# TROPICANA CASINO AND RESORT

# QUARTERLY REPORT

**FOR THE QUARTER ENDED SEPTEMBER 30, 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 SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2017 (c) | 2016 (d) |
|---|---|---|---|---|
| | ASSETS: | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents | | $43,658 | $148,240 |
| 2 | Short-Term Investments | | 0 | 0 |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, $6,621 ; 2016, $6,857 | 1, 7 | 53,055 | 13,395 |
| 4 | Inventories | | 4,044 | 3,337 |
| 5 | Other Current Assets | 3 | 3,567 | 5,276 |
| 6 | Total Current Assets | | 104,324 | 170,248 |
| 7 | Investments, Advances, and Receivables | 4, 8 | 169,276 | 89,298 |
| 8 | Property and Equipment - Gross | 2 | 356,575 | 318,353 |
| 9 | Less: Accumulated Depreciation and Amortization | 2 | (118,911) | (95,633) |
| 10 | Property and Equipment - Net | 2 | 237,664 | 222,720 |
| 11 | Other Assets | 5, 8 | 165,245 | 176,770 |
| 12 | Total Assets | | $676,509 | $659,036 |
| | LIABILITIES AND EQUITY: | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable | | $13,638 | $9,326 |
| 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 | 10 | 35,127 | 34,277 |
| 19 | Other Current Liabilities | 11 | 10,914 | 8,442 |
| 20 | Total Current Liabilities | | 59,679 | 52,859 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates | 6 | 43,803 | 77,157 |
| 22 | External | | 0 | 0 |
| 23 | Deferred Credits | | 0 | 0 |
| 24 | Other Liabilities | | 0 | 0 |
| 25 | Commitments and Contingencies | | 0 | 0 |
| 26 | Total Liabilities | | 103,482 | 130,016 |
| 27 | Stockholders', Partners', or Proprietor's Equity | | 573,027 | 529,020 |
| 28 | Total Liabilities and Equity | | $676,509 | $659,036 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2017 (c) | 2016 (d) |
|---|---|---|---|---|
| | Revenue: | | | |
| 1 | Casino | | $293,069 | $247,320 |
| 2 | Rooms | | 46,212 | 42,726 |
| 3 | Food and Beverage | | 26,698 | 26,415 |
| 4 | Other | | 12,067 | 11,622 |
| 5 | Total Revenue | | 378,046 | 328,083 |
| 6 | Less: Promotional Allowances | | 79,467 | 67,371 |
| 7 | Net Revenue | | 298,579 | 260,712 |
| | Costs and Expenses: | | | |
| 8 | Casino | | 90,941 | 81,689 |
| 9 | Rooms, Food and Beverage | | 31,684 | 28,910 |
| 10 | General, Administrative and Other | 7 | 94,654 | 105,400 |
| 11 | Total Costs and Expenses | | 217,279 | 215,999 |
| 12 | Gross Operating Profit | | 81,300 | 44,713 |
| 13 | Depreciation and Amortization | 2, 8 | 20,566 | 17,369 |
| | Charges from Affiliates Other than Interest: | | | |
| 14 | Management Fees | 8 | 5,314 | 5,219 |
| 15 | Other | | 0 | 0 |
| 16 | Income (Loss) from Operations | | 55,420 | 22,125 |
| | Other Income (Expenses): | | | |
| 17 | Interest Expense - Affiliates | | (2,961) | (2,629) |
| 18 | Interest Expense - External | | 0 | 0 |
| 19 | CRDA Related Income (Expense) - Net | 4, 7 | (2,240) | (7,714) |
| 20 | Nonoperating Income (Expense) - Net | 7, 12 | 23,681 | 362 |
| 21 | Total Other Income (Expenses) | | 18,480 | (9,981) |
| 22 | Income (Loss) Before Taxes | | 73,900 | 12,144 |
| 23 | Provision (Credit) for Income Taxes | | 25,959 | 0 |
| 24 | Net Income (Loss) | | $47,941 | $12,144 |

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 SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2017 (c) | 2016 (d) |
|---|---|---|---|---|
| | Revenue: | | | |
| 1 | Casino | | $108,682 | $95,776 |
| 2 | Rooms | | 20,106 | 19,211 |
| 3 | Food and Beverage | | 10,987 | 9,870 |
| 4 | Other | | 5,120 | 4,603 |
| 5 | Total Revenue | | 144,895 | 129,460 |
| 6 | Less: Promotional Allowances | | 28,896 | 25,420 |
| 7 | Net Revenue | | 115,999 | 104,040 |
| | Costs and Expenses: | | | |
| 8 | Casino | | 31,443 | 29,435 |
| 9 | Rooms, Food and Beverage | | 12,959 | 11,116 |
| 10 | General, Administrative and Other | 7 | 25,386 | 35,823 |
| 11 | Total Costs and Expenses | | 69,788 | 76,374 |
| 12 | Gross Operating Profit | | 46,211 | 27,666 |
| 13 | Depreciation and Amortization | 2, 8 | 7,100 | 6,148 |
| | Charges from Affiliates Other than Interest: | | | |
| 14 | Management Fees | 8 | 1,645 | 1,820 |
| 15 | Other | | 0 | 0 |
| 16 | Income (Loss) from Operations | | 37,466 | 19,698 |
| | Other Income (Expenses): | | | |
| 17 | Interest Expense - Affiliates | | (1,231) | (880) |
| 18 | Interest Expense - External | | 0 | 0 |
| 19 | CRDA Related Income (Expense) - Net | 4, 7 | (1,837) | (1,291) |
| 20 | Nonoperating Income (Expense) - Net | 7, 12 | 23,537 | 100 |
| 21 | Total Other Income (Expenses) | | 20,469 | (2,071) |
| 22 | Income (Loss) Before Taxes | | 57,935 | 17,627 |
| 23 | Provision (Credit) for Income Taxes | | 20,396 | 0 |
| 24 | Net Income (Loss) | | $37,539 | $17,627 |

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 NINE MONTHS ENDED SEPTEMBER 30, 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............. | | | | | | | | 47,941 | 47,941 |
| 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, September 30, 2017 .......** | | 0 | $0 | 0 | $0 | $282,128 | $0 | $290,899 | $573,027 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2017 (c) | 2016 (d) |
|---|---|---|---|---|
| 1 | CASH PROVIDED (USED) BY OPERATING ACTIVITIES.. | | $31,846 | $39,187 |
| | 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........................... | | (34,931) | (28,265) |
| 5 | Proceeds from Disposition of Property and Equipment.......... | | 29 | 1 |
| 6 | CRDA Obligations ........................................................... | 4 | (1,048) | (2,243) |
| 7 | Other Investments, Loans and Advances made....................... | 4, 8 | (39,903) | 18,478 |
| 8 | Proceeds from Other Investments, Loans, and Advances ....... | 4 | 7,780 | 3,476 |
| 9 | Cash Outflows to Acquire Business Entities.......................... | | 0 | 0 |
| 10 | Proceeds from Sales and Luxury Tax Credits .................. | | 2,607 | 2,601 |
| 11 | Cash Outflows for Tenant Allowance .................. | | 0 | (1,000) |
| 12 | Net Cash Provided (Used) By Investing Activities.................... | | (65,466) | (6,952) |
| | 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............. | | (33,620) | 32,235 |
| 25 | Cash and Cash Equivalents at Beginning of Period................... | | 77,278 | 116,005 |
| 26 | Cash and Cash Equivalents at End of Period............................ | | $43,658 | $148,240 |

| Line | Description | Notes | 2017 | 2016 |
|---|---|---|---|---|
| | CASH PAID DURING PERIOD FOR: | | | |
| 27 | Interest (Net of Amount Capitalized)...................................... | | $0 | $0 |
| 28 | Income Taxes........................................................................... | | $105 | $132 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

($ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2017 (c) | 2016 (d) |
|---|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| 29 | Net Income (Loss) | | $47,941 | $12,144 |
| 30 | Depreciation and Amortization of Property and Equipment | 2 | 19,316 | 17,369 |
| 31 | Amortization of Other Assets | 8 | 1,250 | 0 |
| 32 | Amortization of Debt Discount or Premium | | (56) | (28) |
| 33 | Deferred Income Taxes - Current | | 0 | 0 |
| 34 | Deferred Income Taxes - Noncurrent | | 0 | 0 |
| 35 | (Gain) Loss on Disposition of Property and Equipment | 12 | 158 | (1) |
| 36 | (Gain) Loss on CRDA-Related Obligations | 4 | (986) | 6,419 |
| 37 | (Gain) Loss from Other Investment Activities | | 0 | 0 |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks | 7 | (39,678) | (622) |
| 39 | (Increase) Decrease in Inventories | | (394) | (212) |
| 40 | (Increase) Decrease in Other Current Assets | | (111) | (1,818) |
| 41 | (Increase) Decrease in Other Assets | | (210) | 72 |
| 42 | Increase (Decrease) in Accounts Payable | | 274 | 1,760 |
| 43 | Increase (Decrease) in Other Current Liabilities | | 4,342 | 4,104 |
| 44 | Increase (Decrease) in Other Liabilities | | 0 | 0 |
| 45 | Loss on Impairment of Intangible Assets | | 0 | 0 |
| 46 | | | | |
| 47 | Net Cash Provided (Used) By Operating Activities | | $31,846 | $39,187 |

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 | | ($34,931) | ($28,265) |
| 49 | Less: Capital Lease Obligations Incurred | | | |
| 50 | Cash Outflows for Property and Equipment | | ($34,931) | ($28,265) |
| | 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 NINE MONTHS ENDED SEPTEMBER 30, 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 | 317,494 | $17,158 | 0 | $0 |
| 2 | Food | 338,519 | 5,999 | 278,322 | 4,924 |
| 3 | Beverage | 5,462,953 | 6,392 | 0 | 0 |
| 4 | Travel | 0 | 0 | 2,112 | 634 |
| 5 | Bus Program Cash | 2,515 | 238 | 0 | 0 |
| 6 | Promotional Gaming Credits | 566,224 | 44,868 | 0 | 0 |
| 7 | Complimentary Cash Gifts | 764,379 | 4,617 | 0 | 0 |
| 8 | Entertainment | 27,311 | 195 | 103 | 18 |
| 9 | Retail & Non-Cash Gifts | 0 | 0 | 346,177 | 3,415 |
| 10 | Parking | 0 | 0 | 568,840 | 1,707 |
| 11 | Other | 0 | 0 | 42,521 | 425 |
| 12 | Total | 7,479,395 | $79,467 | 1,238,075 | $11,123 |

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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 | 117,021 | $6,410 | 0 | $0 |
| 2 | Food | 125,409 | 2,416 | 97,210 | 1,873 |
| 3 | Beverage | 1,910,648 | 2,225 | 0 | 0 |
| 4 | Travel | 0 | 0 | 869 | 261 |
| 5 | Bus Program Cash | 890 | 99 | 0 | 0 |
| 6 | Promotional Gaming Credits | 207,906 | 15,926 | 0 | 0 |
| 7 | Complimentary Cash Gifts | 251,126 | 1,755 | 0 | 0 |
| 8 | Entertainment | 7,390 | 65 | 64 | 6 |
| 9 | Retail & Non-Cash Gifts | 0 | 0 | 115,419 | 1,137 |
| 10 | Parking | 0 | 0 | 208,401 | 625 |
| 11 | Other | 0 | 0 | 14,876 | 148 |
| 12 | Total | 2,620,390 | $28,896 | 436,839 | $4,050 |

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 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.

11/15/2017
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 NINE MONTHS ENDED SEPTEMBER 30, 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 Acquisition"). 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 September 30, 2017 and 2016 the above mentioned account balance was $1,948 and $2,860, respectively which included patron's deposits in IGaming accounts of $441 and $522, 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 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 expense.

**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 $1,723 and $1,277 at September 30, 2017 and 2016, respectively. The Company's accrual for workers compensation and employee health insurance claims was approximately $5,973 and $5,694 at September 30, 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 cash, 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 cash, 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 September 30, 2017 and 2016, the Company had $2,499 and $2,527, 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.

### 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. Progressive jackpots are accrued on IGaming progressive games when earned and recorded on the Statements of Income as a component of Casino Revenue. 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 at a minimum 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 $6,984 and $8,933 for the nine months ended September 30, 2017 and 2016, respectively.

### Income taxes

Deferred tax assets and liabilities are recognized for the 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. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in the provision for income taxes.

**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.

**Recently Issued Accounting Standards**

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 financial statements.

**Disclosures Not Presented**

In accordance with the Division of Gaming Enforcement Financial Reporting guidelines, the Company has elected not to include certain disclosures which have not changed significantly since the most recent Annual Report filing. Accordingly, the following disclosures have been omitted: Retirement Plans, Fair Value of Financial Instruments and Income Taxes.

## NOTE 2. PROPERTY AND EQUIPMENT

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

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Land and land improvements | $ 69,694 | $ 68,020 |
| Building and improvements | 166,700 | 151,131 |
| Furniture, fixtures and equipment | 105,846 | 96,807 |
| Construction in progress | 14,335 | 2,395 |
| Total property and equipment-gross | 356,575 | 318,353 |
| Less: accumulated depreciation and amortization | (118,911) | (95,633) |
| Total property and equipment | $ 237,664 | $ 222,720 |

Depreciation expense related to property and equipment was $19,316 and $17,369 for the nine months ended September 30, 2017 and 2016 respectively.

## NOTE 3. OTHER CURRENT ASSETS

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

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Prepaid insurance | $ 686 | $ 590 |
| Prepaid taxes & licenses | 1,176 | 1,432 |
| Prepaid special events | 38 | 1,183 |
| Other | 1,667 | 2,071 |
| Total other current assets | $ 3,567 | $ 5,276 |

## 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.

The CRDA bonds have various contractual maturities that range from 6 to 38 years. Actual maturities may differ from contractual maturities because of prepayment rights.

Investments consist of the following (in thousands):

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Investment in bonds-CRDA | $ 18,794 | $ 16,418 |
| Less unamortized discount | (4,294) | (4,235) |
| Less valuation allowance | (4,432) | (3,885) |
| Deposits - CRDA | 2,345 | 19,563 |
| Less valuation allowance | (1,162) | (10,835) |
| Direct investment - CRDA | 2,037 | 1,872 |
| Less valuation allowance | (2,037) | (1,872) |
| Total investments | $ 11,251 | $ 17,026 |

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.

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 general and administrative expenses.

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 (i) 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 (ii) 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 September 30, 2017.

Through December 31, 2016, the Company had received a total of $18,283 of reimbursements of Approved CRDA Project Funds under the program described above. The Company received $7,780 of CRDA Project Fund reimbursements during the nine months ended September 30, 2017.

## NOTE 5. OTHER ASSETS

Other Assets consists of the following (in thousands):

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Deferred tax asset- non current | $ 155,694 | $ 173,610 |
| Intangible assets | 6,250 | - |
| Other | 3,301 | 3,160 |
| Total other assets | $ 165,245 | $ 176,770 |

Intangible assets represent the Company's unamortized value of the Taj Mahal customer database, which was purchased on March 31, 2017.

## 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):

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| TE Term Loan Facility; due 2020, 4.3% and 4.0% at September 30, 2017 and 2016, respectively, net of unamortized discount of $102 and $238 at September 30, 2017 and 2016, respectively and debt issuance costs of $309 and $725 at September 30, 2017 and 2016, respectively | $ 43,803 | $ 77,971 |
| Less: current portion | - | (814) |
| Long-term debt | $ 43,803 | $ 77,157 |

On November 27, 2013, TE entered into (i) 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 (ii) 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 September 30, 2017, the interest rate on the Term Loan Facility was 4.2%

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. Under the terms of the Term Loan Facility, the optional prepayment is 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 prepayment on September 29, 2017, the Company wrote off a portion of the debt issuance costs and discount.

## 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.

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. Pursuant to legislation adopted in 1984, 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 for the purchase of bonds to be issued by the CRDA or to make other approved investments equal to those amounts; and in the event the investment requirement is not met, the casino license holder or IGaming permit holder is subject to a tax of 2.5% on gross casino revenue and 5.0% on IGaming gross 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.

**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 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: (i) the gross gaming revenues ("GGR") of the casino, (ii) the total number of hotel guest rooms and (iii) 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.

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. Pursuant to the NJ PILOT Law, the 2015 and 2016 ACA payments were remitted to the State.

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 three and nine months ended September 30, 2017. The balance of the settlement, net of related professional fees expense, is included in Nonoperating Income on the accompanying Statements of Income for the three and nine months ended September 30, 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.

**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 September 30, 2017 and 2016 are as follows (in thousands):

| | September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Due from Tropicana Entertainment Inc. | $ 156,668 | $ 71,409 |
| Due from TEI (ES) LLC | 728 | 463 |
| Due from Centroplex-Baton Rouge | 363 | 225 |
| Due from Evansville | 266 | 175 |
| | $ 158,025 | $ 72,272 |

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 nine months ended September 30, 2017 and 2016 for which a management fee was charged. For the nine months ended September 30, 2017 and 2016 the Company recorded a management fee of $5,314 and $5,219 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 $1,250 at September 30, 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. LEASES

For the nine months ended September 30, 2017 and 2016, the Company recorded, as a component of Other Revenue on the Statements of Income, rental revenue of $4,348 and $4,220 respectively.

The future minimum lease payments to be received under non-cancelable operating leases for the three months and years subsequent to September 30, 2017 are as follows (in thousands):

| | |
|---|---|
| 2017 | $1,239 |
| 2018 | 4,449 |
| 2019 | 3,900 |
| 2020 | 2,498 |
| 2021 | 2,297 |
| Thereafter | 4,977 |
| Total | $19,360 |

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

**NOTE 10. OTHER ACCRUED EXPENSES**

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

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Accrued payroll, taxes, and benefits | $ 19,883 | $ 16,766 |
| Insurance reserves | 7,696 | 6,971 |
| Accrued comp liability | 2,537 | 2,574 |
| Accrued taxes | 2,679 | 2,720 |
| Other | 2,332 | 5,246 |
| Total other accrued expenses | $ 35,127 | $ 34,277 |

**NOTE 11. OTHER CURRENT LIABILITIES**

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

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Chip liability | $ 2,180 | $ 2,092 |
| Other | 8,734 | 6,350 |
| Total other current liabilities | $ 10,914 | $ 8,442 |

**NOTE 12. NON-OPERATING INCOME/EXPENSE**

Non-operating Income/(Expense) consists of the following (in thousands):

| | September 30, 2017 | September 30, 2016 |
|---|---|---|
| Interest income | $ 390 | $ 361 |
| Proceeds/(loss) on disposal of asset | (158) | 1 |
| Property tax settlement | 23,449 | - |
| Total non-operating income | $ 23,681 | $ 362 |