASINO, an Illinois general partnership (the “*Guaranteeing Subsidiary*”), a subsidiary of Eldorado Resorts, Inc. (or its permitted successor), a Nevada corporation (the “*Company*”), the Company, the other Guarantors (as defined in the Indenture referred to herein) and U.S. Bank National Association, as trustee under the Indenture referred to below (the “*Trustee*”).

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended by that certain Supplemental Indenture dated as of May 1, 2017, that certain Second Supplemental Indenture dated as of June 18, 2018 and as may be further amended, supplemented, or otherwise modified, the “*Indenture*”), dated as of March 29, 2017 providing for the issuance of 6% Senior Notes due 2025 (the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Note Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the benefit of each other and the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Company or the Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

ELGIN RIVERBOAT RESORT–RIVERBOAT CASINO

By: /s/ Edmund L. Quatmann, Jr.
Name: Edmund L. Quatmann, Jr.
Title: Executive Vice President, Chief Legal
Officer and Secretary

ELDORADO RESORTS, INC.

By: /s/ Edmund L. Quatmann, Jr.
Name: Edmund L. Quatmann, Jr.
Title: Executive Vice President, Chief Legal
Officer and Secretary

[Signature Page to Third Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: /s/ Michael M. Hopkins
Name: Michael M. Hopkins
Title: Vice President

[Signature Page to Third Supplemental Indenture]

This **AMENDMENT AGREEMENT NO. 2**, dated as of June 6, 2018 (this "Amendment"), is entered into by and among ELDORADO RESORTS, INC., a Nevada corporation (the "Borrower"), the Guarantors party hereto, JPMORGAN CHASE BANK, N.A. as Administrative Agent (in such capacity, the "Administrative Agent,"), and each of the Lenders (each, a "Consenting Lender", and together, the "Consenting Lenders") that execute and deliver a Consent (as defined below) to this Amendment, in connection with the Credit Agreement, dated as of April 17, 2017, by and among EAGLE II ACQUISITION COMPANY LLC, a Delaware limited liability company (which on the Closing Date (as defined below) was succeeded by the Borrower, to continue as the Borrower on and after the Closing Date), each lender from time to time party thereto (collectively, the "Lenders") and the Administrative Agent (as supplemented by the Borrower Joinder Agreement dated as of May 1, 2017 (the "Closing Date"), entered into by and among the Borrower and the Administrative Agent, as amended by the Amendment Agreement dated as of August 15, 2017, between the Borrower and the Administrative Agent, and as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

WHEREAS, the Borrower and GLP Capital, L.P., a Pennsylvania limited partnership ("GLP Capital") and a subsidiary of Gaming and Leisure Properties, Inc. ("GLPI") have entered into that certain Agreement and Plan of Merger, dated as of April 15, 2018 (the "Merger Agreement") with Tropicana Entertainment Inc., a Delaware corporation (the "Target") and Delta Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Borrower ("Merger Sub"), pursuant to which (i) the Borrower intends to acquire, directly or indirectly, the Target through the merger of Merger Sub with and into the Target (the "Merger"), with the Target continuing as the surviving corporation (the "Surviving Corporation"), and (ii) GLPI intends to purchase certain real property assets from the Target and immediately following the Merger, GLP Capital will lease such real property assets to the Surviving Corporation pursuant to a master lease agreement, to be entered into concurrently with the consummation of the Merger, by and among, GLP Capital, as the landlord, and the Surviving Corporation, a wholly owned subsidiary of the Borrower, as tenant (the "Master Lease");

WHEREAS, the Borrower desires to make certain amendments to the Credit Agreement as set forth in Section 1 of this Amendment to, among other things, permit the Master Lease or any Additional Lease (as defined below) to be treated as an Operating Lease (and not as a Capital Lease or otherwise as Indebtedness) for all purposes under the Credit Agreement and the other Loan Documents;

WHEREAS, (x) Section 12.2 of the Credit Agreement provides, subject to certain enumerated exceptions, that any term, covenant, agreement or condition of the Credit Agreement or any of the other Loan Documents may be amended by the Lenders if such amendment is in writing and signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and signed by the Borrower, and (y) Section 12.2(j) of the Credit Agreement provides that the Credit Agreement may be amended, waived or otherwise modified to effect amendments to certain definitions related to the financial covenants set forth in Section 9.14 of the Credit Agreement if such amendment is in writing and signed by the Required Revolving Credit Lenders and delivered to the Administrative Agent and signed by the Borrower;

WHEREAS, JPMorgan Chase Bank, N.A. will act as sole lead arranger and bookrunner (the “Amendment No. 2 Lead Arranger”) in connection with this Amendment; and

WHEREAS, the Borrower, the Guarantors, the Consenting Lenders constituting at least the Required Lenders and the Required Revolving Credit Lenders, and the Administrative Agent agree to the amendments of the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Amendments.

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order:

“Additional Lease” means any lease agreement entered into by the Borrower or any of its Subsidiaries solely in connection with an acquisition that is consummated on or after Amendment No. 2 Effective Date, pursuant to which, the Borrower or any such Subsidiary will be provided the right under such lease agreement to occupy and use real property, vessels or similar assets for, or in connection with, the construction, development or operation of Gaming Facilities or Related Businesses, that is approved by the Administrative Agent to be designated as an “Additional Lease” under this Agreement and the other Loan Documents (the date of such designation, the “Designation Date”).

“Amendment No. 2” means Amendment No. 2 to this Agreement, dated as of the Amendment No. 2 Effective Date, among the Borrower, the Guarantors, the Administrative Agent and the Lenders party thereto.

“Amendment No. 2 Effective Date” means June 6, 2018.

“Amendment No. 2 Lead Arranger” means JPMorgan Chase Bank, N.A.

“GLP Capital” means, for so long as it is the landlord under the Master Lease, GLP Capital, L.P., a Pennsylvania limited partnership, in its capacity as landlord under the Master Lease, and, thereafter any successor landlord under the Master Lease in such capacity.

“Interim Authorization Trust Arrangement” means any trust arrangement, which is created pursuant to a certain trust agreement (that is in a form reasonably satisfactory to the Administrative Agent) as permitted under applicable Gaming Laws and approved by the applicable Gaming Authority, which permits the Borrower or any Guarantor, as the purchaser (in such capacity, the “Interim Purchaser”), to acquire an ownership interest in an existing casino hotel operation without first being licensed or found qualified by such applicable Gaming Authorities having jurisdiction over such Interim Purchaser, so long as (x) upon the closing of the contemplated acquisition, (i) all Equity Interests and other Property acquired pursuant to such an acquisition, and required by the applicable Gaming Authority, is placed in trust (such trust, an “Interim Trust”) to be held until the required Gaming Licenses are issued or denied by the applicable Gaming Authorities (as further described in clause (y) below), and (ii) such Interim

Purchaser complies with the requirements set forth in Section 8.14(a), and (y) promptly following (and in no event later than the applicable time periods set forth in the applicable sections referenced below) (i) the issuance of such Gaming Licenses by the applicable Gaming Authorities having jurisdiction over such Interim Purchaser, (1) such Interim Trust will, in accordance with the applicable Gaming Laws and the terms of the Interim Trust, distribute or otherwise transfer such Equity Interests and all other Property held by such Interim Trust to the Interim Purchaser, and (2) the Interim Purchaser shall take all steps necessary to comply with Section 8.14 and Section 8.16 with respect to all Equity Interests and other Property acquired pursuant to such an acquisition, or (ii) the decision by the applicable Gaming Authority relating to any pending Gaming License which would cause the Interim Trust to become operative under the applicable Gaming Laws (and as a result, such Interim Trust shall be required under the applicable Gaming Laws to exercise all rights incident to ownership of the property subject to the Interim Trust), (1) such Interim Trust shall take all steps necessary to sell the Equity Interests and the other Property held by such Interim Trust in accordance with this Agreement, the underlying trust agreement and the applicable Gaming Laws, and (2) following such sale (any such sale, an Interim Trust Asset Disposition), the Borrower and any Interim Purchaser shall use any Net Cash Proceeds received for such Interim Trust Asset Disposition in accordance with the mandatory prepayment requirements set forth in Section 4.4(b)(ix).

Interim Purchaser has the meaning set forth in the definition of “Interim Authorization Trust Arrangement”.

Interim Trust has the meaning set forth in the definition of “Interim Authorization Trust Arrangement”.

Interim Trust Asset Disposition has the meaning set forth in the definition of “Interim Authorization Trust Arrangement”.

Landlord means each of GLP Capital and any other landlord under an Additional Lease.

Leased Property means all “Leased Property” (as defined in the Master Lease from time to time).

Master Lease means the Master Lease, by and among GLP Capital and Tenant, to be entered into concurrently with the consummation of the merger of Tropicana Entertainment Inc., a Delaware corporation and Delta Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Borrower.

Tenant means, for so long as it is the tenant under the Master Lease, the Borrower’s wholly owned subsidiary, Tropicana Entertainment, Inc., in its capacity as tenant under the Master Lease, and, thereafter, the successor tenant under the Master Lease in such capacity.

(b) The definition of “Affiliate” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following penultimate sentence immediately after the sentence ending “correlative thereto” at the end of such definition:

“For the avoidance of doubt, none of Gaming and Leisure Properties, Inc. (“GLPI”) or its subsidiaries shall be deemed to be an Affiliate of the Borrower or any of its Subsidiaries.”

(c) The definition of “Attributable Indebtedness” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following proviso immediately after “as a Capital Lease” at the end of such definition:

“; *provided*, that, for the avoidance of doubt, the Master Lease and any Additional Lease will be accounted for as an Operating Lease and not as a Capital Lease or Synthetic Lease for all purposes under this Agreement and the other Loan Documents (regardless of how such Master Lease or any such Additional Lease may be treated under GAAP).”

(d) The definition of “Capital Lease” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following proviso immediately after “(as the same may be amended from time to time)” at the end of such definition:

“; *provided*, that, for the avoidance of doubt, the Master Lease and any Additional Lease will be accounted for as an Operating Lease and not as a Capital Lease for all purposes under this Agreement and the other Loan Documents (regardless of how such Master Lease or any such Additional Lease may be treated under GAAP).”

(e) The definition of “Capital Lease Obligations” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following proviso immediately after “not as a Capital Lease” at the end of such definition:

“; *provided, further*, that, for the avoidance of doubt, the Master Lease and any Additional Lease will be accounted for as an Operating Lease and not as a Capital Lease for all purposes under this Agreement and the other Loan Documents (regardless of how such Master Lease or any such Additional Lease may be treated under GAAP).”

(f) The definition of “Consolidated Interest Expense” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following language at the end of clause (a) in such definition prior to the “;”:

“; *provided, however*, any interest portion of payments in connection with the Master Lease and any Additional Lease shall not be included in interest expense of the Borrower or its Guarantors for purpose of calculating Consolidated Interest Expense (regardless of how such Master Lease or any such Additional Lease may be treated under GAAP).”

(g) The definition of “Consolidated Net Income” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following language as the last paragraph thereof:

“Notwithstanding anything contained herein to the contrary, for purposes of this Agreement, Consolidated Net Income shall be calculated by deducting, without duplication of amounts otherwise deducted, rent, insurance, property taxes and other amounts and expenses actually paid in cash under the Master Lease or any Additional Lease in the applicable Test Period and no deductions in calculating Consolidated Net Income shall occur as a result of imputed interest, amounts under the Master Lease or any Additional Lease not paid in cash during the relevant Test Period or other non-cash amounts incurred in respect of the Master Lease or any Additional Lease; *provided* that any “true-up” of rent paid in cash pursuant to the Master Lease or any Additional Lease shall be accounted for in the Fiscal Quarter to which such payment relates as if such payment were originally made in such Fiscal Quarter.”

(h) The definition of “Indebtedness” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following parenthetical immediately after “in accordance with GAAP” in clause (f) thereof:

“(it being agreed that no obligations of such Person under the Master Lease or any Additional Lease shall constitute Indebtedness)”.

(i) The definition of “Loan Documents” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding “, Amendment No. 2” following the reference to “Amendment No. 1” in such definition.

(j) The definition of “Net Cash Proceeds” in Section 1.1 of the Credit Agreement is hereby amended by:

(i) adding the following language immediately after “the applicable lease” at the end of clause (ii) in such definition:

“; *provided* that, in the case of a Casualty Event with respect to property that is subject to the Master Lease and any Additional Lease such cash proceeds shall not constitute Net Cash Proceeds to the extent, and for so long as, such cash proceeds are required, by the terms of such lease, (x) to be paid to the holder of any mortgage, deed of trust or other security agreement securing indebtedness of the lessor, (y) to be paid to, or for the account of, the lessor or deposited in an escrow account to fund rent and other amounts due with respect to such property and costs to preserve, stabilize, repair, replace or restore such property (in accordance with the provisions of the applicable lease) or (z) to be applied to rent and other amounts due under such lease or to fund costs and expenses of repair, replacement or restoration of such Property, or the preservation or stabilization of such Property (in accordance with the provisions of the applicable lease)”; and

(ii) adding the following language as new clause (iv) in such definition:

“(iv) in the case of any Interim Trust Asset Disposition of the Equity Interests or other Property held in an Interim Trust pursuant to an Interim Authorization Trust Arrangement, the aggregate amount of proceeds or other compensation (including any payments received by way of deferred payment of principal pursuant to a note or otherwise, but only as and when received) received by the Interim Trust directly or indirectly in connection with such Interim Trust Asset Disposition net of all legal fees and other reasonable fees, regulatory fees and assessments, expenses and transaction costs paid by or on behalf of the Interim Trust or the Interim Purchaser actually incurred in connection therewith.”

(k) The definition of “Operating Lease” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following parenthetical immediately after “not a Capital Lease” at the end thereof:

“(for the avoidance of doubt, the Master Lease and any Additional Lease are deemed to be Operating Leases)”.

(l) The definition of “Permitted Acquisition” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following to the last sentence immediately after “Unrestricted Subsidiary” at the end thereof:

“, and Permitted Acquisitions may be closed pursuant to an Interim Authorization Trust Arrangement, it being agreed (x) that concurrently with the execution of the underlying trust agreement, such Interim Purchaser shall be required to comply with the requirements set forth in Section 8.14(a), and (y) that the cap on the consideration as set forth in clause (c) hereinabove shall not apply to any such Permitted Acquisition utilizing an Interim Authorization Trust Arrangement.”

(m) The definition of “Specified Transaction” in Section 1.1 of the Credit Agreement shall be modified by (i) replacing “and” with “,” and (ii) adding the following language immediately after “the Transactions” at the end of such definition:

“and (e) any amendment, modification or waiver to any provision of the Master Lease or any Additional Lease.”

(n) The definition of “Synthetic Lease” set forth in Section 1.1 of the Credit Agreement is hereby amended by adding the following proviso immediately after “accordance with GAAP” at the end of such definition:

“; *provided*, that, for the avoidance of doubt, the Master Lease and any Additional Lease will be accounted for as an Operating Lease and not as a Synthetic Lease for all purposes under this Agreement and the other Loan Documents (regardless of how such Master Lease or any such Additional Lease may be treated under GAAP).”

(o) Section 1.3 of the Credit Agreement is hereby amended by adding the following sentence after the last sentence thereof.

“Notwithstanding the foregoing, for all purposes of this Agreement, (a) the Master Lease and any Additional Lease shall not constitute Indebtedness, a Synthetic Lease, a Capital Lease or a Capital Lease Obligation regardless of how such Master Lease or any such Additional Lease may be treated under GAAP, (b) any interest portion of payments in connection with such Master Lease or Additional Lease shall not constitute Consolidated Interest Expense and (c) Consolidated Net Income shall be calculated by deducting, without duplication of amounts otherwise deducted, rent, insurance, property taxes and other amounts and expenses actually paid in cash under the Master Lease or any Additional Lease in the applicable Test Period and no deductions in calculating Consolidated Net Income shall occur as a result of imputed interest, amounts under the Master Lease or any Additional Lease not paid in cash during the relevant Test Period or other non-cash amounts incurred in respect of the Master Lease or any Additional Lease; *provided* that any “true-up” of rent paid in cash pursuant to the Master Lease or any Additional Lease shall be accounted for in the Fiscal Quarter to which such payment relates as if such payment were originally made in such Fiscal Quarter.”

(p) Section 4.4(b) of the Credit Agreement is hereby amended by:

(i) adding the following sentence after the last sentence of clause (iii) thereof:

“If the Property that suffers a Casualty Event is subject to the Master Lease or an Additional Lease, such reinvestment may be made in accordance with the Master Lease or such Additional Lease (it being understood that such Property so repaired, replaced, restored or otherwise acquired may be owned by GLPI or a Subsidiary of GLPI and leased to Borrower or a Wholly Owned Subsidiary of Borrower under the Master Lease (or, in the case of any Additional Lease, owned by the Landlord thereunder and leased to Borrower or a Wholly Owned Subsidiary of Borrower.”; and

(ii) adding the following language as a new clause (ix) of such Section:

“(ix) Interim Trust Disposition. Subject to the applicable Gaming Laws and Gaming Authorities, the Borrower shall make mandatory principal prepayments of the Loans in the manner set forth in Section 4.4(b) (v) above in an amount equal to 100% of the aggregate Net Cash Proceeds from any Interim Trust Asset Disposition by such Interim Trust. Such prepayments shall be made within three Business Days after the date of receipt of the Net Cash Proceeds of any such Interim Trust Asset Disposition by such Interim Trust.”

(q) Section 4.4(c) of the Credit Agreement is hereby amended by replacing “Closing Date” with “Amendment No. 2 Effective Date”

(r) Article VII of the Credit Agreement is hereby amended by adding the following language as a new Section 7.34:

“SECTION 7.34. Master Lease and Additional Leases.

(a) The Borrower has delivered to the Administrative Agent, (x) on the Amendment No. 2 Effective Date, a true, complete and correct copy of the Master Lease, as in effect on the Amendment No. 2 Effective Date, and (y) on or prior to any Designation Date for any Additional Lease, a true, complete and correct copy of such Additional Lease, as in effect on such Designation Date.

(b) So long as the Master Lease or any Additional Lease is then in effect, the Borrower and its Subsidiaries have paid all material payments required to be made by it under the Master Lease or such Additional Lease, as applicable (other than any amount the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or such Subsidiary, as the case may be, and any amounts that are due but not yet delinquent), except where failure to make such payments would not reasonably be expected to have a Material Adverse Effect.

(c) (x) the Master Lease is in full force and effect and will be or is, as applicable, legal, valid, binding and enforceable against the Credit Parties party thereto, in accordance with its terms, and (y) any Additional Lease, once so designated on the applicable Designation Date, will be in full force and effect and will be legal, valid, binding and enforceable against the Credit Parties party thereto, in accordance with its terms, in each case, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal Debtor Relief Laws from time to time in effect which affect the enforcement of creditors’ rights in general and the availability of equitable remedies.”

(s) Section 8.3 of the Credit Agreement is hereby amended by (i) deleting “and” in clause (e) of such Section, (ii) replacing “.” with “; and” in clause (f) of such Section, and (iii) adding the following as a new clause (g) in such Section:

“(g) (x) with respect to the Master Lease, (i) any amendment or modification of the Master Lease and (ii) receipt of a written notice from GLP Capital of an “Event of Default” under and as defined in, the Master Lease or notice of termination of the Master Lease, and (y) with respect to any Additional Lease, (i) any amendment or modification of such Additional Lease and (ii) receipt of a written notice from the Landlord of such Additional Lease of an “Event of Default” under and as defined in, such Additional Lease or notice of termination of such Additional Lease.”

end thereof:

(t) Section 8.14(a) of the Credit Agreement is hereby amended by adding the following sentence at the

“Notwithstanding anything to the contrary set forth in this Section 8.14 or elsewhere in this Agreement, the Borrower or any Guarantor, as an Interim Purchaser, may under certain applicable Gaming Laws enter into an Interim Authorization Trust Arrangement for certain acquired Equity Interests and other Property, and (x) such Interim Purchaser shall be required, concurrently the later of (A) the execution of the Interim Trust agreement for such Interim Authorization Trust Arrangement or (B) the closing of the related acquisition, (i) to become (or continue to be) a Guarantor, and shall enter into any guaranty agreement or other documents reasonably requested by the Administrative Agent to guarantee (or continue to guarantee) the Obligations (except to the extent becoming a Guarantor is prohibited by applicable Gaming Laws), (ii) to grant to the Administrative Agent, for the benefit of the Secured Parties, a first-priority valid and perfected security interest on all of the Equity Interests and other Property held by such Interim Trust, and such Interim Purchaser shall enter into any stock pledge agreement or other documents reasonably requested by the Administrative Agent to effect such security interest (except to the extent granting any such security interest is prohibited by applicable Gaming Laws), and (iii) deliver to the Administrative Agent such opinions, documents and certificates referred to in Section 6.2 as may be reasonably requested by the Administrative Agent, and (y) promptly following (and in no event later than the applicable time periods set forth in the applicable sections referenced below) the issuance of such required Gaming Licenses by the applicable Gaming Authorities, the Borrower and any Interim Purchaser shall take all steps necessary to comply with this Section 8.14 and Section 8.16 with respect to all Equity Interests and other Property acquired pursuant to such an acquisition; *provided, however*, that for the avoidance of doubt, to the extent prohibited by applicable law, any Interim Trust shall not be required to be a Guarantor or grant Liens on such Equity Interests or other Property being held in any such Interim Authorization Trust Arrangement.”

(u) Article VIII of the Credit Agreement is hereby amended by adding the following language as a new

Section 8.22:

“SECTION 8.22. Master Lease and Additional Leases. The Borrower will cause (x) with respect to the Master Lease, each sublease and each use agreement entered into between Tenant and any other Credit Party with respect to Mortgaged Property that is leased from GLP Capital pursuant to the Master Lease to at all times during the term of the Master Lease be subject and subordinate to the Master Lease (and to all matters to which the Master Lease is subject and subordinate), and (y) with respect to any Additional Lease, each sublease and each use agreement entered into between the tenant under such Additional Lease and any other Credit Party with respect to Mortgaged Property that is leased from the Landlord under such Additional Lease pursuant to such Additional Lease to at all times during the term of such Additional Lease be subject and subordinate to the applicable Additional Lease (and to all matters to which such Additional Lease is subject and subordinate).

(v) Section 9.2 of the Credit Agreement is hereby amended by (i) deleting “and” in clause (ff) of such Section, (ii) replacing “.” with “;” in clause (gg) of such Section, and (iii) adding the following language as a new clauses (hh) and (ii):

“(hh) Liens pursuant to the Master Lease and any Additional Lease, which Liens are limited to the Leased Property under the Master Lease and the leased property under the applicable Additional Lease, as applicable, and granted to the Landlord under such lease for the purpose of securing the obligations of the tenant under such lease to the applicable Landlord; and

(ii) Liens arising pursuant to definitive documentation and applicable Gaming Laws in respect of any Interim Trust pursuant to an Interim Authorization Arrangement, in each case, prior to the earlier of (x) the issuance of the Gaming Licenses by the applicable Gaming Authority, or (y) any Interim Trust Asset Disposition by the Interim Trust, in each case, as required by the applicable Gaming Authorities having jurisdiction over such Interim Purchaser.”

(w) Section 9.5 of the Credit Agreement is hereby amended by (i) deleting “and” in clause (g) of such Section, (ii) replacing “.” with “; and” in clause (h) of such Section, and (iii) adding the following language as a new clause (i):

“(i) any Interim Trust Asset Disposition; *provided* that the requirements of Section 4.4(b) are complied with in connection therewith;

(x) Section 9.16 of the Credit Agreement is hereby amended by (i) deleting “or” after clause (a) of such Section and (ii) inserting the following after the words “be a Guarantor” in clause (b) of such Section:

“or (c) any Interim Trust until the earlier of (x) the issuance of the Gaming Licenses as required by the applicable Gaming Authority, or (y) any Interim Trust Asset Disposition by the Interim Trust, so long as such Interim Purchaser continues to comply with the requirements set forth in Section 8.14(a)”.

(y) Article IX of the Credit Agreement is hereby amended by adding the following language as a new Section 9.17:

“SECTION 9.17. Master Lease and Additional Leases. (x) with respect to the Master Lease, neither the Borrower nor Tenant, or (y) with respect to any Additional Lease, neither the Borrower nor any tenant under such Additional Lease, will terminate or allow or consent to the termination of the Master Lease or such Additional Lease, as applicable, or will enter into any amendment, waiver or modification to the Master Lease or such Additional Lease, as applicable if (i) such amendment, waiver or modification could reasonably be expected to have a Material Adverse Effect or (ii) after giving pro forma effect to such amendment, waiver or modification, the Borrower will not be in compliance with the provisions of Section 9.14; *provided* that neither the Borrower nor the applicable tenant will allow any amendment, waiver or modification of the Master Lease or such Additional Lease that (i) shortens the term of such lease to less than twenty

(20) years (including extension or renewal options) from the date of such amendment, waiver or modification, (ii) tightens the financial covenants applicable to such tenant (other than technical amendments to the definitions of such financial terms so long as such amendments do not materially affect such tenant's ability to comply with such financial covenants), (iii) amends, waives or modifies Articles XIV, XV, XVII, XXII or XXXVI of the Master Lease (including by amendment of the defined terms used therein) or any such corresponding provisions in any such Additional Lease, in each case, in a manner materially adverse to the interests of the Secured Parties or (iv) amends, waives or modifies Article XI of the Master Lease or any such corresponding provisions in any such Additional Lease, in each case, to the extent adversely impacting the ability of the Secured Parties to obtain or maintain a Lien on the Property of the Borrower or its Subsidiaries, in each case, without the consent of the Required Revolving Lenders. Any tenant shall not transfer its rights or obligations under the Master Lease or any Additional Lease, as applicable, to any Person other than to the Borrower or a Guarantor (or a Person that becomes a Guarantor in connection with such transaction pursuant to the terms of this Agreement); *provided, however*, that no such transfer shall be permitted hereunder unless expressly permitted under the Master Lease or such Additional Lease or consented to in writing by the applicable Landlord.”

(z) Section 10.1 of the Credit Agreement is hereby amended by adding the following language as new

clause (p):

“(p) (i) the Master Lease or any Additional Lease shall terminate or otherwise cease to be effective, other than upon the expiration or termination thereof with respect to any particular property or properties pursuant to, (x) (A) with respect to the Master Lease, Section 1.4, 8.2, 14.6, 15.5 or 41.16 of the Master Lease, (B) with respect to any Additional Lease, any such corresponding provisions in such Additional Lease or (C) an amendment, waiver or modification of the Master Lease or any Additional Lease not prohibited by Section 9.17 of this Agreement; (ii) an “Event of Default” (as defined in the Master Lease or any Additional Lease, as applicable) shall have occurred and be continuing under Section 16.1(a), 16.1(g), 16.1(i), 16.1(j) or 16.1(p) of the Master Lease, or such corresponding provisions in any such Additional Lease; (iii) the applicable Landlord shall have given the tenant notice of termination of the Master Lease or any Additional Lease following an “Event of Default” (as defined in the Master Lease or any Additional Lease, as applicable); or (iv) GLP Capital has issued a “Termination Notice” pursuant to Section 17.1(d) of the Master Lease, or the Landlord under any Additional Lease has issued a “Termination Notice” pursuant to the applicable section of such Additional Lease.”

(aa) Section 10.1 of the Credit Agreement is hereby amended by adding the following new unnumbered paragraph at the end thereof:

“Notwithstanding the foregoing, (i) Administrative Agent shall use commercially reasonable efforts to provide GLP Capital with copies of notices issued by Administrative Agent or the Lenders of any event or occurrence under the Loan Documents that enables or permits the Lenders (or Administrative Agent) to accelerate the maturity of the Indebtedness outstanding under the Loan Documents and (ii) in the event of a default by Borrower or any of its Restricted Subsidiaries in the performance of any of their respective obligations under any of the Loan Documents, including, without limitation, any default in the payment of any sums payable under any such agreement, then, in each and every such case, subject to applicable Gaming Regulations (as defined in the Master Lease) and the terms of the Master Lease, GLP Capital shall have the right, but not the obligation, to cure or remedy the default or defaults or cause the default or defaults to be cured or remedied (to the extent susceptible to cure or remedy) prior to the end of any applicable notice and cure periods set forth in such Loan Documents, and any such tender of payment or performance by GLP Capital shall be accepted by Administrative Agent and Lenders and shall constitute payment and/or performance by the applicable Company for purposes of the Loan Documents.

(bb) Section 12.2 of the Credit Agreement is hereby amended by adding the following language as the last paragraph thereof:

“The Administrative Agent and the Collateral Agent shall consent to and enter into (and execute documents permitting the filing and recording, where appropriate) the grant of easements and covenants and subordination rights with respect to real property, conditions, restrictions and declarations on customary terms, and subordination, non-disturbance and attornment agreements on customary terms reasonably requested by the Borrower and not adverse to the interests of the Lenders (as determined by the Administrative Agent) and, with respect to the Master Lease or any Additional Lease, to the extent requested by GLP Capital under the Master Lease or to the extent reasonably requested by the Landlord under any Additional Lease.”

(cc) Section 12.3(a) of the Credit Agreement is hereby amended by replacing clause (i) thereof with the following language:

“(i) all reasonable and documented out-of-pocket expenses incurred by the Lead Arrangers, the Amendment No. 2 Lead Arranger, the Administrative Agent and their respective Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, the Lead Arrangers and the Amendment No. 2 Lead Arranger, and, if necessary, the reasonable fees, charges and disbursements of one local counsel per jurisdiction and, in the event of any conflict of interest, such additional counsel for each of the Lenders retained with the consent of the Borrower to the extent of such conflict of interests) in connection with the syndication of the Credit Facility, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated).”

Section 2. **Effectiveness.** Section 1 of this Amendment shall become effective on the date (the “Amendment No. 2 Effective Date”) on which the following conditions have been satisfied:

(a) The Administrative Agent shall have received counterparts to this Amendment, duly executed by the Borrower, the Guarantors, and the Administrative Agent, and consents substantially in the form of Exhibit A hereto (each such consent, a “Consent”) from Consenting Lenders constituting at least the Required Lenders and the Required Revolving Credit Lenders.

(b) The Administrative Agent shall have received a certificate signed by a Responsible Officer of the Borrower stating that: (i) the representations and warranties of the Borrower and each Credit Party contained in Section 3 hereof are true and correct and (ii) no Default or Event of Default shall have occurred and be continuing on the Amendment No. 2 Effective Date or after giving effect to this Amendment.

(c) The Administrative Agent and the Amendment No. 2 Lead Arranger shall have received reimbursement of expenses required to be reimbursed or paid hereunder or under any other Loan Document or otherwise agreed to in writing to be paid (including, without limitation, the reasonable fees and expenses of Cahill Gordon & Reindel LLP).

(d) The Administrative Agent shall have received a certificate of a Responsible Officer of each Credit Party certifying as to the incumbency and genuineness of the signature of each officer of the Credit Parties executing this Amendment and certifying that attached thereto is a true, correct and complete copy of (A) the articles or certificate of incorporation or formation (or equivalent), as applicable, of each Credit Party and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation, organization or formation, as applicable, (B) the bylaws or other governing documents of each Credit Party as in effect on the Closing Date and (C) resolutions duly adopted by the board of directors (or other governing body) of each Credit Party authorizing and approving the transactions contemplated hereunder and the execution, delivery and performance of this Amendment and the other Loan Documents to which it is a party; and

(e) The Administrative Agent shall have received certificates, dated as of a recent date prior to the Amendment No. 2 Effective Date, of the good standing of the Credit Parties under the laws of their respective jurisdictions of incorporation, organization or formation, as applicable.

Section 3. **Representations and Warranties.** The Borrower and each Credit party hereby represents and warrants to the Administrative Agent and the Lenders that:

(1) Each Credit Party has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Amendment in accordance with its terms. The Amendment has been duly authorized by the duly authorized officers of each Credit Party that is a party hereto, and each such document constitutes the legal, valid and binding obligation of each Credit Party that is a party hereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal Debtor Relief Laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(2) Each of the representations and warranties made by any Credit Party in or pursuant to the Credit Agreement and the other Loan Documents are true and correct in all material respects, except to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty shall be true, correct and complete in all respects, with the same effect as if made on and as of such date (except for any such representation and warranty that by its terms is made only as of an earlier date, which representation and warranty shall remain true and correct in all material respects as of such earlier date, except for any representation and warranty that is qualified by materiality or references Material Adverse Effect, which such representation and warranty shall be true and correct in all respects as of such earlier date).

(3) No Default or Event of Default has occurred and is continuing on the Amendment No. 2 Effective Date or after giving effect to this Amendment.

Section 4. **Counterparts.** This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when each party hereto shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 5. **Governing Law.** **THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

The provisions of Sections 12.5 and 12.6 of the Credit Agreement shall apply to this Amendment to the same extent as if fully set forth herein.

Section 6. **Headings.** The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 7. **Effect of Amendment.** This Amendment shall not constitute a novation of the Credit Agreement or any of the Loan Documents. Except as expressly set forth herein, (i) this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders, the Administrative Agent or the Issuing Lenders, in each case under the Credit Agreement or any other Loan Document, and (ii) shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of either such agreement or any other Loan Document. Each and every term, condition, obligation, covenant and agreement contained in the Credit Agreement or any other Loan Document (for avoidance of doubt, in each case, as altered, modified or amended as expressly set forth herein) is hereby ratified and re-affirmed in all respects and shall continue in full force and effect.

Section 8. **Reaffirmation.** Each Credit Party hereby acknowledges its receipt of a copy of this Amendment and its review of the terms and conditions hereof and thereof and consents to the terms and conditions of this Amendment and the transactions contemplated hereby. Each Guarantor hereby (a) affirms and confirms its guarantees and other commitments under the Guaranty Agreement, and (b) agrees that the Guaranty Agreement is in full force and effect and shall accrue to the benefit of the Secured Parties to secure the Obligations. Each Credit Party hereby (a) affirms and confirms its pledges, grants and other commitments and the validity of the Liens under the Security Documents to which it is a party, with all such Liens continuing in full force and effect after giving effect to this Amendment and (b) agrees that each Security Document to which it is a party is in full force and effect and shall accrue to the benefit of the Secured Parties to secure the Obligations.

Section 9. **Reference to and Effect on the Credit Agreement.** On and after the Amendment No. 2 Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in each of the other Loan Documents to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment. The Credit Agreement and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all Secured Obligations of the Credit Parties under the Loan Documents. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as an amendment of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute an amendment of any provision of any of the Loan Documents.

Section 10. **Costs and Expenses.** The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, if any (including, without limitation, the reasonable fees and expenses of Cahill Gordon & Reindel LLP) in accordance with the terms of Section 12.3 of the Credit Agreement.

Section 11. **Severability of Provisions.** Any provision of this Amendment or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

ELDORADO RESORTS, INC., as the Borrower

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

[Signature Page to Eldorado Amendment No. 2]

ISLE OF CAPRI CASINOS LLC
ELDORADO HOLDCO LLC
ELDORADO RESORTS LLC
ELDORADO SHREVEPORT #1, LLC
ELDORADO SHREVEPORT #2, LLC
ELDORADO CASINO SHREVEPORT JOINT VENTURE
MTR GAMING GROUP, INC.
MOUNTAINEER PARK, INC.
PRESQUE ISLE DOWNS, INC.
SCIOTO DOWNS, INC.
ELDORADO LIMITED LIABILITY COMPANY
CIRCUS AND ELDORADO JOINT VENTURE, LLC
CC-RENO LLC
CCR NEWCO, LLC
BLACK HAWK HOLDINGS, L.L.C.
IC HOLDINGS COLORADO, INC.
CCSC/BLACKHAWK, INC.
ISLE OF CAPRI BLACK HAWK, L.L.C.
IOC - BLACK HAWK DISTRIBUTION COMPANY, LLC
IOC BLACK HAWK COUNTY, INC.
ISLE OF CAPRI BETTENDORF, L.C.
PPI, INC.
POMPANO PARK HOLDINGS, L.L.C.
IOC - LULA, INC.
IOC-KANSAS CITY, INC.
IOC - BOONVILLE, INC.
IOC-CARUTHERSVILLE, LLC
IOC-CAPE GIRARDEAU LLC
IOC-VICKSBURG, INC.
IOC-VICKSBURG, L.L.C.
RAINBOW CASINO-VICKSBURG PARTNERSHIP, L.P.
IOC HOLDINGS, L.L.C.
ST. CHARLES GAMING COMPANY, L.L.C.

By: /s/ Edmund L. Quatmann, Jr.
Name: Edmund L. Quatmann, Jr.
Title: Executive Vice President, Chief Legal Officer and
Secretary

ELGIN HOLDINGS I LLC
ELGIN HOLDING II LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

[Signature Page to Eldorado Amendment No. 2]

PPI DEVELOPMENT HOLDINGS LLC
PPI DEVELOPMENT LLC

By: /s/ Thomas R. Reeg
Name: Thomas R. Reeg
Title: President and Chief Financial Officer

[Signature Page to Eldorado Amendment No. 2]

JPMORGAN CHASE BANK, N.A., as Administrative Agent
and Collateral Agent

By: /s/ Mohammad Hasan
Name: Mohammad Hasan
Title: Executive Director

[Signature Page to Eldorado Amendment No. 2]

Executed Lender Signature Pages on File with Administrative Agent

[Signature Page to Eldorado Amendment No. 2]

Exhibit A

[Attached]

CONSENT TO AMENDMENT NO. 2 TO THE CREDIT AGREEMENT

CONSENT (this "Consent") to Amendment No. 2 (the "Amendment") to that certain Credit Agreement, dated as of May 1, 2017, by and among Eldorado Resorts, Inc., the several banks and other financial institutions or entities from time to time parties to the Credit Agreement, and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended by the Amendment Agreement dated as of August 15, 2017, and as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Amendment, as applicable.

IN WITNESS WHEREOF, the undersigned has caused this Consent to be executed and delivered by a duly authorized officer.

Amendment No. 2 Consenting Lenders (check one or both boxes as appropriate):

- The undersigned Revolving Credit Lender (in its capacity as a Revolving Credit Lender, assignor of Revolving Credit Commitments and/or assignee of Revolving Credit Commitments) hereby irrevocably and unconditionally approves and consents to each of the amendments set forth in the Amendment.
- The undersigned Term Loan Lender hereby irrevocably and unconditionally approves and consents to each of the amendments set forth in the Amendment.

as a Lender

By: _____
Name:
Title:

[If a second signature is necessary:

By: _____
Name:
Title:]

**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 Quarterly Report on Form 10-Q 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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: August 7, 2018

/s/ GARY L. CARANO

Gary L. Carano

Chief Executive Officer and Chairman of the Board

**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 Quarterly Report on Form 10-Q 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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: August 7, 2018

/s/ THOMAS R. REEG

Thomas R. Reeg
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION
of
Gary L. Carano
Chief Executive Officer and Chairman of the Board

I, Gary L. Carano, Chief Executive Officer and Chairman of the Board 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 Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2018 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Periodic Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2018

/s/ GARY L. CARANO

Gary L. Carano

Chief Executive Officer and Chairman of the Board

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 Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2018 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Periodic Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2018

/s/ THOMAS R. REEG

Thomas R. Reeg

President and Chief Financial Officer