TROPICANA CASINO AND RESORT

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2018

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents		$28,816	$35,555	
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, $1,816 ; 2017, $6,311	2	13,441	14,575	
4	Inventories		3,193	3,642	
5	Other Current Assets	5	2,928	14,016	
6	Total Current Assets		48,378	67,788	
7	Investments, Advances, and Receivables	6	222,364	209,817	
8	Property and Equipment - Gross	4	493,389	369,788	
9	Less: Accumulated Depreciation and Amortization	4	(5,780)	(125,527)	
10	Property and Equipment - Net	4	487,609	244,261	
11	Other Assets	7	173,221	92,329	*
12	Total Assets		$931,572	$614,195	*
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$12,115	$14,207	
14	Notes Payable		0	0	
	Current Portion of Long-Term Debt:				
15	Due to Affiliates		0	0	
16	External		0	0	
17	Income Taxes Payable and Accrued		0	0	
18	Other Accrued Expenses	8	27,429	38,930	*
19	Other Current Liabilities	9	7,489	9,770	
20	Total Current Liabilities		47,033	62,907	*
	Long-Term Debt:				
21	Due to Affiliates	10	0	37,086	
22	External		0	0	
23	Deferred Credits		0	0	
24	Other Liabilities	11	431,212	0	
25	Commitments and Contingencies		0	0	
26	Total Liabilities		478,245	99,993	*
27	Stockholders', Partners', or Proprietor's Equity		453,327	514,202	*
28	Total Liabilities and Equity		$931,572	$614,195	*

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.
Amounts indicated with an asterisk have been restated to conform to the current presentation.

TROPICANA CASINO AND RESORT
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	Revenue:				
1	Casino	2	$221,583	$231,467	*
2	Rooms	2	93,970	87,834	*
3	Food and Beverage	2	38,690	38,292	*
4	Other	2	18,770	18,207	*
5	Net Revenue		373,013	375,800	*
	Costs and Expenses:				
6	Casino	2	75,895	79,033	*
7	Rooms, Food and Beverage	2	71,258	72,689	*
8	General, Administrative and Other	2	132,446	131,930	*
9	Total Costs and Expenses		279,599	283,652	*
10	Gross Operating Profit		93,414	92,148	*
11	Depreciation and Amortization	4,13	32,779	27,866	
	Charges from Affiliates Other than Interest:				
12	Management Fees	6	9,985	7,023	
13	Other		0	0	
14	Income (Loss) from Operations		50,650	57,259	*
	Other Income (Expenses):				
15	Interest Expense - Affiliates		(12,284)	(3,541)	
16	Interest Expense - External		0	0	
17	CRDA Related Income (Expense) - Net	6,12	(4,992)	(7,351)	
18	Nonoperating Income (Expense) - Net	17	331	23,708	
19	Total Other Income (Expenses)		(16,945)	12,816	
20	Income (Loss) Before Taxes		33,705	70,075	*
21	Provision (Credit) for Income Taxes	18	9,796	80,070	*
22	Net Income (Loss)		$23,909	($9,995)	*

Amounts indicated with an asterisk have been restated to conform to the current presentation.

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	Revenue:				
1	Casino	2	$52,864	$53,810	*
2	Rooms	2	19,337	17,339	*
3	Food and Beverage	2	8,556	9,189	*
4	Other	2	4,359	4,663	*
5	Net Revenue		85,116	85,001	*
	Costs and Expenses:				
6	Casino		18,584	19,380	*
7	Rooms, Food and Beverage	2	16,156	18,825	*
8	General, Administrative and Other	2	31,557	36,095	*
9	Total Costs and Expenses	2	66,297	74,300	*
10	Gross Operating Profit		18,819	10,701	*
11	Depreciation and Amortization	4,13	8,335	7,300	
	Charges from Affiliates Other than Interest:				
12	Management Fees	6	3,364	1,709	
13	Other		0	0	
14	Income (Loss) from Operations		7,120	1,692	*
	Other Income (Expenses):				
15	Interest Expense - Affiliates		(10,957)	(580)	
16	Interest Expense - External		0	0	
17	CRDA Related Income (Expense) - Net	6,12	(1,183)	(5,111)	
18	Nonoperating Income (Expense) - Net	17	93	27	
19	Total Other Income (Expenses)		(12,047)	(5,664)	
20	Income (Loss) Before Taxes		(4,927)	(3,972)	*
21	Provision (Credit) for Income Taxes	18	(1,310)	54,060	*
22	Net Income (Loss)		($3,617)	($58,032)	*

Amounts indicated with an asterisk have been restated to conform to the current presentation.

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, 2017 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2018

(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)	AOCI (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2016..........**						$282,128		$242,069	$524,197
2	Net Income (Loss) - 2017.............								(9,995)	(9,995)
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, 2017..........**		0	0	0	0	282,128	0	232,074	514,202
11	Net Income (Loss) - 2018.............								23,909	23,909
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments.............									0
15	Other Comprehensive Income, Ne							1,636		1,636
16	Purchase Accounting Adjustment						174,675	(1,495)	(259,600)	(86,420)
17										0
18										0
19	**Balance, December 31, 2018 ....**		0	$0	0	$0	$456,803	$141	($3,617)	$453,327

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, 2018 AND 2017

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$56,289	$88,422
	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...........................		(39,235)	(49,002)
5	Proceeds from Disposition of Property and Equipment..........		9	45
6	CRDA Obligations	6	(1,316)	(1,354)
7	Other Investments, Loans and Advances made.......................	6	(26,143)	(91,159)
8	Proceeds from Other Investments, Loans, and Advances		479	7,962
9	Cash Outflows to Acquire Business Entities...........................		0	0
10	Proceeds from Sales and Luxury Tax Credits		3,178	3,463
11	Cash Outflows for Tenant Allowance		0	(100)
12	Net Cash Provided (Used) By Investing Activities....................		(63,028)	(130,145)
	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.............		(6,739)	(41,723)
25	Cash and Cash Equivalents at Beginning of Period...................		35,555	77,278
26	Cash and Cash Equivalents at End of Period............................		$28,816	$35,555

Line	Description	Notes	2018	2017
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....................................		$0	$0
28	Income Taxes..		$1,590	$475

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, 2018 AND 2017

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)	
	CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss)		$23,909	($9,995)	*
30	Depreciation and Amortization of Property and Equipment	4	28,387	25,991	
31	Amortization of Other Assets	13	4,392	1,875	
32	Amortization of Debt Discount or Premium		(93)	(111)	
33	Deferred Income Taxes - Current		0	0	
34	Deferred Income Taxes - Noncurrent		(1,951)	72,737	*
35	(Gain) Loss on Disposition of Property and Equipment	17	81	173	
36	(Gain) Loss on CRDA-Related Obligations		1,206	3,127	
37	(Gain) Loss from Other Investment Activities		0	0	
38	(Increase) Decrease in Receivables and Patrons' Checks		162	(1,200)	
39	(Increase) Decrease in Inventories		(209)	8	
40	(Increase) Decrease in Other Current Assets		11,088	(10,560)	
41	(Increase) Decrease in Other Assets		91	(75)	
42	Increase (Decrease) in Accounts Payable		1,471	819	
43	Increase (Decrease) in Other Current Liabilities		(13,357)	5,633	*
44	Increase (Decrease) in Other Liabilities		1,112	0	
45					
46					
47	Net Cash Provided (Used) By Operating Activities		$56,289	$88,422	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($39,235)	($49,002)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($39,235)	($49,002)
	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

Amounts indicated with an asterisk have been restated to conform to the current presentation.

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, 2018
(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	409,361	$53,505		
2	Food	416,305	7,996	291,641	$5,607
3	Beverage	7,939,845	11,638		
4	Travel			2,358	708
5	Bus Program Cash	4,556	336		
6	Promotional Gaming Credits	758,066	58,886		
7	Complimentary Cash Gifts	899,419	4,264		
8	Entertainment	62,235	396	293	99
9	Retail & Non-Cash Gifts			474,060	4,690
10	Parking			690,322	2,762
11	Other			46,413	463
12	Total	10,489,787	$137,021	1,505,087	$14,329

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	93,747	$10,904		
2	Food	84,425	1,764	53,744	$1,123
3	Beverage	2,446,933	2,715		
4	Travel			429	129
5	Bus Program Cash	1,103	87		
6	Promotional Gaming Credits	186,487	12,627		
7	Complimentary Cash Gifts	217,005	1,081		
8	Entertainment	26,167	156	100	35
9	Retail & Non-Cash Gifts			113,794	1,124
10	Parking			160,407	642
11	Other			11,035	110
12	Total	3,055,867	$29,334	339,509	$3,163

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

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

FOR THE QUARTER ENDED DECEMBER 31, 2018

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 <u>N.J.S.A.</u> 5:12-84a(1)-(5) during the quarter.

4/1/19
Date

Mimi Jennings- Benvenuti

Vice President - Finance
Title

9749-11
License Number

On Behalf of:

TROPICANA CASINO AND RESORT

TROPICANA ATLANTIC CITY CORP.
DBA TROPICANA CASINO AND RESORT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Unaudited)

1. Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Tropicana Atlantic City Corp. (the “Company”) and, through September 30, 2018, 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. (“TEI”).

On March 8, 2010 (“the Acquisition Date”), the Tropicana Casino and Resort was acquired along with the other assets of Adamar of New Jersey, Inc. by TEI (“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 (“NJDGE”) 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 Company received its sports wagering license by the NJDGE in October 2018. The Company’s sports book, which commenced operating on October 25, 2018, is operated by William Hill New Jersey, Inc. (“William Hill”), pursuant to an operating lease.

Merger Agreement

On April 15, 2018, TEI announced that it had entered into a definitive agreement with Eldorado Resorts, Inc., a Nevada corporation (“ERI”) and GLP Capital, L.P., a Pennsylvania limited partnership (“GLPI”), pursuant to which TEI agreed to sell substantially all of its gaming and hotel operations to ERI and substantially all of its real estate assets to GLPI, for aggregate consideration of approximately $1.9 billion. At the closing of the transaction on October 1, 2018 (“Merger Date”), a subsidiary of ERI merged into TEI and TEI became a wholly-owned subsidiary of ERI. Immediately prior to the merger, TEI sold its operations and subsidiaries located in Aruba, GLPI acquired substantially all of TEI’s real estate, and ERI acquired TEI’s operations and certain real estate. The real estate acquired by GLPI included the Company’s subsidiary, TAC Sub, and all of its assets, which consisted primarily of the land on which the Property is located. Substantially concurrently with the sale of the real estate portfolio to GLPI, ERI entered into a triple net master lease with GLPI (the “Master Lease”) (see Note 11, Other Liabilities).

In connection with these transactions, the outstanding balance of the Company’s Term Loan Facility (as defined in Note 10, Long-Term Debt) was paid in full.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, through September 30, 2018, its wholly-owned subsidiary, TAC Sub, after elimination of all significant intercompany accounts and transactions.

Use of Estimates

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, self-insured liability reserves, customer loyalty program reserves, contingencies, litigation, claims, assessments and loss contingencies. Actual results could differ from these estimates.

Cash, Cash Equivalents and Restricted Cash

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 Company maintains a separate New Jersey bank account to ensure security of funds held in patrons’ internet gaming accounts. At December 31, 2018 and 2017 the above mentioned account balance was $1.2 million and $1.3 million, respectively which included patrons’ deposits held in IGaming accounts, which is classified as restricted cash of $1.0 million and $0.4 million, 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.

At December 31, 2018 and 2017, the allowance for doubtful accounts was $1.8 million and $6.3 million, respectively. The Company recognized bad debt expense of $1.1 million and $1.0 million for the years ended December 31, 2018 and 2017, respectively.

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.

The Company’s gaming and hotel receivables are concentrated primarily in the northeastern region of the United States. As a general policy, the Company does not require collateral for these accounts receivables. Accounts receivable, net, was $13.4 million and $14.6 million as of December 31, 2018 and 2017, respectively, of which $3.6 million and $5.9 million was related to gaming as of December 31, 2018 and 2017, respectively.

Inventories

Inventories are stated at the lower of average cost, using a first-in, first-out basis, or net realizable value. Inventories consist primarily of food and beverage and operating supplies.

Property and Equipment

As of December 31, 2017, property and equipment is stated at fair value as of the Acquisition Date, with subsequent acquisitions of property and equipment recorded at cost. At the Merger Date, the carrying value of property and equipment was restated to fair value using the market approach (see Note 3, Preliminary Purchase Price Accounting), with subsequent acquisitions through December 31, 2018 recorded 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.

Estimated useful lives are 10 to 40 years for building and improvements and 3 to 20 years for equipment, furniture and fixtures.

CRDA Investment

The New Jersey Casino Reinvestment Development Authority ("CRDA") cash deposits are carried at fair value and are used to purchase CRDA bonds that carry below market interest rates unless an alternative investment is approved. An allowance is established by a charge to the consolidated statement of income as part of general, administrative and other expense. If the CRDA deposits are used to purchase CRDA bonds, the 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 allowance is transferred to those investments. 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 are 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 are allocated to the State of New Jersey are no longer recorded as an investment with a corresponding allowance, but are charged directly to expense.

Tenant Leasing Costs

Leasing costs associated with tenant leases are capitalized as incurred and amortized evenly, as a reduction to rental income, over the related lease terms. Leasing costs consist primarily of 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 accompanying 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.

Goodwill and Other Intangible Assets

As of December 31, 2018, goodwill represents the excess of purchase price over fair market value of the net assets acquired in the merger transaction with ERI (see Note 3, Preliminary Purchase Price Accounting). Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually and between annual test dates in certain circumstances.

Indefinite-lived intangible assets as of December 31, 2018 consist of the fair value of gaming licenses and trademarks as of the Merger Date (see Note 3, Preliminary Purchase Price Accounting). Indefinite-lived intangible assets are not subject to amortization but are subject to an annual impairment test. If the carrying amount of an indefinite-lived intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess amount.

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.

Financing Obligation with GLPI

Substantially concurrently with the consummation of the sale on October 1, 2018 of Tropicana's real estate assets to GLPI, TEI and the Company entered into the Master Lease with GLPI (see Note 3, Preliminary Purchase Price Accounting). The Master Lease was evaluated as a sale-leaseback of real estate; however, based on certain forms of continuing involvement in the leased assets, the Master Lease did not qualify for sale-leaseback accounting, and was accounted for as a financing obligation. Under a failed sale-leaseback transaction, the real estate assets generally remain on the balance sheet at their historical net book value and are depreciated over their remaining useful lives with a failed sale-leaseback financing obligation recognized for the proceeds received. However, in the absence of cash proceeds, the value of the failed sale-leaseback financing obligations recognized is determined to be the fair value of the leased real estate assets. As a result, the Company calculated a financing obligation at the inception of the Master Lease based on the fair value of the real estate assets subject to the Master Lease (see Note 11, Other Liabilities).

As described above, for failed sale-leaseback transaction, the Company continues to recognize the real estate assets on the balance sheets, as if the Company were the legal owner, and the Company continues to recognize depreciation expense over the estimated useful lives. We do not recognize rent expense related to these leased assets, rather we have recorded a liability for the failed sale-leaseback obligation and the minimum lease payments are recognized as interest expense. In the initial periods, cash payments are less than the interest expense recognized in the statement of income, which causes the failed sale-leaseback obligation to increase during the initial years of the lease term (see Note 11, Other Liabilities).

Self-Insurance Reserves

The Company is self-insured for various levels of general liability, employee medical insurance coverage and workers' compensation coverage. 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. The Company utilizes independent consultants to assist management in its determination of estimated insurance liabilities. 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 all insurance reserves are included in other accrued expenses on the accompanying consolidated balance sheets.

Player Loyalty Program

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

Complimentaries

The Company offers discretionary coupons and other discretionary complimentaries to customers outside of the loyalty program. The retail value of complimentary food, beverage, hotel rooms and other services provided to customers is recognized as a reduction to the revenues for the department which issued the complimentary and a credit to the revenue for the department redeemed. Complimentaries provided by third parties at the discretion and under the control of the Company is recorded as an expense when incurred.

The Company's revenues included complimentaries and loyalty point redemptions totaling $137.0 million and $134.9 million for the years ended December 31, 2018 and 2017, respectively.

Casino Revenue

The Company recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses, not the total amount wagered. Gaming revenues are recognized net of certain cash and free play incentives.

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. Under ASC 606, these costs are classified as a deferral of gaming revenue until redeemed by the customer.

The State of New Jersey imposes an annual tax of 15% on IGaming gross revenue. These taxes along with expenses for software and 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 and administrative expense on the accompanying consolidated statements of income.

An Internet Gaming Permit Fee at a minimum of $250,000 along with a Responsible Internet Gaming Fee of $250,000 is required annually. IGaming licensees are also required to remit an additional 2.5% of iGaming gross revenue to satisfy investment obligations with the CRDA.

Non-gaming Revenue

Hotel, food and beverage, and other operating revenues are recognized as services are performed and is the net amount collected from the customer for such goods and services. Hotel, food and beverage services have been determined to be separate, stand-alone performance obligations and is recorded as revenue as the good or service is transferred to the customer over the customer's stay at the hotel or when the delivery is made for the food and beverage. Advance deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred income until the revenue recognition criteria has been met. The Company also provides goods and services that may include multiple performance obligations, such as for packages, for which revenues are allocated on a pro rata basis based on each service's stand-alone selling price.

Advertising Costs

The Company expenses advertising costs as incurred or the first time the advertising takes place. Advertising expense is generally recognized in general and administrative expense on the accompanying consolidated statements of income and totaled $7.7 million and $9.1 million for the years ended December 31, 2018 and 2017, 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.

Reclassifications

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

Recently Issued Accounting Pronouncements

Pronouncements Implemented in 2018

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

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

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

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

The Company elected to adopt the full retrospective method to apply the new guidance to each prior reporting period presented as if it had been in effect since January 1, 2015, with a pre-tax cumulative effect adjustment to our retained earnings upon adoption totaling $1.4 million. Net of tax, the cumulative effect adjustment to our retained earnings upon adoption was $0.9 million. This was primarily related to our player loyalty program point liability, which increased from an estimated incremental cost model to a deferred revenue model at retail value.

Pronouncements to be Implemented in Future Periods

In June 2016 (modified in November 2018), the FASB issued ASU No 2016-13, Financial Instruments – Credit Losses related to timing on recognizing impairment losses on financial assets. The new guidance lowers the threshold on when losses are incurred, from a determination that a loss is probable to a determination that a loss is expected. The change in guidance will be applicable to our evaluation of the CRDA investments. The guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is allowed for interim and annual periods beginning after December 15, 2018. Adoption of the guidance will require a modified-retrospective approach and a cumulative adjustment to retained earnings to the first reporting period that the update is effective. We currently anticipate adopting this guidance during the first quarter of 2019 and do not expect a cumulative effect on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. This amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred. The amendment is effective for annual and interim periods beginning after December 15, 2019, with early adoption allowed. We expect to adopt the new guidance on January 1, 2020 and are evaluating the qualitative and quantitative effects of the new guidance, but do not believe it will have a significant impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU No 2018-14, Compensation –Retirement Benefits – Defined Benefit Plans – General. This amendment improves disclosures over defined benefit plans and is effective for interim and annual periods ending after December 15, 2020 with early adoption allowed. We anticipate adopting this amendment during the first quarter of 2021, and do not expect it to have a significant impact on our Consolidated Financial Statements

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. This amendment modifies the disclosure requirements for fair value measurements and is effective for annual and interim periods beginning after December 15, 2019, with early adoption allowed. The Company is evaluating the qualitative and quantitative effect the new guidance will have on our Consolidated Financial Statements.

In February 2016 (as amended through December 2018), the FASB issued ASU No. 2016-02 codified as Accounting Standards Codification ("ASC") 842, Leases, ("ASC 842") which addresses the recognition and measurement of leases. Under the new guidance, for all leases (with the exception of short-term leases), at the commencement date, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to control the use of a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The effective date for this update is for the annual and interim periods beginning after December 15, 2018 with early adoption permitted. ASC 842 requires a transition adoption election using either 1) a modified retrospective approach with periods prior to the adoption date being recast or 2) a prospective adoption approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods continuing to be reported under current lease accounting guidance.

The Company will adopt ASC 842 on January 1, 2019 using the prospective adoption approach, and therefore, comparative periods will continue to be reported under current lease accounting guidance consistent with previously issued financial statements. We currently expect to elect the package of practical expedients permitted under the transition guidance within ASC 842, which among other things, allows us to carry forward the historical lease identification, lease classification and treatment of initial direct costs for leases entered into prior to January 1, 2019. We will also make an accounting policy election to not record short-term leases with an initial term of 12 months or less on the balance sheet for all classes of underlying assets. We have also elected to not adopt the hindsight practical expedient for determining lease terms.

Currently, the Company has operating leases in which the Company is the lessor and we expect such arrangements will be accounted for in the same manner. Our operating leases, in which we are the lessee, will be recorded on the balance sheet as an ROU asset with a corresponding lease liability. The lease liability will be remeasured each reporting period with a corresponding change to the ROU. The qualitative and quantitative effects of adoption of ASC 842 are still being analyzed, and the Company is in the process of evaluating the full effect, including the total amount of both financing and operating leases, the new guidance will have on our Consolidated Financial Statements. We have substantially completed the process of collecting and analyzing the Company's lease contracts but our implementation effort for our new leasing software and selection of incremental borrowing rates are ongoing. Additionally, we are in the process of evaluating our existing failed sale leaseback transactions that are currently accounted for as financing obligations. While our assessment of the impacts of the standard remains open, we do not believe the standard will significantly impact our consolidated net income.

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.

3. Preliminary Purchase Price Accounting

On April 15, 2018, TEI announced that it had entered into a definitive agreement with ERI and GLPI, pursuant to which TEI agreed to sell substantially all of its gaming and hotel operations to ERI and substantially all of its real estate assets to GLPI, in a cash transaction valued at approximately $1.9 billion. At the closing of the transaction on the Merger Date, a subsidiary of ERI merged into TEI and TEI became a wholly-owned subsidiary of ERI. Immediately prior to the merger, GLPI acquired substantially all of TEI's real estate, and ERI acquired TEI's operations and certain real estate. The real estate acquired by GLPI included the Company's former subsidiary, TAC Sub, and all of its assets, which consisted primarily of the land on which the Tropicana Atlantic City casino hotel is located.

The estimated purchase consideration in the acquisition was determined with reference to its acquisition date fair value. The total purchase price for the assets acquired by ERI was allocated to the individual Tropicana properties, including the Company, based on the fair values determined through management's analysis, including preliminary work performed by third party valuation specialist, which are subject to finalization and review. The purchase price accounting for the Company as it relates to determining the fair value of certain assets and liabilities, including goodwill, is preliminary and subject to change.

The following table summarizes the preliminary allocation of the purchase consideration to the Company's identifiable assets acquired and liabilities assumed as of the Merger Date, with the excess recorded as goodwill as of December 31, 2018 (in thousands):

Current and other assets	$ 272,400
Property and equipment	56,998
Property subject to the financing obligation	430,100
Goodwill	113,782
Intangible assets	58,268
Other noncurrent assets	9,461
Total assets	941,009
Current liabilities	(54,106)
Financing obligation to GLPI	(430,100)
Total liabilities	(484,206)
Net assets acquired	$ 456,803

Valuation methodologies under both a market and income approach used for the identifiable net assets acquired in the Merger Agreement make use of Level 3 inputs including discounted cash flows.

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

The fair value of land (excluding the real property acquired by GLPI) was determined using the market approach, which arrives at an indication of value by comparing the site being valued to sites that have been recently acquired in arm's-length transactions. The market data is then adjusted for any significant differences, to the extent known, between the identified comparable sites and the site being valued. Building and site improvements were valued using the cost approach using a direct cost model built on estimates of replacement cost. With respect to personal property components of the assets, personal property assets with an active and identifiable secondary market such as gaming equipment, computer equipment, and vehicles were valued using the market approach. Other personal property assets such as furniture, fixtures, computer software, and restaurant equipment were valued using the cost approach which is based on replacement or reproduction costs of the asset. The cost approach is an estimate of fair value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and/or economic obsolescence. The income approach incorporates all tangible and intangible property and served as a ceiling for the fair values of the acquired assets of the ongoing business enterprise, while still taking into account the premise of highest and best use. In the instance where the business enterprise value developed via the income approach was exceeded by the initial fair values of the underlying assets, an adjustment to reflect economic obsolescence was made to the tangible assets on a pro rata basis to reflect the contributory value of each individual asset to the enterprise as a whole.

The real estate assets that were sold to GLPI and leased back by the Company were first adjusted to fair value concurrently with the acquisition of Tropicana. The fair value of the properties were determined utilizing the direct capitalization method of the income approach. In allocating the fair value to the underlying acquired assets, a fair value for the buildings and improvements was determined using the above mentioned cost approach method. To determine the underlying land value, the extraction method was applied, wherein the fair value of the building and improvements was deducted from the fair value of the property as derived from the direct capitalization approach to determine the fair value of the land. The fair value of GLPI's real estate assets related to the Tropicana Atlantic City was determined to be $430.1 million.

The fair value of the gaming licenses was determined using the excess earnings or replacement cost methodology, based on whether the license resides in gaming jurisdictions where competition is limited to a specified number of licensed gaming operators. The excess earnings methodology is an income approach methodology that estimates the projected cash flows of the business attributable to the gaming license intangible asset, which is net of charges for the use of other identifiable assets of the business including working capital, fixed assets and other intangible assets. Under the respective state's gaming legislation, the property specific licenses can only be acquired if a theoretical buyer were to acquire each existing facility. The existing licenses could not be acquired and used for a different facility. The estimated future cash flows of the Company were the primary assumption in the valuation of the gaming license. The replacement cost methodology is a cost approach methodology based on replacement or reproduction cost of the gaming license as an indicator of fair value.

The Company has preliminarily assigned an indefinite useful life to the gaming licenses, in accordance with its review of the applicable guidance of ASC 350. The Company considered, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, the Company's own historical experiences in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. The Company determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful life of its New Jersey gaming licenses. The renewal of the Company's New Jersey gaming licenses depends on a number of factors, including payment of certain fees and taxes, providing certain information to the New Jersey gaming regulators, and meeting certain inspection requirements. However, the Company does not expect any limitations regarding its ability to continue to renew each license, and no other competitive, contractual, or economic factor limits the useful life of this asset. Accordingly, the Company has preliminarily concluded that the useful life of its gaming license is indefinite.

Trade names are valued using the relief from royalty method, which presumes that without ownership of such trademarks, the Company would have to make a stream of payments to a brand or franchise owner in return for the right to use their name. By virtue of this asset, the Company avoids any such payments and records the related intangible value of the Company's ownership of the brand name. The primary assumptions in the valuation included revenue, pre-tax royalty rate, and tax expense. The Company has preliminarily assigned an indefinite useful life to the trade names after considering, among other things, the expected use of the asset, the expected useful life of other related assets or asset groups, any legal, regulatory, or contractual provisions that may limit the useful life, ERI's historical experience in renewing similar arrangements, the effects of obsolescence, demand and other economic factors, and the maintenance expenditures required to obtain the expected cash flows. In that analysis, the Company determined that no legal, regulatory, contractual, competitive, economic or other factors limit the useful life of these intangible assets.

Player loyalty programs were valued using the cost approach and the incremental cash flow method under the income approach. The incremental cash flow method is used to estimate the fair value of an intangible asset based on a residual cash flow notion. This method measures the benefits (e.g., cash flows) derived from ownership of an acquired intangible asset as if it were in place, as compared to the acquirer's expected cash flows as if the intangible asset were not in place (i.e., with-and-without). The residual or net cash flows of the two models is ascribable to the intangible asset. The Company has preliminarily estimated a 3-year useful life on the player loyalty programs.

Goodwill is the result of expected synergies from combining operations of the acquired and the acquirer. The goodwill is fully amortizable for tax purposes.

4. Property and Equipment

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

	December 31, 2018	December 31, 2017
Non-Master Lease:		
Land and land improvements	$ —	$ 69,694
Building and improvements	5,996	176,644
Furniture, fixtures and equipment	52,568	110,859
Construction in progress	4,725	12,591
	63,289	369,788
Less: accumulated depreciation and amortization	(3,628)	(125,527)
	59,661	244,261
Master Lease:		
Land and land improvements	129,150	—
Building and improvements	300,950	—
	430,100	—
Less: accumulated depreciation and amortization	(2,152)	—
	427,948	—
Total property and equipment	$ 487,609	$ 244,261

Depreciation expense related to property and equipment was $28.4 million and $26.0 million for the years ended December 31, 2018 and 2017 respectively.

5. Other Current Assets

Other current assets consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Prepaid insurance	$ 637	$ 1,066
Prepaid taxes and licenses	1,179	815
Prepaid union benefits	—	10,754
Other	1,112	1,381
Total other current assets	$ 2,928	$ 14,016

6. Investments, Advances and Receivables

Investments, advances and receivables consist of the following (in thousands):

	December 31, 2018	December 31, 2017
CRDA bonds and deposits, net	$ 6,694	$ 7,253
Related party receivables:		
Due from Tropicana Entertainment Inc.	224,215	201,058
Due from TEI (ES) LLC.	1,051	803
Due from Centroplex-Baton Rouge	466	390
Due from Evansville.	434	313
Due to Eldorado Resorts Inc.	(10,496)	—
	$ 222,364	$ 209,817

CRDA 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 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, 2018 and 2017, the Company recorded expense of $1.3 million and $3.5 million, respectively, representing changes in these investment reserves, which is included in general and administrative expense on the accompanying consolidated statements of income.

As a result of the NJ PILOT Law, which was enacted in May 2016 (see further discussion in Note 12, 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, 2018 and 2017, the Company recorded expense of $3.7 million and $3.8 million, respectively, 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 general and administrative expense on the accompanying consolidated statements of income.

In 2014, the Company was approved to use up to $18.8 million 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 $8.0 million increase in the CRDA fund reservation and corresponding increase in the Approved CRDA Project Funds from $18.8 million to $26.8 million, 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 $7.1 million to the CRDA pursuant to NJSA 5:12-177. The project was completed by June 30, 2017, and all funds due to the Company under this agreement were received in full by December 31, 2017.

Related Party Receivables

Transactions with TEI included activity principally related to the Term Loan Facility through its termination on the Merger Date, joint insurance programs, federal income tax filings, and other administrative services. TEI provided various corporate services to the Company during the years ended December 31, 2018 and 2017, under the terms of a Shared Services Agreement with TEI, which was executed in 2011, for which a management fee was charged. For the years ended December 31, 2018 and 2017 the Company recorded management fee expense of $10.0 million and $7.0 million, respectively, as per the terms of the Shared Services Agreement.

The Company operates a Reservation Call Center for which it charges the Lumiere Hotel ("TEI (ES), LLC"), Centroplex Baton Rouge, and Tropicana Evansville a fee for the services provided. TEI (ES) LLC, Centroplex Baton Rouge, and Tropicana Evansville are wholly owned Subsidiaries of TEI.

Commencing with the Merger Date. ERI provides various corporate services to the Company; transactions with ERI include activity principally related to the Master Lease, joint insurance programs, tax filings and other administrative services.

7. Other Assets

Other assets consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Goodwill	$ 113,782	$ —
Intangible asset – gaming licenses	1,068	—
Intangible asset – trade names	27,000	—
Intangible asset – player loyalty programs/customer list	30,200	7,500
Deferred tax assets	1,425	83,437
Long term deposits and other assets	2,263	3,267
	175,738	94,204
Less: accumulated amortization – player loyalty programs/customer list	(2,517)	(1,875)
	(2,517)	(1,875)
Other assets	$ 173,221	$ 92,329

Goodwill represents the excess of the purchase price over the fair market value of the assets acquired resulting from the acquisition of the Company on the Merger Date.

Gaming licenses, trade names and player loyalty programs at December 31, 2018 represent the fair value of intangible assets acquired resulting from the acquisition of the Company on the Merger Date (see Note 3, Preliminary Purchase Price Accounting). The intangible asset related to player loyalty programs is being amortized on a straight-line basis over three years.

On March 31, 2017, TEI purchased the Taj Mahal customer database and certain other intellectual property owned by Trump Entertainment Resorts, Inc. ("TER"), for an aggregate purchase price of $8.05 million (see Note 13, Related Parties). The value of the customer database purchased was estimated to be $7.5 million, and was being amortized over three years on a straight-line basis. As a result of the purchase of the Company on the Merger Date, the remaining value of the list acquired was adjusted in conjunction with the purchase accounting adjustments.

Amortization expense is expected to be $10.1 million for each of the years ended December 31, 2019 and 2020 and $7.6 million for the year ended December 31, 2021.

8. Other Accrued Expenses

Other accrued expenses consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Accrued payroll, taxes and benefits	$ 10,420	$ 22,161
Loyalty program liabilities	3,304	3,446
Insurance reserves	9,052	7,529
Other	4,653	5,794
Total other accrued expenses	$ 27,429	$ 38,930

9. Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Unredeemed chip liability	$ 2,088	$ 2,338
Other	5,401	7,432
Total other current liabilities	$ 7,489	$ 9,770

10. Long-Term Debt

As of December 31, 2017, TEI had long-term debt where the Company was a guarantor and substantially all of the Company's property and equipment was pledged as collateral. As a result, a portion of TEI's debt and unamortized debt discount was allocated to the Company based on the Company's portion of collateralized assets compared to the total. As of December 31, 2017, the Company's allocated portion of TEI's Term Loan Facility (as described below) of $37.4 million, less unamortized discount of $79,000 and debt issuance costs of $268,000.

On November 27, 2013, TEI 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"). The Term Loan Facility was amortized in equal quarterly installments in an amount of $750,000, with any remaining balance payable on the final maturity date of the Term Loan Facility, which was November 27, 2020. The Revolving Facility was terminated by TEI 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 accrued 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% annually.

The Term Loan Facility could be prepaid at the option of TEI at any time without penalty (other than customary LIBO Rate breakage fees). TEI made four optional prepayments of principal on the Term Loan Facility totaling $225 million, between September 2017 and July 2018. The remaining outstanding balance of the Term Loan Facility was paid in full on October 1, 2018 in connection with the acquisition of TEI by ERI and GLPI (see Note 1 – Merger Agreement).

11. Other Liabilities

Other liabilities at December 31, 2018 of $431.2 million consists of that portion of the Master Lease allocated to the Company based on the fair value of the leased assets attributable to the Company.

ERI's Master Lease with GLPI is accounted for as a failed sale-leaseback financing obligation equal to the fair value of the leased real estate assets. Under the terms of the Master Lease, and based on certain prohibited forms of continuing involvement in the leased assets, the Master Lease did not qualify for sale-leaseback accounting and was accounted for as a financing obligation.

When cash proceeds are exchanged, a failed sale-leaseback financing obligation is equal to the proceeds received for the assets that are sold and then leased back. However, in the absence of cash proceeds, the value of the failed sale-leaseback financing obligations recognized in this transaction was determined to be the fair value of the leased real estate assets. In subsequent periods, a portion of the periodic lease payment under the Master Lease will be recognized as interest expense with the remainder of the lease payment reducing the failed sale-leaseback financing obligation using the effective interest method. However, the failed sale-leaseback obligations will not be reduced to less than the net book value of the leased real estate assets as of the end of the lease term.

The fair value of the real estate assets and the related failed sale-leaseback financing obligations were estimated based on the present value of the estimated future lease payments over the lease term of 35 years, including renewal options, using an imputed discount rate of approximately 10.2%. The value of the failed sale-leaseback financing obligations is dependent upon assumptions regarding the amount of the lease payments and the estimated discount rate of the lease payments required by a market participant.

The Master Lease provides for the lease of land, buildings, structures and other improvements on the land, easements and similar appurtenances to the land and improvements relating to the operation of the leased properties. The Master Lease provides for an initial term of fifteen years with no purchase option. At ERI's option, the Master Lease may be extended for up to four five-year renewal terms beyond the initial 15-year term. If ERI elects to renew the term of the Master Lease, the renewal will be effective as to all, but not less than all, of the leased property then subject to the Master Lease. ERI does not have the ability to terminate its obligations under the Master Lease prior to its expiration without GLPI's consent.

The total rent payable under the Master Lease is comprised of "Base Rent" and "Percentage Rent." Base rent is the sum of:

- Building Base Rent: a fixed component equal, in the aggregate, to $60.9 million during the first year of the Master Lease, and thereafter escalated annually by 2%, subject to a cap that would cause the preceding year's adjusted revenue to rent ratio for the properties in the aggregate not to fall below 1.20:1.00 for the first five years of the Master Lease and 1.80:1.00 thereafter, plus
- Land Base Rent: an additional fixed component equal, in the aggregate, to $13.4 million, subject to adjustment in the event of the termination of the Master Lease with respect to any of the leased properties.

The Percentage Rent payable under the Master Lease is adjusted every two years based on the actual net revenues of the leased properties during the two-year period then ended. The initial variable rent percentage, which is fixed for the first two years, is $13.4 million per year. The actual percentage increase is based on actual performance and is subject to change.

Under the Master Lease, ERI is required to pay the following, among other things: lease payments to the underlying ground lessor for properties that are subject to ground leases, facility maintenance costs, all insurance premiums for insurance with respect to the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor) and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

The initial annual rent under the terms of the lease is $87.6 million.

The estimated future lease payments include the minimum lease payments and were adjusted to reflect estimated lease payments as described in the agreements, including an annual escalator of up to 2%.

The future minimum payments related to the Master Lease financing obligation with GLPI at December 31, 2018 are as follows (in thousands):

2019	$ 87,943
2020	89,168
2021	90,417
2022	91,691
2023	92,990
Thereafter	3,506,673
Portion of total future payments	3,958,882
Less: amounts representing interest at 10.2%	(3,371,847)
Plus: Residual values	372,800
Financing Obligation to GLPI	$ 959,835

Total payments and interest expense related to the Master Lease were $21.9 million and $24.4 million, respectively, for the period from October 1, 2018 to December 31, 2018. Interest expense under the Master Lease for the period October 1, 2018 through December 31, 2018 recognized by the Company was approximately $11.0 million. For the initial periods of the Master Lease, cash payments are less than the interest expense recognized, which causes the failed sale-leaseback obligation to increase during the initial years of the lease term.

The Master Lease contains certain covenants, including minimum capital improvement expenditures.

The payment of all monetary obligations under the Master Lease is guaranteed by ERI.

12. 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.

New Jersey Gross Casino Revenue Tax and Casino Investment Alternative Tax

The State of New Jersey imposes an annual tax of 8% on gross casino revenue, an annual tax of 15% on IGaming gross revenue, and an annual tax of 8.5% for on-site sports wagering gross revenue, which commenced in October 2018 at the Property. Casino license holders or IGaming permit holders are required to remit an additional 1.25% of gross casino revenue and sports wagering gross 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.

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 was $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. Based on the industry GGR for 2017, the aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties for calendar year 2018 was $130 million. 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, the City of Atlantic City and the New Jersey Department of Community Affairs entered into a Real Estate Tax Appeal Settlement Agreement (the "Tax 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 Tax Settlement Agreement, among other things, provided for refunds in the aggregate amount of $36.8 million in respect of the Pending Tax Appeals and the Company's 2017 PILOT Payment. The Company received full payment of the refunds in October 2017. In addition, the Tax Settlement Agreement provided 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 $19.8 million to $8.4 million, and the expense associated with the Company's PILOT Payments for each of the calendar years 2018 through 2021.

The NJ PILOT Law also provided for the abolishment, effective January 1, 2015, of the Atlantic City Alliance (“ACA”), which had been established in 2011 as a five-year public private partnership with the casinos in Atlantic City to jointly market the city. The $30 million in ACA funds paid by the casinos for each of the years 2015 and 2016 under the Tourism District Law was redirected to the State of New Jersey for Atlantic City fiscal relief. Additional payments under the NJ PILOT Law of $15 million in 2017, $10 million in 2018 and $5 million for each year between 2019 and 2023 are to be made 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.

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.

13. Related Parties

In addition to on-going related-party transactions as described in Note 6, Investments, advances and receivables, prior to the Merger Date approximately 83.9% of TEI’s common stock was owned by Carl Icahn through certain affiliates. The Company had certain transactions with Mr. Icahn’s affiliated companies through the Merger Date, as described below.

Database License and IP Sales Agreements

Effective October 1, 2016, the Company and 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 TEI entered into a Customer Database and IP Sales Agreement, pursuant to which TEI purchased the Taj Mahal customer database. TEI estimated the value of the customer database to be $7.5 million, 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 was recognized in depreciation and amortization on the statements of income and totaled $1.9 million for each of the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively. As a result of the purchase of the Company on October 1, 2018, the remaining value of the list acquired was adjusted in conjunction with the purchase accounting adjustments.

Slot Lease and Purchase Agreements

Under a lease agreement dated September 12, 2016 with TTMA, the Company leased 250 slot machines, commencing after the closing of the Taj Mahal. On January 18, 2017, TTMA agreed to terminate the slot lease agreement and the Company purchased the slot machines from TTMA for a purchase price of $2.5 million, less the amount of the monthly lease payments in the aggregate amount of $0.2 million made by the Company to TTMA under the lease agreement.

TER Services Agreement

Effective April 1, 2017, the Company entered into a services agreement with TER (the "Services Agreement"), pursuant to which the Company performed certain administrative services for TER related to TTMA and Plaza Associates on a month-to-month basis in exchange for a one-time service fee in the amount of $0.6 million, which was paid on March 31, 2017. The Services Agreement, which originally had a one-year term, was amended in March 2018 to extend the expiration to December 31, 2018. During the extension period, TER paid the Company a service fee of $50,000 per month for each month during the extended term. The terms of the Services Agreement allowed either party to terminate the Services Agreement during the extended term upon thirty days advance written notice to the other party. In accordance with the terms of the Services Agreement, the Company elected to terminate the agreement, effective September 30, 2018.

IEP Morris LLC

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 $5.5 million 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.

14. Leases

For the years ended December 31, 2018 and 2017, the Company recorded total rental income, including minimum and excess rental income of $7.8 million and $7.6 million, respectively, which is included as a component of other revenue on the accompanying consolidated statements of income.

The future minimum lease payments to be received under non-cancelable operating leases are as follows (in thousands):

2019	$ 4,770
2020	3,648
2021	3,442
2022	3,196
2023	2,320
Thereafter	2,189
	$ 19,565

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

15. Fair Value

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 consolidated balance sheets at December 31, 2018 and December 31, 2017 (in thousands):

Input Levels for Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**
December 31, 2018			
Assets:			
CRDA deposits, net	$ —	$ —	$ 481
December 31, 2017			
Assets:			
CRDA deposits, net	$ —	$ —	$ 587

Funds on deposit with the CRDA are held in an 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. The fair value of the CRDA deposits, 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. See Note 6 - Investments for more detail related to the CRDA deposits.

	For the Years Ended December 31,	
	2018	**2017**
	(in thousands)	
Beginning balance	$ 587	$ 1,202
Realized or unrealized losses	(1,277)	(1,125)
Additional CRDA deposits	1,316	1,310
Purchases of CRDA investments	(145)	(800)
Ending balance	$ 481	$ 587

Losses are recognized in general and administrative expense included in the accompanying consolidated statements of income. There were no transfers between fair value levels for the years ended December 31, 2018 and 2017.

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 fair value of the Company's CRDA bonds are considered a Level 3 fair value measurement. The CRDA bonds carrying value as of December 31, 2018 and 2017 net of the unamortized discount and valuation allowance was $6.2 million and $6.5 million, respectively, which approximates fair value. See Note 6 - Investments for more detail related to the CRDA bonds.

Long-term Debt

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

16. Employee Benefit Plans

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. 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, qualifying individuals became participants in the VAPP on January 1, 2018. Therefore, there were 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 was 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 made a payment to initially fund the VAPP on January 1, 2018 in the amount of $10.7 million. In September 2018, the Company contributed an additional $3.4 million to fund the VAPP for the current year. Commencing in 2018, with the introduction of participants into the VAPP, pension expenses are 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.

The components of the net periodic benefit cost relating to the VAPP consist of the following (in thousands):

	Year ended December 31, 2018
Service costs	$ 3,154
Interest costs	512
Expected return on plan assets	(609)
Amortization of net (gain) loss	(45)
Net periodic benefit cost	$ 3,012

Net periodic benefit costs are reported in the various operating departments in the accompanying consolidated statement of income for 2018.

The change in the projected benefit obligation, change in plan asset and funded status is as follows (in thousands):

	Year ended December 31, 2018
Change in benefit obligations	
Projected benefit obligation, beginning of period	$ 9,654
Service and interest cost during period	3,666
Benefit payments during the period	—
Expenses during the period	(33)
Actuarial gain	(637)
Projected benefit obligation, end of period	$ 12,650
Change in plan assets:	
Fair value of plan assets, beginning of period	$ 10,754
Return on plan assets during period	208
Benefit payments during period	—
Expenses during period	(33)
Other	1
Employer contributions	3,400
Fair value of plan assets, end of period	$ 14,330
Funded status at end of period	$ 1,680

Future estimated expected benefit payments for 2019 through 2028 are as follows (in thousands):

	Expected Benefit Payments
2019	$ 125
2020	172
2021	236
2022	346
2023	446
2024 through 2028	3,879
	$ 5,204

The Company's net periodic pension cost for the year ended December 31, 2019 is expected to be approximately $3.1 million.

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 did not pay any matching contributions during the years ended December 31, 2018 or 2017.

Multiemployer Pension Plans

At December 31, 2018 and 2017, 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: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (iii) if the Company stops participating in a multiemployer pension plan, the Company may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company did not make any contributions to any multiemployer plans for the years ended December 31, 2018 or 2017.

17. Other Non-Operating Income (Expense), net

Non-operating income (expense), net for the years ended December 31, 2018 and 2017 consisted of the following (in thousands):

	For the Years ended December 31,	
	2018	2017
Interest income	$ 297	$ 432
Real estate tax settlement	—	23,449
Loss on disposal of asset	(81)	(173)
Other	115	—
	$ 331	$ 23,708

18. Income Taxes

The Company files as part of a Federal consolidated tax return. The provision for income taxes is calculated by using a “separate return” method. Under this method, the Company is assumed to file a separate return with the tax authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the tax return filer. The current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. Deferred taxes are provided on temporary differences and on any carryforwards that could be claimed on the hypothetical return, and the need for a valuation allowance is assessed on the basis of projected separate return assets.

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

	For the Years ended December 31,	
	2018	2017
Current:		
Federal	$ 8,055	$ 7,188
State	3,753	146
Total current	11,808	7,334
Deferred:		
Federal	(1,501)	72,739
State	(511)	(3)
Total deferred	(2,012)	72,736
Expense from income taxes	$ 9,796	$ 80,070

The Company’s effective income tax rate for the year ended December 31, 2018 was 29.1%, and for the year ended December 31, 2017 was 114.3%, including the increase in deferred tax expense resulting from the reduction in the federal income tax rate. The difference between the federal statutory rate of 21.0% and the Company's effective tax rates for the year ended December 31, 2018 was primarily due to state income taxes (net of federal benefit), valuation allowances and other permanent differences. Looking forward, our effective income tax rate may fluctuate due to changes in tax legislation, changes in our estimates of federal tax credits, changes in our assessment of uncertainties as valued under accounting guidance for uncertainty in income taxes, as well as accumulated interest and penalties.

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 as of December 31, 2018 and 2017 are as follows (in thousands):

	December 31, 2018	**December 31, 2017**
Deferred tax assets:		
Receivables	$ —	$ 1,774
Accrued compensation	211	1,437
Reserves/accrued liabilities	159	3,417
Net operating loss carryforward	—	29,872
Master Lease liability	121,214	—
Property and equipment	—	69,124
Other assets	566	4,196
Gross deferred tax assets	122,150	109,820
Valuation allowance	—	(21,265)
Total deferred tax assets	$ 122,150	$ 88,555
Deferred tax liabilities:		
Property and equipment	$ (119,992)	$ —
Deductible prepaid expenses	(68)	(917)
Intangible assets	(665)	(4,201)
Total deferred tax liabilities	(120,725)	(5,118)
Net deferred tax assets (liabilities)	$ 1,425	$ 83,437

On October 1, 2018, in connection with the acquisition of TEI by ERI and GLPI (see Note 1 – Merger Agreement), the acquisition was treated as an asset acquisition for income tax purposes and the assets and liabilities were stepped up to fair value. As a result, there are no deferred tax assets or liabilities recorded upon acquisition. In addition, the federal net operating loss carryforwards were eliminated.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. Among other things, the Act permanently lowered the corporate tax rate to 21% from the previous 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 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 for the year ended December 31, 2017.

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 amounts. As of December 31, 2018, the Company has no unrecognized tax benefits.

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 limitations for examinations of the Company's returns is open for the year ended December 31, 2015 through the present.

19. Subsequent Events

The Company evaluated subsequent events through March 31, 2019, the date the financial statements were available to be issued, and all applicable disclosures have been made throughout the footnotes.

TROPICANA CASINO AND RESORT

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

(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...............................	$3,580		
2	Returned Patrons' Checks....................................	1,427		
3	Total Patrons' Checks.......................................	5,007	$961	$4,046
4	Hotel Receivables..	2,818	430	2,388
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates...........................	-		
7	Other Accounts and Notes Receivables................	7,432		
8	Total Other Receivables.....................................	7,432	425	7,007
9	Totals (Form DGE-205)......................................	$15,257	$1,816	$13,441

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)...	$5,027
11	Counter Checks Issued..	105,351
12	Checks Redeemed Prior to Deposit..	(76,798)
13	Checks Collected Through Deposits...	(25,905)
14	Checks Transferred to Returned Checks..	(4,095)
15	Other Adjustments...	0
16	Ending Balance..	$3,580
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks...	$996
19	Provision as a Percent of Counter Checks Issued..	0.9%

TROPICANA CASINO AND RESORT
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2018

($ 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	634			
2	Slot Machines	95			
3	Administration	4			
4	Casino Accounting	118			
5	Simulcasting				
6	Other				
7	Total - Casino	851	$18,714	$0	$18,714
8	ROOMS	435	10,355		10,355
9	FOOD AND BEVERAGE	792	16,284		16,284
10	GUEST ENTERTAINMENT	180	2,255		2,255
11	MARKETING	145	6,934		6,934
12	OPERATION AND MAINTENANCE	222	8,401		8,401
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	4	861		861
14	Accounting and Auditing	52	2,194		2,194
15	Security	198	5,830		5,830
16	Other Administrative and General	45	1,987		1,987
	OTHER OPERATED DEPARTMENTS:				
17	Communications	14	333		333
18	Transportation	107	1,827		1,827
19	Hotel Sales	4	472		472
20	IT	21	1,397		1,397
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,070	$77,846	$0	$77,846