TROPICANA CASINO AND RESORT

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2017

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

TROPICANA CASINO AND RESORT
BALANCE SHEETS

AS OF DECEMBER 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$35,555	$77,278
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, $6,311 ; 2016, $5,831	1, 7	14,575	13,381
4	Inventories		3,642	3,650
5	Other Current Assets	3	14,016	3,456
6	Total Current Assets		67,788	97,765
7	Investments, Advances, and Receivables	4, 8	209,817	176,781
8	Property and Equipment - Gross	2	369,788	323,822
9	Less: Accumulated Depreciation and Amortization	2	(125,527)	(100,514)
10	Property and Equipment - Net	2	244,261	223,308
11	Other Assets	5, 8	92,090	158,781
12	Total Assets		$613,956	$656,635
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$14,207	$12,049
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates	6	0	814
16	External		0	0
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	12	37,790	32,553
19	Other Current Liabilities	13	9,770	9,146
20	Total Current Liabilities		61,767	54,562
	Long-Term Debt:			
21	Due to Affiliates	6	37,086	76,987
22	External		0	0
23	Deferred Credits		0	0
24	Other Liabilities		0	0
25	Commitments and Contingencies		0	0
26	Total Liabilities		98,853	131,549
27	Stockholders', Partners', or Proprietor's Equity		515,103	525,086
28	Total Liabilities and Equity		$613,956	$656,635

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$378,327	$330,764
2	Rooms		59,338	55,104
3	Food and Beverage		35,096	33,682
4	Other	11	16,327	15,950
5	Total Revenue		489,088	435,500
6	Less: Promotional Allowances		103,175	91,376
7	Net Revenue		385,913	344,124
	Costs and Expenses:			
8	Casino		121,248	110,897
9	Rooms, Food and Beverage		42,588	36,994
10	General, Administrative and Other	7	130,156	142,490
11	Total Costs and Expenses		293,992	290,381
12	Gross Operating Profit		91,921	53,743
13	Depreciation and Amortization	2, 8	27,866	23,436
	Charges from Affiliates Other than Interest:			
14	Management Fees	8	7,023	6,327
15	Other		0	0
16	Income (Loss) from Operations		57,032	23,980
	Other Income (Expenses):			
17	Interest Expense - Affiliates		(3,541)	(3,509)
18	Interest Expense - External		0	0
19	CRDA Related Income (Expense) - Net	4, 7	(7,351)	(8,706)
20	Nonoperating Income (Expense) - Net	7, 15	23,708	237
21	Total Other Income (Expenses)		12,816	(11,978)
22	Income (Loss) Before Taxes		69,848	12,002
23	Provision (Credit) for Income Taxes	9	79,831	3,792
24	Net Income (Loss)		($9,983)	$8,210

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$85,258	$83,444
2	Rooms		13,126	12,378
3	Food and Beverage		8,398	7,267
4	Other	11	4,260	4,328
5	Total Revenue		111,042	107,417
6	Less: Promotional Allowances		23,708	24,005
7	Net Revenue		87,334	83,412
	Costs and Expenses:			
8	Casino		30,307	29,208
9	Rooms, Food and Beverage		10,904	8,084
10	General, Administrative and Other	7	35,502	37,090
11	Total Costs and Expenses		76,713	74,382
12	Gross Operating Profit		10,621	9,030
13	Depreciation and Amortization	2, 8	7,300	6,067
	Charges from Affiliates Other than Interest:			
14	Management Fees	8	1,709	1,108
15	Other		0	0
16	Income (Loss) from Operations		1,612	1,855
	Other Income (Expenses):			
17	Interest Expense - Affiliates		(580)	(880)
18	Interest Expense - External		0	0
19	CRDA Related Income (Expense) - Net	4, 7	(5,111)	(992)
20	Nonoperating Income (Expense) - Net	7, 15	27	(125)
21	Total Other Income (Expenses)		(5,664)	(1,997)
22	Income (Loss) Before Taxes		(4,052)	(142)
23	Provision (Credit) for Income Taxes	9	53,872	3,792
24	Net Income (Loss)		($57,924)	($3,934)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	___ (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2015..........**						$282,128		$234,748	$516,876
2	Net Income (Loss) - 2016.............								8,210	8,210
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................									0
5	Prior Period Adjustments.............									0
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2016..........**		0	0	0	0	282,128	0	242,958	525,086
11	Net Income (Loss) - 2017.............								(9,983)	(9,983)
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments.............									0
15										0
16										0
17										0
18										0
19	**Balance, December 31, 2017 ....**		0	$0	0	$0	$282,128	$0	$232,975	$515,103

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$88,422	$60,343
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments ...		0	0
3	Proceeds from the Sale of Short-Term Investments ...		0	0
4	Cash Outflows for Property and Equipment...		(49,002)	(33,504)
5	Proceeds from Disposition of Property and Equipment...		45	29
6	CRDA Obligations ...	4	(1,354)	(2,540)
7	Other Investments, Loans and Advances made...	4, 8	(91,159)	(69,039)
8	Proceeds from Other Investments, Loans, and Advances ...	4	7,962	3,526
9	Cash Outflows to Acquire Business Entities...		0	0
10	Proceeds from Sales and Luxury Tax Credits ...		3,463	3,458
11	Cash Outflows for Tenant Allowance ...		(100)	(1,000)
12	Net Cash Provided (Used) By Investing Activities...		(130,145)	(99,070)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt ...		0	0
14	Payments to Settle Short-Term Debt...		0	0
15	Proceeds from Long-Term Debt ...		0	0
16	Costs of Issuing Debt...		0	0
17	Payments to Settle Long-Term Debt...		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock...		0	0
20	Payments of Dividends or Capital Withdrawals...		0	0
21	...			
22	...			
23	Net Cash Provided (Used) By Financing Activities...		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents...		(41,723)	(38,727)
25	Cash and Cash Equivalents at Beginning of Period...		77,278	116,005
26	Cash and Cash Equivalents at End of Period...		$35,555	$77,278

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)...		$0	$0
28	Income Taxes...		$475	$163

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		($9,983)	$8,210
30	Depreciation and Amortization of Property and Equipment...	2	25,991	23,436
31	Amortization of Other Assets...	8	1,875	0
32	Amortization of Debt Discount or Premium...		(111)	(68)
33	Deferred Income Taxes - Current ...		0	0
34	Deferred Income Taxes - Noncurrent ...		72,497	17,916
35	(Gain) Loss on Disposition of Property and Equipment...	15	173	293
36	(Gain) Loss on CRDA-Related Obligations...	4	3,127	6,519
37	(Gain) Loss from Other Investment Activities...		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks ...		(1,200)	(564)
39	(Increase) Decrease in Inventories ...		8	(525)
40	(Increase) Decrease in Other Current Assets...		(10,560)	2
41	(Increase) Decrease in Other Assets...		(75)	101
42	Increase (Decrease) in Accounts Payable...		819	1,939
43	Increase (Decrease) in Other Current Liabilities ...		5,861	3,084
44	Increase (Decrease) in Other Liabilities ...		0	0
45	...			
46	...			
47	Net Cash Provided (Used) By Operating Activities...		$88,422	$60,343

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment...		($49,002)	($33,504)
49	Less: Capital Lease Obligations Incurred...			
50	Cash Outflows for Property and Equipment...		($49,002)	($33,504)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired...			
52	Goodwill Acquired...			
53	Other Assets Acquired - net ...			
54	Long-Term Debt Assumed...			
55	Issuance of Stock or Capital Invested...			
56	Cash Outflows to Acquire Business Entities...		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions...		$0	$0
58	Less: Issuances to Settle Long-Term Debt...		0	0
59	Consideration in Acquisition of Business Entities...		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions...		$0	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TROPICANA CASINO AND RESORT
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	412,106	$22,472	0	$0
2	Food	438,680	7,864	351,784	6,292
3	Beverage	7,205,978	8,390	0	0
4	Travel	0	0	2,600	780
5	Bus Program Cash	3,556	320	0	0
6	Promotional Gaming Credits	748,109	58,079	0	0
7	Complimentary Cash Gifts	996,356	5,716	0	0
8	Entertainment	49,999	334	173	34
9	Retail & Non-Cash Gifts	0	0	448,669	4,427
10	Parking	0	0	734,398	2,204
11	Other	0	0	51,884	519
12	Total	9,854,784	$103,175	1,589,508	$14,256

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	94,612	$5,314	0	$0
2	Food	100,161	1,865	73,462	1,368
3	Beverage	1,743,025	1,998	0	0
4	Travel	0	0	488	146
5	Bus Program Cash	1,041	82	0	0
6	Promotional Gaming Credits	181,885	13,211	0	0
7	Complimentary Cash Gifts	231,977	1,099	0	0
8	Entertainment	22,688	139	70	16
9	Retail & Non-Cash Gifts	0	0	102,492	1,012
10	Parking	0	0	165,558	497
11	Other	0	0	9,363	94
12	Total	2,375,389	$23,708	351,433	$3,133

*No item in this category (Other) exceeds 5%.

TROPICANA CASINO AND RESORT
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2017

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

4/2/2018	
Date	Mimi Jennings- Benvenuti

Vice President- Finance
Title

9749-11
License Number

On Behalf of:

TROPICANA CASINO AND RESORT
Casino Licensee

TROPICANA ATLANTIC CITY CORP.
DBA TROPICANA CASINO AND RESORT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016
(Unaudited)
($ In Thousands)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Basis of Presentation

The consolidated financial statements include the accounts of Tropicana Atlantic City Corp. ("the Company") and its wholly-owned subsidiary Tropicana AC Sub Corp. ("TAC Sub"), after elimination of all significant intercompany accounts and transactions.

The Company operates a casino hotel in Atlantic City, New Jersey ("the Property") and is a wholly owned subsidiary of Tropicana Entertainment, Inc. ("TE").

On March 8, 2010 ("the Acquisition Date"), the Tropicana Casino & Resort was acquired along with the other assets of Adamar of New Jersey, Inc. by TE. The newly acquired company was formed as Tropicana Atlantic City Corp, a New Jersey corporation. Tropicana Atlantic City Corp. formed a wholly owned subsidiary, TAC Sub, a New Jersey corporation. The new corporations were formed in accordance with the terms of the Amended and Restated Purchase agreement that was approved by the United States Bankruptcy Court, District of New Jersey, on November 4, 2009 and the New Jersey Casino Control Commission ("NJCCC") on November 19, 2009.

In November 2013, the Company received authorization from the New Jersey Division of Gaming Enforcement to commence continuous, 24-hour Internet gaming ("IGaming") on its online gaming site, *TropicanaCasino.com*. Tropicana Atlantic City Online showcases a variety of slot game options and classic casino table games. Players have the opportunity to participate in community jackpots and to be rewarded with both on-property and online incentives and have the chance to participate in a variety of promotions. All participants must be 21 or older and physically located in the State of New Jersey to play.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated in our consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimated valuation allowance for deferred tax assets, certain tax liabilities, estimated cash flows in assessing the impairment of long-lived assets, intangible assets, New Jersey Casino Reinvestment Development Authority ("CRDA") investments, fair values of acquired assets and liabilities, self-insured liability reserves, customer loyalty program reserves, contingencies, litigation, claims, assessments and loss contingencies. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, cash on hand in the casino cages, money market funds and highly liquid investments with original maturities of three months or less.

Pursuant to N.J.A.C. 13:69O-1.3(j) the Property maintains a separate New Jersey bank account to ensure security of funds held in patrons internet gaming accounts. On December 31, 2017 and 2016 the above mentioned account balance was $908 and $1,268, respectively which included patron's deposits in IGaming accounts of $429 and $470, respectively.

Receivables

Receivables consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts. Receivables are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance for doubtful accounts is maintained to reduce the Company's receivables to their expected realization, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Recoveries of accounts previously written off are recorded when received.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalent accounts maintained in financial institutions and accounts receivable. Bank accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 or with the Securities Investor Protection Corporation up to $500,000. Concentration of credit risk, with respect to casino receivables, is limited through the Company's credit evaluation process. The Company issues markers to approved casino customers following credit checks and investigation of credit worthiness.

Inventories

Inventories, which consist primarily of food, beverage, uniforms and operating supplies, are stated at the lower of cost or net realizable value, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-11, *Simplifying the Measurement of Inventory*. ASU No. 2015-11 was adopted by the Company prospectively on January 1, 2017, and did not have any impact on our consolidated financial position, results of operations, cash flows or disclosures. Costs are principally determined using the average cost method.

Property and Equipment

Property and equipment under business combination guidance is stated at fair value as of the acquisition date. Property and equipment acquired subsequent to the acquisition date is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets or, for capital leases and leasehold improvements, over the shorter of the asset's useful life or the term of the lease. Gains or losses on disposals of assets are recognized as incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred.

The Company must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is a matter of judgment. In contrast to normal repair and maintenance costs that are expensed when incurred, items the Company classifies as maintenance capital are expenditures necessary to keep its existing properties at their current levels and are typically replacement items due to the normal wear and tear of its properties and equipment as a result of use and age. The Company's depreciation expense is highly dependent on the assumptions it makes about its assets' estimated useful lives. The Company determines the estimated useful lives based on its experience with similar assets, engineering studies and its estimate of the usage of the asset. Whenever events or circumstances occur that change the estimated useful life of an asset, the Company accounts for the change prospectively.

CRDA Investment

The New Jersey Casino Reinvestment Development Authority ("CRDA") deposits are carried at fair value. The CRDA deposits are recorded at fair value and are used to purchase CRDA bonds that carry below market interest rates unless an alternative investment is approved. A valuation allowance is established, unless there is an agreement with the CRDA for a return of the deposit at full face value, by a charge to the statement of income. If the CRDA deposits are used to purchase CRDA bonds, the valuation allowance is transferred to the bonds as a discount, which is amortized to interest income using the interest method. If the CRDA deposits are used to make other investments, the valuation allowance is transferred to those investments and remains a valuation allowance. The CRDA bonds are classified as held-to-maturity securities and are carried at amortized cost less any adjustments for other than temporary impairments.

As a result of the NJ PILOT Law, which was enacted in May 2016, the portion of investment alternative tax payments made by casino operators which are deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA will be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by Atlantic City. That portion of the deposits which will be allocated to the State of New Jersey are no longer recorded as an investment with a corresponding allowance, but are charged directly to general and administrative expenses.

Leasing Costs

Leasing costs are capitalized as incurred and amortized evenly, as a reduction to rental income, over the related lease terms. Leasing costs consist primarily of tenant allowances, which are incentives provided to tenants whereby the Company agrees to pay certain amounts toward tenant leasehold improvements or other tenant development costs. Leasing costs are included in Other Assets on the balance sheet.

Valuation of Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Intangible Assets

The Company's definite life intangible assets include customer lists and favorable lease agreements. Intangible assets with a definite life are amortized over their useful life, which is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Management periodically assesses the amortization period of intangible assets with definite lives based upon estimated future cash flows from related operations.

Self-Insurance Reserves

The Company is self-insured up to certain stop loss amounts for employee health coverage, workers' compensation and general liability claims. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates for claims incurred but not yet reported as estimated by management with the assistance of a third party. In estimating these accruals, historical loss experience is considered and judgments are made about the expected levels of costs per claim. The Company believes its estimates of future liability are reasonable based upon its methodology; however, changes in health care costs, accident frequency and severity and other factors could materially affect the estimates for these liabilities. The Company continually monitors changes in claim type and incident and evaluates the insurance accrual, making necessary adjustments based on the evaluation of these qualitative data points. The Company's accrual for general liability claims was approximately $1,799 and $1,214 at December 31, 2017 and 2016, respectively. The Company's accrual for workers compensation and employee health insurance claims was approximately $5,730 and $5,740 at December 31, 2017 and 2016, respectively.

Customer Loyalty Program

The Company provides certain customer loyalty programs (the "Programs") at its casino, which allow customers to redeem points earned from their gaming activity for free play, food, beverage, rooms or merchandise. Under the Programs, customers are able to accumulate points that may be redeemed in the future, subject to certain limitations and the terms of the Programs. The Company records a liability for the estimated cost of the outstanding points under the Programs that it believes will ultimately be redeemed. The estimated cost of the outstanding points under the Programs is calculated based on estimates and assumptions regarding marginal costs of the goods and services, redemption rates and the mix of goods and services for which the points are expected to be redeemed. For points that may be redeemed for free play, the Company accrues this cost (after consideration of estimated redemption rates) as they are earned, which is included in promotional allowances. For points that may only be redeemed for goods or services but cannot be redeemed for cash, the Company estimates the cost and accrues for this expense as the points are earned from gaming play, which is recorded as casino operating costs and expenses. At December 31, 2017 and 2016, the Company had $2,306 and $2,452, respectively, accrued for the estimated cost of anticipated redemptions under the Programs.

Revenue Recognition and Promotional Allowances

Casino revenue represents the difference between wins and losses from gaming activities, and is reported net of cash and free play incentives redeemed by customers. Room, food and beverage and other operating revenues are recognized at the time the goods or services are provided. The Company collects taxes from customers at the point of sale on transactions subject to sales and other taxes. Revenues are recorded net of any taxes collected. The majority of our casino revenue is counted in the form of cash and chips and, therefore, is not subject to any significant or complex estimation. The retail value of rooms, food and beverage and other services provided to customers on a complimentary basis is included in gross revenues and then deducted as promotional allowances. Promotional allowances also include incentives earned in our slot bonus program such as cash, complimentary play, and the estimated retail value of goods and services (such as complimentary rooms and food and beverages). We reward customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for complimentary play, and to a lesser extent for goods or services. For the year ended December 31, 2017, the total casino revenue was $378,327 which is comprised of $67,260 for games revenue, $276,831 for slot revenue and $34,236 for IGaming revenue. For the year ended December 31, 2016, the total casino revenue was $330,764 which is comprised of $62,620 for games revenue, $237,567 for slot revenue and $30,577 for IGaming Revenue.

Internet Gaming Operations

On November 21, 2013 the Company commenced online gaming operations with Gamesys Limited (”Gamesys”) as our exclusive internet provider. The Company currently offers two online gaming brands *TropicanaCasino.com* and *VirginCasino.com*. IGaming casino revenues represent the difference between wins and losses from online gaming activities and are recognized, net of internet revenues from the Virgin Casino site, as a component of Casino Revenue in the Statements of Income. The Company makes cash promotional offers to certain of its IGaming customers, including cash rebates as part of loyalty programs generally based on an individual’s level of gaming play. These costs are classified as promotional allowances.

The State of New Jersey imposes an annual tax of 15% on IGaming gross revenue. These taxes along with expenses for software & licensing fees, royalty fees and payment processing fees are recorded as a component of Casino Costs & Expenses. Certain legal, marketing, advertising and administrative fees associated with the setup and ongoing support of IGaming are reflected in General, Administrative and Other on the Statements of Income.

An Internet Gaming Permit Fee of $250 along with a Responsible Internet Gaming Fee of $250 is required annually. These fees are treated as prepaid expenses and are amortized over the year. IGaming licensees are also required to invest an additional 2.5% of gross casino revenue to satisfy investment obligations with the CRDA.

Advertising Costs

The Company expenses advertising costs as incurred or the first time the advertising takes place. Advertising expense is generally recognized in General, Administrative and Other on the Statements of Income and totaled $9,135 and $12,168 for the twelve months ended December 31, 2017 and 2016, respectively.

Income taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that included the enactment date. Future tax benefits are recognized to the extent that realization of those benefits is considered more likely than not, and a valuation allowance is established for deferred tax assets which do not meet this threshold.

Fair Value of Financial Instruments

As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

Adoption of New Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which amended FASB ASU Topic 330, *Inventory*. This ASU requires entities to measure inventory at the lower of cost or net realizable value and eliminates the option for measuring inventory at market value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. This ASU became effective with our interim period beginning January 1, 2017. The adoption of this guidance was applied prospectively, and did not have any impact on our consolidated financial position, results of operations, cash flows and disclosures.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which amends FASB ASC Topic 805, *Business Combinations*. This ASU provides guidance on what constitutes a business for purposes of applying FASB Topic 805, and is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We elected to early adopt this guidance in the first quarter of 2017. We did not have any transactions affected by this guidance and therefore, the adoption of this guidance did not have an impact on our consolidated financial position, results of operations, cash flows and disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which amends FASB ASC Topic 350, *Intangibles - Goodwill and Other*. This ASU simplifies the annual goodwill impairment testing by eliminating “Step 2” from the test, which, prior to the adoption of this ASU, requires comparing the implied fair value of goodwill with its carrying value. By eliminating “Step 2” from the goodwill impairment test, the quantitative analysis of goodwill will result in an impairment loss for the amount that the carrying value of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to the tested reporting unit. While this ASU reduces the complexity of goodwill impairment tests, it may result in significant differences in the recognition of goodwill impairment. For example, should the reporting unit fail “Step 1” of the impairment test but pass the current “Step 2” impairment test, the Company may have more impairments of goodwill under the new guidance. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted for interim and annual goodwill impairment tests performed on testing dates on or after January 1, 2017. The Company elected to early adopt this ASU for our annual goodwill tests to be performed on testing dates beginning in 2017. The adoption of this guidance had no impact on our consolidated financial position, results of operations, cash flows and disclosures.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU is effective for fiscal years beginning after December 15, 2017, using one of two retrospective application methods. The Company has determined it will adopt this ASU on January 1, 2018 using the full retrospective method, which will require restatement of each prior reporting period to be presented.

The Company has completed its assessment of the impact the adoption of ASC 606 will have on the Company's financial statements and related footnote disclosures, through monitoring implementation guidance issued by the American Institute of Certified Public Accountants Gaming Entities Revenue Recognition Task Force, internal review and discussions with outside advisers. The Company has concluded that the most significant impact resulting from the adoption of ASC 606 will be a change in the reporting of rewards earned and redeemed by our customers under our loyalty programs. Currently, when a customer redeems their loyalty program points, the Company records non-gaming complimentary revenue, with a corresponding deduction for promotional allowance. Under the new accounting standard, points earned by our customers as a result of their gaming activity will create a separate performance obligation, which will require the allocation of a portion of the gaming revenue to that obligation. Under ASC 606, when the customer redeems the points and the performance obligation is fulfilled by the Company, revenue will be recognized in the venue that provides the goods or services (for example, hotel, food, beverage, or other).

Further, the loyalty program liabilities, which are currently measured at the estimated cost of the benefits, will be measured at the expected retail value of the points under ASC 606, which will result in an initial increase at adoption in the liabilities of approximately $1,392, with adjustments in subsequent periods expected to be immaterial. The Company has determined that the change in the measurement of the loyalty program liabilities will result in an increase in the deferral of gaming revenue.

Further adjustments resulting from the implementation of ASC 606 will require reclassifications between gaming revenue, promotional allowances and operating expenses. The primary impact of these reclassifications will be a reduction in gaming revenue by the approximate amount of previously reported promotional allowances, but will not materially change the amount of net revenues.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which supersedes FASB ASC Topic 840, *Leases.* This ASU requires the recognition of right-of-use assets and lease liabilities, measured at the present value of the future minimum lease payments, by lessees for those leases classified as operating leases under previous guidance. In addition, among other changes to the accounting for leases, this ASU retains the distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous guidance. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The amendments in this ASU should be applied using a modified retrospective approach. Early application is permitted. The Company is currently evaluating the impact of this guidance, and is currently unable to reasonably estimate the impact of this guidance on the Company's consolidated financial statements and related footnote disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends FASB ASC Topic 230, *Statement of Cash Flows*. This ASU seeks to reduce the diversity currently in practice by providing guidance on the presentation of eight specific cash flow issues in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the impact of this guidance, if any, on our consolidated statement of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*, which amends FASB ASC Topic 740, *Income Taxes.* This ASU requires the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Current U.S. GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This ASU is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of adopting this guidance, if any, on our consolidated financial position, results of operations, cash flows and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash,* which amends FASB ASC Topic 230, Statement of Cash Flows. This ASU requires that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this guidance on our consolidated statement of cash flows.

A variety of proposed or otherwise potential accounting standards are currently under consideration by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

Subsequent Events

The Company evaluated its December 31, 2017 financial statements for subsequent events for recognition or disclosure through March 31, 2018, the date the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Land and land improvements	$ 69,694	$ 68,020
Building and improvements	176,644	151,684
Furniture, fixtures and equipment	110,859	97,974
Construction in progress	12,591	6,144
Total property and equipment-gross	369,788	323,822
Less: accumulated depreciation and amortization	(125,527)	(100,514)
Total property and equipment	$ 244,261	$ 223,308

Depreciation expense related to property and equipment was $25,991 and $23,436 for the years ended December 31, 2017 and 2016 respectively.

NOTE 3. OTHER CURRENT ASSETS

Other Current Assets consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Prepaid insurance	$ 1,066	$ 1,034
Prepaid taxes & licenses	815	1,004
Prepaid Union Benefits	10,754	-
Other	1,381	1,418
Total other current assets	$ 14,016	$ 3,456

NOTE 4. INVESTMENTS

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues and 2.5% on IGaming gross revenue in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues and 5% on IGaming gross revenue. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-third of market value.

Investments consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Investment in bonds-CRDA	$ 19,211	$ 18,592
Less unamortized discount	(8,089)	(4,348)
Less valuation allowance	(4,616)	(4,115)
Deposits - CRDA	1,331	17,351
Less valuation allowance	(584)	(10,319)
Direct investment - CRDA	1,578	2,158
Less valuation allowance	(1,578)	(2,158)
Total investments	$ 7,253	$ 17,161

The CRDA bonds have various contractual maturities that range up to 40 years. Actual maturities may differ from contractual maturities because of prepayment rights. The Company treats CRDA bonds as held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, the Company is not permitted to do otherwise. As such, the CRDA bonds are initially recorded at a discount in order to approximate fair value.

After the initial determination of fair value, the Company analyzes the CRDA bonds for recoverability on a quarterly basis based on management's historical collection experience and other information received from the CRDA. If indications exist that the CRDA bond is not fully recoverable, additional valuation allowances are recorded.

Funds on deposit with the CRDA are held in an interest bearing account by the CRDA. Interest is earned at the stated rate that approximates two-thirds of the current market rate for similar assets. The Company records charges to expense to reflect the lower return on investment and records the deposit at fair value on the date the deposit obligation arises. During the years ended December 31, 2017 and 2016, the Company recorded expense of $3,542 and $1,186, representing changes in these investment reserves, which is included in CRDA Related Expense – Net on the accompanying statements of income.

As a result of the NJ PILOT Law, which was enacted in May 2016 (see further discussion in Note 7, Commitments and Contingencies, NJ PILOT Law), the portion of investment alternative tax payments made by casino operators which are deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA will be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by Atlantic City. That portion of the deposits which will be allocated to the State of New Jersey are no longer recorded as an investment with a corresponding valuation allowance, but are charged directly to expenses. During the years ended December 31, 2017 and 2016, the Company recorded expense of $3,809 and $2,135, representing that portion of investment alternative tax payments that are allocated to the State of New Jersey under the NJ PILOT Law and have no future value to the Company. This expense is included in CRDA Related Expense – Net on the accompanying statements of income.

In 2014, the Company was approved to use up to $18,800 of CRDA deposits ("Approved CRDA Project Funds") for certain capital expenditures relating to the property. In April 2016, the CRDA approved an application by the Company to increase the scope of the approved project to include additional project elements and amend the CRDA grant agreement to permit an $8,000 increase in the CRDA fund reservation and corresponding increase in the Approved CRDA Project Funds from $18,800 to $26,800, and a rescheduled substantial completion date for the project to no later than June 30, 2017. In exchange for the approval, the Company agreed to donate the balance of its CRDA deposits in the amount of approximately $7,068 to the CRDA pursuant to NJSA 5:12-177. The Company recorded $5,385 of expense during the second quarter of 2016 to fully reserve the funds donated to the CRDA per this agreement. The project was completed by June 30, 2017.

Through December 31, 2017, the Company had received a total of $18,283 of reimbursements of Approved CRDA Project Funds under the program described above. The remainder of the Approved CRDA Project Funds is retained by CRDA as an administrative charge.

NOTE 5. OTHER ASSETS

Other Assets consists of the following (in thousands):

	December 31,	
	2017	2016
Deferred tax asset- non current	$ 83,197	$ 155,694
Intangible assets	5,625	-
Other	3,268	3,087
Total other assets	$ 92,090	$ 158,781

Intangible assets represents the Company's unamortized value of the Taj Mahal customer database which was purchased on March 31, 2017, and is being amortized over the estimated useful life of three years.

NOTE 6. DEBT

TE has long-term debt where the Company is a guarantor and substantially all of the Company's property and equipment is pledged as collateral. As a result, a portion of TE's debt and unamortized debt discount is allocated to the Company based on total asset valuation.

The Company's allocated portion of TE's long-term debt consisted of the following (in thousands):

	December 31,	
	2017	2016
TE Term Loan Facility; 4.0% due 2020, net of unamortized discount of $79 and $223 at December 31, 2017 and 2016, respectively and debt issuance costs of $268 and $706 at December 31, 2017 and 2016, respectively	$ 37,086	$ 77,801
Less: current portion	-	(814)
Long-term debt	$ 37,086	$ 76,987

Scheduled maturities of the Company's long-term debt at December 31, 2017 are as follows (in thousands):

2018	-
2019	100
2020	37,333
Total scheduled maturities	37,433
Unamortized debt discount	(79)
Debt issuance costs	(268)
Total long-term debt	$ 37,086

TE Debt

On November 27, 2013, TE entered into a senior secured first lien term loan facility in an aggregate principal amount of $300 million, issued at a discount of 0.5% (the "Term Loan Facility") and a senior secured first lien revolving credit facility in an aggregate principal amount of $15 million (the "Revolving Facility" and, together with the Term Loan Facility, the "Credit Facilities"). Commencing on December 31, 2013, the Term Loan Facility is amortized in equal quarterly installments in an amount of $750, with any remaining balance payable on the final maturity date of the Term Loan Facility, which is November 27, 2020. TE allocates its debt and unamortized debt discount to its subsidiaries based on the portion of collateralized assets at each subsidiary.

The Revolving Facility was terminated by TE effective March 31, 2017, in accordance with the terms of the Credit Agreement. There were no amounts outstanding under the Revolving Facility at the time of the termination.

The Term Loan Facility accrues interest at a floating per annum rate (as defined in the Credit Agreement) such that the applicable interest rate shall not be less than 4.0%. As of December 31, 2017, the interest rate on the Term Loan Facility was 4.6%

The Term Loan Facility may be prepaid at the option of TE at any time without penalty (other than customary LIBO Rate breakage fees). On September 29, 2017, TE made an optional prepayment of $125 million on the Term Loan Facility, and on December 29, 2017, TE made a second optional prepayment of $25 million Under the terms of the Term Loan Facility, the optional prepayments are applied first to the next four quarterly mandatory principal payments, and second, to reduce on a pro-rata basis, the remaining scheduled principal payments. As a result of the optional prepayments in 2017, the Company wrote off a portion of the debt issuance costs and discount.

Key covenants binding TE and its subsidiaries include limitations on indebtedness, liens, investments, acquisitions, asset sales, dividends and other restricted payments, and affiliate and extraordinary transactions. Key default provisions include failure to repay principal, interest, fees and other amounts owing under the facility, cross default to certain other indebtedness, the rendering of certain judgments against TE or its subsidiaries, failure of security documents to create valid liens on property securing the Term Loan Facility and to perfect such liens, revocation of casino, gambling, or gaming licenses, TE's or its material subsidiaries' bankruptcy or insolvency; and the occurrence of a Change of Control (as defined in the Credit Agreement). Many defaults are also subject to cure periods prior to such default giving rise to the right of the lenders to accelerate the loans and to exercise remedies. TE was in compliance with the covenants of the Term Loan Facility at December 31, 2017.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Licensing

On November 10, 2010, the Company was granted its plenary casino license by the New Jersey Casino Control Commission. In accordance with N.J.S.A. 5:12-87.1, which requires casino licensees to resubmit information to the New Jersey Division of Gaming

Enforcement (NJDGE) every five (5) years in connection with continuation of its casino license, on March 10, 2016, the Division found that Tropicana continued to meet the statutory requirements of N.J.S.A. 5:12-84 and 85 for retention of its casino license.

Gross Casino Revenue Tax and Casino Investment Alternative Tax

The State of New Jersey imposes an annual tax of 8% on gross casino revenue and commencing with the operations of IGaming, an annual tax of 15% on IGaming gross revenue. In addition, under New Jersey law, casino license holders or IGaming permit holders are required to invest an additional 1.25% of gross casino revenue and 2.5% of IGaming gross revenue ("Casino Investment Alternative Tax", or "IAT") for the purchase of bonds to be issued by the CRDA or to make other approved investments equal to that amount; and in the event the investment requirement is not met, the casino license holder or internet gaming permit holder is subject to a tax of 2.5% percent on gross casino revenue and 5% on gross IGaming revenue. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase and published by a national bond index at the time of the CRDA bond issuance. As more fully described below, commencing on May 27, 2016, the effective date of the NJ PILOT Law, future IAT that have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds, will be allocated to the City of Atlantic City for the purposes of paying debt service on bonds issued by the City of Atlantic City.

2011 Legislation

On February 1, 2011, New Jersey enacted legislation (the "Tourism District Bill") that delegated redevelopment authority and creation of a master plan to the CRDA and allowed the CRDA the ability to enter into a five year public private partnership with the casinos in Atlantic City that have formed the Atlantic City Alliance ("ACA") to jointly market the city. The legislation obligated the Atlantic City casinos either through the ACA or, if not a member of the ACA, through individual assessments, to provide funding for the Tourism District Bill in the aggregate amount of $30.0 million annually through 2016. Each Atlantic City casino's proportionate share of the assessment was based on the gross revenue generated in the preceding fiscal year (see NJ PILOT Law, below, for further discussion of the ACA).

NJ PILOT Law

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the "NJ PILOT Law") which exempted Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payment in lieu of tax payments ("PILOT Payments") to the City of Atlantic City, made certain changes to the NJ Tourism District Law and redirected certain IAT payments to assist in the stabilization of Atlantic City finances. Under the NJ PILOT Law, commencing in 2017 and for a period of ten (10) years, each Atlantic City casino gaming property (as defined in the NJ PILOT Law) is required to pay its prorated share of an aggregate amount of PILOT Payments based on an equal weighted formula that includes the following criteria: the gross gaming revenues ("GGR") of the casino, the total number of hotel guest rooms and the geographic footprint of the real property owned by each casino gaming property. For calendar year 2017, the aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties is $120 million, prorated among casino properties based upon the above factors. Commencing in 2018 and for each year thereafter, the aggregate amount of PILOT Payments owed will be determined based on a sliding scale of Atlantic City casino industry GGR from the applicable prior year, subject to certain adjustments. For each year from 2017 through 2021, each casino gaming property's prorated share of PILOT Payments is capped (the "PILOT CAP") at an amount equal to the real estate taxes due and payable in calendar year 2015, which is calculated based upon the assessed value of the casino gaming property for real estate tax purposes and tax rate.

On August 1, 2017, the Company settled its pending 2015 and 2016 real estate tax appeals. The settlement, among other things, provides for refunds in respect of the tax appeals and the Company's 2017 PILOT Payments, and a reduction in the assessed value of the Company for real estate tax purposes for calendar year 2015, including a corresponding reduction of the Company's PILOT CAP for each of the calendar years 2018 through 2021. Further information regarding the tax appeal settlement is included below.

The NJ PILOT Law also provides for the abolishment of the ACA effective as of January 1, 2015 and redirection of the $30 million in ACA funds paid by the casinos for each of the years 2015 and 2016 under the Tourism District Law to the State of New Jersey for Atlantic City fiscal relief and further payments of $15 million in 2017, $10 million in 2018 and $5 million for each year between 2019 and 2023 to Atlantic City.

In addition, the NJ PILOT Law also provides for IAT payments made by the casino operators since the effective date of the NJ PILOT Law, which were previously deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds, to be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by Atlantic City.

The NJ PILOT Law is the subject of litigation pending in the Superior Court of New Jersey, Atlantic County Law Division, which challenges the validity of the law and/or portions of it. In the event the litigation is successful in overturning the NJ PILOT Law (or portions of it), such a ruling, if upheld on appeal, could have a future financial impact on the Company, including whether the Company continues to make PILOT Payments under the current law, is subject to future ad valorem property taxation, or some other mechanism for payments in lieu of taxes, and the amount of payments under any such alternative statutory schemes.

Tax Appeal Settlement

On August 1, 2017, The Company, the City of Atlantic City and the New Jersey Department of Community Affairs entered into a Real Estate Tax Appeal Settlement Agreement (the "Settlement Agreement"), pursuant to which the parties agreed to settle the Company's 2015 and 2016 real estate tax appeals pending before the Tax Court of New Jersey (the "Pending Tax Appeals"). The Settlement Agreement, among other things, provided for refunds in the aggregate amount of $36,765 in respect of the Pending Tax Appeals and the Company's 2017 PILOT Payment. The portion of the settlement related to the reduction in 2017 PILOT expense has been recorded as a reduction of the current year expense, which is included in General, Administrative and Other Expenses on the accompanying Statements of Income for the twelve months ended December 31, 2017. The balance of the settlement, net of related professional fees expense, is included in Non-operating Income on the accompanying Statements of Income for the twelve months ended December 31, 2017. The Company received full payment of the refunds in early October 2017. In addition, the Settlement Agreement provides for a reduction in the assessed value of the Company for real estate tax purposes for calendar year 2015, including a corresponding reduction to the Company's PILOT CAP for each of calendar years 2018 through 2021, from $19,848 to $8,384, and the expense associated with the Company's PILOT Payments for each of the calendar years 2018 through 2021.

Employee Variable Annuity Pension Plan

In connection with the collective bargaining agreement and related settlement agreement (the “Settlement Agreement”) that was executed in May 2014 between the Company and UNITE HERE Local 54 (“Local 54”), the parties agreed that the Company would establish a Variable Annuity Pension Plan (“VAPP”), a defined benefit pension plan, for certain Local 54 employees of the Company. The VAPP became effective on August 8, 2017 upon receipt of a favorable determination from the Internal Revenue Service (“IRS”) and formal adoption of the VAPP by the Company.

Pursuant to the provisions of the VAPP, no individual is able to become a participant before January 1, 2018. Therefore, there are no VAPP participants as of December 31, 2017 and hence no benefits had accrued under the VAPP as of December 31, 2017. Once an employee becomes a participant in the VAPP, in certain circumstances his or her benefit may take into account years of prior service with the Company on or after February 1, 2014. The VAPP is administered by a Retirement Committee composed of an equal number of members appointed by the Company and Local 54. The VAPP is intended to provide certain eligible Local 54 employees with retirement benefits in accordance with the VAPP. In accordance with the Settlement Agreement, the Company is required to initially fund the VAPP with contributions in the amount of $1.93 per hour for each straight time hour paid to regular employees covered by the collective bargaining agreement during the period commencing February 1, 2014 through and including August 8, 2017. Contributions to the VAPP through the end of the current collective bargaining agreement of February 29, 2020, will be calculated at $1.93 per straight time hour paid to employees covered by the agreement.

Based on the Settlement Agreement, the Company has recorded a liability for the estimated initial amount of funding of the VAPP. The amount of this liability, which is included in accrued expenses on the accompanying consolidated balance sheets, was $11.6 million and $8.1 million as of December 31, 2017 and 2016, respectively.

Commencing in 2018, with the introduction of participants into the VAPP, pension expenses will be calculated using actuarial assumptions, including an expected long-term rate of return on assets and discount rate, based on a long-term investment strategy that will be developed by the Retirement Committee. The Company will evaluate all of the actuarial assumptions, generally on an annual basis, and will adjust as necessary. Actual pension expense will depend on future investment performance, changes in future discount rates, the level of contributions and various other factors.

Other

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business or asserted by way of defense or counter-claim in actions filed by the Company. Management believes that its defenses are substantial in each of these matters, and the Company's legal posture can be successfully defended or satisfactorily settled without material adverse effect on its consolidated financial position, results of operations or cash flows.

NOTE 8. RELATED PARTIES

Advances to affiliates are reflected in Investments, Advances and Receivables. The identity of the affiliate and corresponding balances at December 31, 2017 and 2016 are as follows (in thousands):

	December 31,	
	2017	2016
Due from Tropicana Entertainment Inc.	$ 201,058	$ 158,707
Due from TEI (ES) LLC	803	507
Due from Centroplex-Baton Rouge	390	265
Due from Evansville	313	141
	$ 202,564	$ 159,620

Transactions with TE include activity principally related to TE's Term Loan Facility, joint insurance programs, federal income tax filings, and other administrative services. The Company operates a Reservation Call Center for which it charges the Lumiere Hotel ("TEI (ES), LLC"), Centroplex Baton Rouge, and Evansville a fee for the services provided. TEI (ES) LLC, Centroplex Baton Rouge, and Evansville are wholly owned Subsidiaries of TE.

Various corporate services were provided to the Company in the twelve months ended December 31, 2017 and 2016 for which a management fee was charged. For the twelve months ended December 31, 2017 and 2016 the Company recorded a management fee of $7,023 and $6,327 respectively.

Effective October 1, 2016, the Company and Trump Entertainment Resorts, Inc. ("TER") entered into a Database License Agreement pursuant to which the Company licensed the Taj Mahal customer database from TER. On March 31, 2017 the Company and TER agreed to terminate the Database License Agreement and TE entered into a Customer Database and IP Sales Agreement, pursuant to which TE purchased the Taj Mahal customer database. TE has estimated the value of the customer database to be $7,500, which was recorded on the Company's balance sheet as of March 31, 2017, and amortized on a straight-line basis over three years, commencing April 1, 2017. The amortization expense is recognized in Depreciation and Amortization on the Statement of Income and totaled $1,875 at December 31, 2017.

On June 27, 2017, IEP Morris LLC ("IEP Morris"), an affiliate of Icahn Enterprises, and the Company entered into a short term triple net lease agreement with annual rent of ten dollars ($10) (the "Lease Agreement"), pursuant to which the Company leased the property formerly known as The Chelsea Hotel, located in Atlantic City ("The Chelsea") from IEP Morris. The Lease Agreement was terminated on July 6, 2017, at which time the Company paid IEP Morris $5,482 for an assignment of a mortgage on The Chelsea and rights under certain other related agreements, pursuant to which The Chelsea was acquired by IEP Morris. On July 6, 2017, the Company recorded a deed from IEP Morris conveying title to The Chelsea to the Company.

NOTE 9. INCOME TAXES

Income tax expense (benefit) is comprised of (in thousands):

	December 31, 2017	December 31, 2016
Current		
Federal	$ 7,188	$ (14,284)
State	146	160
	7,334	(14,124)
Deferred		
Federal	72,500	17,940
State	(3)	(24)
	72,497	17,916
	$ 79,831	$ 3,792

A reconciliation of the federal income tax statutory rate and the effective tax rate is as follows (in thousands):

	2017	2016
Expected tax at 35%	$ 24,447	$ 4,200
State tax net of federal benefit	324	706
Effect of permannent differences	79	83
Employment Credits	(222)	(235)
Prior year true-up	-	(392)
Tax rate change	55,437	-
Valuation allowance	(234)	(570)
Total expense	$ 79,831	$ 3,792

The income tax effects of loss carryforwards, tax credit carryforwards and temporary differences between financial and income tax reporting that give rise to the deferred income tax assets and liabilities at December 31, 2017 and 2016, are as follows (in thousands):

	December 31, 2017	December 31, 2016
Receivables	$ 1,774	$ 2,382
Accrued compensation	1,437	6,070
Net operating loss carryforward	29,872	54,141
Reserve accrued liablities	3,177	4,343
Property and equipment	69,124	111,110
Other assets	4,196	1,584
Gross deferred tax assets	109,580	179,630
Less valuation allowance	(21,265)	(21,499)
Total deferred tax asset	88,315	158,131
Deductible prepaids	(917)	(1,412)
Intangibles	(4,201)	(1,025)
Gross deferred tax liablilites	(5,118)	(2,437)
Net deferred tax asset	$ 83,197	$ 155,694

On December 22, 2017, H.R.1, known as the Tax Cuts and Jobs Act (the "Act"), was signed into law. Among other things, the Act permanently lowers the corporate tax rate to 21% from the existing maximum rate of 35%, effective for tax years including or commencing January 1, 2018. As a result of the reduction of the corporate tax rate to 21%, the Company has revalued its deferred tax assets and liabilities as of the date of enactment, with resulting tax effects accounted for in the reporting period of enactment. As a result of the re-valuation, the Company's net deferred tax assets were reduced by $55.4 million with a corresponding increase to deferred tax expense.

The Company has federal net operating loss carryforwards pursuant to the acquisition of Adamar. Internal Revenue Code Section 382 ("Section 382") places certain limitation on the annual amount of net operating loss carryforwards that can be utilized when a change of ownership occurs. The Company believes its acquisition of Adamar was a change in ownership pursuant to Section 382. As a result of the annual limitation, the net operating loss carryforward amount available to be used in future periods is approximately $140.0 million and will begin to expire in 2027 and forward.

Accounting for uncertainty in income taxes prescribes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The accounting standards also require that the tax positions be assessed using a two step process. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recognized as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows (in thousands):

	December 31, 2017	December 31, 2016
Unrecognized tax benefits, beginning of period	$3,442	$ -
Increases based on tax positions related to prior years	-	2,002
Decreases based on tax positions related to prior years	(3,442)	
Increases based on tax positions related to the current year	-	1,440
Unrecognized tax benefits, end of period	$ -	$3,442

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. In the next twelve months, the Company does not expect the liability for unrecognized tax benefits to change significantly. The Company files income tax returns in the United States Federal jurisdiction and New Jersey. Generally, the statute of limitation for examination of the Company's returns is open for years ended December 31, 2012.

NOTE 10. EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company offers a defined contribution 401(k) plan, which covers substantially all employees who are not covered by a collective bargaining agreement and who reach certain age and length of service requirements. Plan participants can elect to defer before tax compensation through payroll deductions. Such deferrals are regulated under Section 401(k) of the Internal Revenue Code. The plan allows for the Company to make an employer contribution on the employee's behalf at the Company's discretion. The Company expensed no matching contributions in 2017or 2016.

Multiemployer Pension Plans

At December 31, 2017 and 2016 we had collective bargaining agreements with unions covering certain employees. Since February 2012, the Company has not participated in any union-sponsored, collectively bargained, multiemployer defined benefit pension plans. The risks of participating in multiemployer pension plans are different from single-employer pension plans in the following aspects: assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and if the Company stops participating in some of its multiemployer pension plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company made no contributions to these multiemployer plans for the years ended December 31, 2017 and 2016, respectively.

Employee Variable Annuity Pension Plan

In connection with the collective bargaining agreement and related Settlement Agreement that was executed in May 2014 between the Company and Local 54, the parties agreed to establish a VAPP, a defined benefit pension plan, for certain Local 54 employees of the Company. The VAPP became effective on August 8, 2017 upon receipt of a favorable determination from the IRS and formal adoption of the VAPP by the Company. Pursuant to the provisions of the VAPP, no individual is able to become a participant before January 1, 2018. Therefore, there are no VAPP participants as of December 31, 2017 and hence no benefits had accrued under the VAPP as of December 31, 2017 (see Note 7 - Commitments and Contingencies, *Employee Variable Annuity Pension Plan*).

NOTE 11. LEASES

For the years ended December 31, 2017 and 2016 the Company recorded rental revenue of $5,663 and $5,562, respectively. The future minimum lease payments to be received under non-cancelable operating leases for years subsequent to December 31, 2017 are as follows (in thousands):

2018	$4,397
2019	4,488
2020	3,247
2021	3,046
2022	2,808
Thereafter	3,859
Total	$21,845

The above minimum rental income does not include contingent rental income or common area maintenance costs contained within certain retail operating leases.

NOTE 12. OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following (in thousands):

	December 31,	
	2017	2016
Accrued payroll, taxes, and benefits	$ 22,161	$ 18,165
Loyalty program liability	2,306	2,452
Insurance reserves	7,529	6,954
Other	5,794	4,982
Total other accrued expenses	$ 37,790	$ 32,553

NOTE 13. OTHER CURRENT LIABILITIES

Other Current Liabilities consist of the following (in thousands):

	December 31,	
	2017	2016
Chip liability	$ 2,338	$ 2,327
Other	7,432	6,819
Total other current liabilities	$ 9,770	$ 9,146

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the Company's cash and cash equivalents, restricted cash, receivables and accounts payable approximate fair value because of the short term maturities of these instruments. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

- Level 3 - Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including its own data.

The following table presents a summary of fair value measurements by level for certain assets measured at fair value on a recurring basis included in the accompanying balance sheets at December 31, 2017 and 2016 (in thousands):

Input Levels for Fair Value Measurements

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets:				
CRDA deposits, net	$ -	$ -	$ 587	$ 587
December 31, 2016				
Assets:				
CRDA deposits, net	$ -	$ -	$ 1,202	$ 1,202

Funds on deposit with the CRDA are held in interest bearing accounts by the CRDA. Interest is earned at the stated rate that approximates two-thirds of the current market rate for similar assets. The Company records charges to expense to reflect the lower return on investment and records the deposit at fair value. As of December 31, 2017, the remainder of funds on deposit with the CRDA which are not attributable to the amended CRDA grant agreement, are classified in the fair value hierarchy as Level 3, and estimated using valuation allowances calculated based on market rates for similar assets and other information received from the CRDA. The fair value of the CRDA deposits as of December 31, 2017, classified in the fair value hierarchy as Level 3, are estimated using valuation allowances calculated based on market rates for similar assets and other information received from the CRDA.

The following table summarizes the changes in fair value of the Company's Level 3 CRDA deposits (in thousands):

	December 31, 2017	December 31, 2016
Balance at January 1	$ 1,202	$ 16,405
Realized or unrealized losses	(1,125)	(5,826)
Additional CRDA deposits	1,310	2,540
CRDA Project Funds Received	-	(3,035)
Purchases of CRDA investments	(800)	(3,052)
CRDA deposits attributable to amended CRDA grant aggreement, net	-	(5,830)
Balance at December 31	$ 587	$ 1,202

Losses are included in the accompanying statements of income. There were no transfers between fair value levels for 2017 or 2016.

CRDA Bonds

The Company's CRDA bonds are classified as held-to-maturity since the Company has the ability and intent to hold these bonds to maturity; under the CRDA, the Company is not permitted to do otherwise. The CRDA Bonds are initially recorded at a discount to approximate fair value. After the initial determination of fair value, the company will analyze the CRDA bonds quarterly for recoverability based on management's historical collection experience and other information received from the CRDA. If indications exist that the CRDA bond is impaired, additional valuation allowances will be recorded. The CRDA bonds carrying value as of December 31, 2017 and 2016 net of the unamortized discount and valuation allowance, was $6,506 and $10,129 respectively, which approximates fair value.

Long-term Debt

The Company's long-term debt is carried at amortized cost in the accompanying balance sheets. The fair value of the Company's long-term debt is a Level 2 fair value measurement and has been estimated based upon quoted market prices for similar issues. The estimated fair value of long-term debt as of December 31, 2017 and 2016 is approximately $37.8 million and $79.2 million.

NOTE 15. NON-OPERATING INCOME/EXPENSE

Non-operating Income/(Expense) for the twelve months ended December 2017 and 2016 consists of the following (in thousands):

	2017	2016
Interest income	$ 432	$ 530
Real estate tax settlement	23,449	-
Loss on disposal of asset	(173)	(293)
Total non-operating income	$ 23,708	$ 237

TROPICANA CASINO AND RESORT

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

TROPICANA CASINO AND RESORT

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2017

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks...............................	$5,027		
2	Returned Patrons' Checks....................................	6,201		
3	Total Patrons' Checks..	11,228	$5,575	$5,653
4	Hotel Receivables..	2,853	100	2,753
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates...........................	-		
7	Other Accounts and Notes Receivables................	6,805		
8	Total Other Receivables.....................................	6,805	636	6,169
9	Totals (Form DGE-205)..	$20,886	$6,311	$14,575

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$3,565
11	Counter Checks Issued..	119,346
12	Checks Redeemed Prior to Deposit..	(90,309)
13	Checks Collected Through Deposits..	(24,477)
14	Checks Transferred to Returned Checks..	(3,098)
15	Other Adjustments...	
16	Ending Balance..	$5,027
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks..	$872
19	Provision as a Percent of Counter Checks Issued..	0.7%

TROPICANA CASINO AND RESORT
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2017

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	664			
2	Slot Machines	101			
3	Administration	4			
4	Casino Accounting	129			
5	Simulcasting				
6	Other				
7	Total - Casino	898	$19,591	$0	$19,591
8	ROOMS	481	10,365		10,365
9	FOOD AND BEVERAGE	809	16,878		16,878
10	GUEST ENTERTAINMENT	158	2,017		2,017
11	MARKETING	168	7,581		7,581
12	OPERATION AND MAINTENANCE	235	8,216		8,216
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	2	1,091		1,091
14	Accounting and Auditing	52	2,217		2,217
15	Security	201	5,734		5,734
16	Other Administrative and General	44	1,891		1,891
	OTHER OPERATED DEPARTMENTS:				
17	Communications	15	347		347
18	Transportation	103	1,839		1,839
19	Hotel Sales	5	470		470
20	IT	24	1,492		1,492
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,195	$79,729	$0	$79,729