PENN NATIONAL GAMING INC
Form 10-K
February 28, 2019

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penn:renewal_option penn:payment penn:performance_period penn:VGT_route
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

or

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

For the transition period from __________ to __________
Commission file number 0-24206

Penn National Gaming, Inc.

Pennsylvania	**23-2234473**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

825 Berkshire Blvd., Suite 200
Wyomissing, Pennsylvania 19610
(610) 373-2400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**

Common Stock, $0.01 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO þ

As of June 30, 2018, the aggregate market value of the voting common stock held by non-affiliates of the registrant was $2.9 billion. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2018.

As of February 19, 2019, the number of shares of the registrant's common stock outstanding was116,840,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive2019 proxy statement, anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

PENN NATIONAL GAMING, INC.
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IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are included throughout the document, including the section entitled “Risk Factors,” and relate to our business strategy, our prospects and our financial position. These statements can be identified by the use of forward-looking terminology such as “expects,” “believes,” “estimates,” “projects,” “intends,” “plans,” “seeks,” “may,” “will,” “should” or “anticipates” or the nega variation of these or similar words, or by discussions of future events, strategies or risks and uncertainties.

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

- our expectations of future results of operations or financial condition;
- our expectations for our operating properties or our development projects;
- the timing, cost and expected impact of planned capital expenditures on our results of operations;
- the impact of our geographic diversification;
- our expectations with regard to the impact of competition;
- our expectations regarding economic and consumer conditions;
- information regarding our recent acquisitions of Pinnacle Entertainment, Inc. (“Pinnacle”) and Margaritaville Resort Casino (“Margaritaville Resort Casino”) in Bossier City, Louisiana, including the potential synergies of these acquisitions, and our pending acquisition of the gaming operations of Greektown Hotel-Casino (“Greektown”) in Detroit, Michigan;
- our expectations regarding the completion of our acquisition of Greektown;
- our expectations with regard to further acquisitions and development opportunities, as well as the integration and ultimate results of any companies we have acquired or may acquire;
- the outcome and financial impact of the litigation in which we are or will be periodically involved;
- the actions of regulatory, legislative, executive or judicial decisions at the federal, state or local level with regard to our current businesses and new business lines and the impact of any such actions;
- our ability to integrate the businesses of Pinnacle, Margaritaville Resort Casino and Greektown into our business successfully or realize the anticipated benefits of these transactions;
- our expectations of the utilization of technology for social and real money iGaming;
- our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our outstanding indebtedness; and
- our expectations for the continued availability and cost of capital.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, they are inherently subject to risks, uncertainties and assumptions about our subsidiaries and us. There can be no assurance that actual results will not differ materially from our expectations, and accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described below and in the information incorporated by reference herein. Meaningful factors that could cause actual results to differ materially from the forward-looking statements include, without limitation, risks related to the following:

- the ability of our operating teams to drive revenue and profit growth at existing and recently acquired or soon-to-be opened properties;
- the impact of significant competition from other gaming and entertainment operations;
- our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays, approvals or impediments to completing our planned acquisitions or projects, such as construction factors, including delays, unexpected costs, local opposition, and organized labor;

- the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as smoking restrictions at our facilities);
- with respect to our sports betting and iGaming operations, risks relating to entering into a new line of business, including our ability to establish relationships with key partners or vendors and generate sufficient returns on investment, as well as risks relating to potential legislation in various jurisdictions;
- our ability to maintain agreements with our horsemen, pari-mutuel clerks and other organized labor groups;
- the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- the activities of our competitors (for instance, in Massachusetts) and the continued increase of new competitors (traditional, internet, social, sweepstakes based and video gaming terminals (“VGTs”) in bars, truck stops and other retail establishments);
- increases in the effective rate of taxation at any of our properties or at the corporate level;
- our ability to identify attractive acquisition and development opportunities (especially in new business lines) and to agree to terms with, and maintain good relationships with partners/municipalities for such transactions;
- the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities;
- our ability to successfully integrate the Pinnacle, Margaritaville Resort Casino and Greektown businesses in an efficient and effective manner and our ability to obtain the anticipated synergies resulting from cost savings and operating efficiencies;
- our ability to maintain market share at our facilities;
- our expectations for the continued availability and cost of capital;
- the impact of weather on our business;
- the outcome of pending legal proceedings;
- changes in accounting standards;
- the risk of failing to maintain the integrity of our information technology infrastructure and safeguard our business, employee and customer data;
- our ability to generate sufficient future taxable income to realize our deferred tax assets;
- with respect to our social and other interactive gaming endeavors, risks related to the iGaming industry, employee retention, cyber-security, data privacy, implementing technological advancements, intellectual property and legal and regulatory challenges, increasing competition as well as our ability to successfully develop innovative new games that attract and retain a significant number of players in order to grow our revenues and earnings;
- our ability to successfully compete in the VGT market, our ability to retain existing customers and secure new customers, risks relating to municipal authorization of VGT operations and the implementation and the ultimate success of the products and services being offered;
- with respect to recent gaming expansion in Pennsylvania, including our Category 4 licenses in York County and Berks County, risks related to the potential cannibalization of Hollywood Casino at Penn National Race Course, Hollywood Gaming at Mahoning Valley Race Course, Meadows Racetrack and Casino and Hollywood Casino at Charles Town Races, ongoing litigation surrounding Pennsylvania’s gaming expansion legislation and the ultimate location of other gaming facilities in the Commonwealth;
- with respect to our pending acquisition of the operations of Greektown, the possibility that the proposed transaction does not close when expected or at all because required regulatory or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all; potential adverse reactions or changes to business

or employee relationships, including those resulting from the announcement or completion of the transaction; the possibility that the anticipated benefits of the transaction are not realized when expected or at all; and

- other factors included in Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K or discussed in our filings with the U.S. Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur.

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PART I
ITEM 1. BUSINESS

Overview

Penn National Gaming, Inc., together with its subsidiaries, is a leading, diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal ("VGT") operations with a focus on slot machine entertainment. In the second half of 2018, we launched live sports wagering at our facilities in Mississippi, Pennsylvania and West Virginia. In addition, the Company operates an interactive gaming division through its subsidiary, Penn Interactive Ventures, LLC ("PIV"). As of December 31, 2018, we owned, managed, or had ownership interests in 40 facilities in 18 jurisdictions. The majority of the gaming facilities used in the Company's operations are subject to triple net master leases; the most significant of which are the Penn Master Lease and the Pinnacle Master Lease (as such terms are defined in the "Master Leases" section below and collectively referred to as the "Master Leases"), with Gaming and Leisure Properties, Inc. ("GLPI"), a publicly-traded real estate investment trust ("REIT"), as the landlord under the Master Leases. GLPI was formed in November 2013 through a tax-free spin-off (the "Spin-Off") in which the Company separated its gaming operating assets from its real estate assets. In this Annual Report on Form 10-K, the terms "we," "us," "our," the "Company," "Penn" and "Penn National" refer to Penn National Gaming, Inc. and its subsidiaries, unless the context indicates otherwise.

In October 2018, the Company completed the acquisition of Pinnacle Entertainment, Inc. ("Pinnacle"), a leading regional gaming operator (the "Pinnacle Acquisition"). In conjunction with the Pinnacle Acquisition, the Company divested the membership interests of certain Pinnacle subsidiaries which operated the casinos known as Ameristar Casino Resort St. Charles, Ameristar Casino Hotel Kansas City, Belterra Casino Resort and Belterra Park (referred to collectively as the "Divested Properties"), to Boyd Gaming Corporation ("Boyd"). Additionally, as a part of the transaction, (i) GLPI acquired the real estate associated with Plainridge Park Casino, and concurrently leased back the real estate assets to the Company (the "Plainridge Park Casino Sale-Leaseback") and (ii) a subsidiary of Boyd acquired the real estate assets associated with Belterra Park from a subsidiary of GLPI. In connection with the sale of the Divested Properties to Boyd as well as the Plainridge Park Casino Sale-Leaseback, the Pinnacle Master Lease, which was assumed by the Company concurrent with the closing of the Pinnacle Acquisition, was amended. The Pinnacle Acquisition added twelve gaming properties to our holdings and provides us with greater operational scale and geographic diversity.

In November 2018, we announced that the Company entered into a definitive agreement to acquire the operations of Greektown Casino-Hotel in Detroit, Michigan, subject to a triple net lease with VICI Properties, Inc. ("VICI"), a publicly-traded REIT, which we expect to close in the second quarter 2019. In January 2019, we acquired Margaritaville Casino Resort subject to a triple net lease with VICI (the "Margaritaville Lease"). Further, we have planned two development projects in Pennsylvania: Hollywood Casino York and Hollywood Casino Morgantown (a greenfield project), which are both Category 4 satellite gaming facilities. We anticipate that both of these development projects will be complete within 12-18 months after obtaining the necessary local and regulatory approvals.

In May 2017, we completed the acquisitions of 1st Jackpot Casino Tunica (f/k/a Bally's Casino Tunica) and Resorts Casino Tunica. In June 2015, we opened Plainridge Park Casino, an integrated racing and slots-only gaming facility in Plainville, Massachusetts, and in August 2015, we completed the acquisition of our first Las Vegas strip asset, Tropicana Las Vegas. In September 2015, we acquired Illinois Gaming Investors LLC (d/b/a Prairie State Gaming) ("Prairie State Gaming"), one of the largest VGT route operators in Illinois, which has since acquired four small VGT route-operators based in Illinois. In 2015, PIV launched our HollywoodCasino.com Play4Fun social gaming platform with Scientific Games Corporation, and in August 2016, we enhanced our social gaming offerings with the acquisition of Rocket Speed, Inc. ("Rocket Speed"), a leading developer of social casino games.

We believe that our portfolio of assets provides us the benefit of a geographically diversified cash flow from operations. We expect to continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions, and the development of new gaming properties. In addition, we expect to pursue opportunities within other distribution channels, such as retail gaming, social gaming, and real money iGaming.

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Master Leases

As noted above, the majority of the gaming facilities used in the Company's operations are subject to either the Penn Master Lease or the Pinnacle Master Lease. Under triple net master leases, in addition to lease payments for the real estate assets (i.e., land and buildings), the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

The following summaries of the Master Leases are qualified in their entirety by reference to either the Penn Master Lease or the Pinnacle Master Lease, as applicable, and subsequent amendments, all of which are attached hereto as exhibits to this Annual Report on Form 10-K.

Penn Master Lease

Pursuant to a triple net master lease with GLPI (the "Penn Master Lease"), which became effective November 1, 2013, the Company leases real estate assets associated with 20 of the gaming facilities used in its operations. We determined that the Penn Master Lease did not meet the requirements of a normal leaseback under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 840 "Leases" due to prohibited forms of continuing involvement; and is, therefore, accounted for as a financing obligation.

The Penn Master Lease has an initial term of 15 years with four subsequent, five-year renewal periods on the same terms and conditions, exercisable at the Company's option. If we elect to renew the term of the Penn Master Lease, the renewal will be effective as to all of the leased property then subject to the Penn Master Lease, provided that the final renewal option shall only be exercisable with respect to certain of the barge-based facilities (i.e., facilities where barges serve as foundations upon which buildings are constructed to serve as gaming or related facilities or serve ancillary purposes such as access platforms or shear barges to protect a gaming facility from floating debris) following an independent third party expert's review of the total useful life of the applicable barged-based facility measured from the beginning of the initial term. If the final five-year renewal term would not cause the aggregate term to exceed 80% of the useful life of such facility, the facility shall be included in the five-year renewal. In the event that a five-year renewal of such facility would cause it to exceed 80% of the estimated useful life, such facility shall be included in the renewal for the period of time equal to but not exceeding 80% of the estimated useful life.

The payment structure under the Penn Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Penn Master Lease) of 1.8:1, and a component that is based on the performance of the facilities, which is prospectively adjusted (i) every five years by an amount equal to 4% of the average change in net revenues of all facilities under the Penn Master Lease compared to a contractual baseline (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years ("Penn Percentage Rent") and (ii) monthly by an amount equal to 20% of the net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo in excess of a contractual baseline. Additionally, effective November 1, 2018, the percentage rent reset resulted in an annual rent reduction of $11.3 million, which will be in effect until the Company's next percentage rent reset occurring on November 1, 2023.

In April 2014, we entered into an amendment to the Penn Master Lease in order to revise certain provisions relating to our Sioux City property. In accordance with that amendment, upon the cessation of gaming operations at Argosy Casino Sioux City on July 30, 2014, due to the termination of its gaming license, the annual payment to GLPI was reduced by $6.2 million. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in September 2014, our annual payment increased by $19 million, which approximated 10% of the real estate construction costs paid for by GLPI related to these facilities.

In May 2017, following the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica, we entered into an amendment to the Penn Master Lease in order to add the two additional facilities. The Company operates both 1st Jackpot Casino Tunica and Resorts Casino Tunica and leases the underlying real estate assets associated with these two properties from GLPI with a total initial annual payment of $9.0 million subject to the provisions included in the terms of the Penn Master Lease.

We do not have the ability to terminate our obligations under the Penn Master Lease prior to its expiration without GLPI’s consent. If the Penn Master Lease is terminated prior to its expiration other than with GLPI’s consent, we may be liable for damages and incur charges such as continued lease payments through the end of the lease term and maintenance costs for the leased property.

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Pinnacle Master Lease

In connection with the Pinnacle Acquisition, the Company assumed a triple net master lease with GLPI, originally effective April 28, 2016 ("Pinnacle Master Lease"). Concurrent with the closing of the Pinnacle Acquisition on October 15, 2018, the Company entered into an amendment to the Pinnacle Master Lease to, among other things, (i) remove Ameristar Casino Resort St. Charles, Ameristar Casino Hotel Kansas City and Belterra Casino Resort, which were sold to Boyd, and (ii) add Plainridge Park Casino, whose real estate assets were sold to GLPI for $250.0 million and concurrently leased back to the Company for a fixed annual rent of $25.0 million. Further, the rent payment under the Pinnacle Master Lease was increased by a fixed annual amount of $13.9 million to adjust the rent to reflect current market conditions. Pursuant to the Pinnacle Master Lease, the Company leases real estate assets associated with twelve of the gaming facilities used in its operations from GLPI. Similar to the Penn Master Lease, the Pinnacle Master Lease is accounted for as a financing obligation.

Upon assumption of the Pinnacle Master Lease, as amended, there were 7.5 years remaining of the initial 10-year term, with five subsequent, five-year renewal periods exercisable at the Company's option. The payment structure under the Pinnacle Master Lease includes a fixed component, which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Pinnacle Master Lease) of 1.8:1, and a component that is based on the performance of the facilities, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues of all facilities under the Pinnacle Master Lease compared to a contractual baseline during the preceding two years ("Pinnacle Percentage Rent"). The next Pinnacle Percentage Rent reset will occur effective May 1, 2020.

We do not have the ability to terminate our obligations under the Pinnacle Master Lease prior to its expiration without GLPI's consent. If the Pinnacle Master Lease is terminated prior to its expiration other than with GLPI's consent, we may be liable for damages and incur charges such as continued lease payments through the end of the lease term and maintenance costs for the leased property.

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Operating Properties

We view each of our gaming and racing facilities as an operating segment with the exception of our two facilities in Jackpot, Nevada, which we view as one operating segment, and our combined VGT operations as an operating segment. For financial reporting purposes, we aggregate our operating segments into four reportable segments. The table below summarizes certain features of the properties operated and/or managed by us as of December 31, 2018 as well as Margaritaville Resort Casino, which we acquired on January 1, 2019:

	Location	Real Estate Assets Lease or Ownership Structure	Type of Facility	Gaming Square Footage	Gaming Machines	Table Games (1)	Hotel Rooms
Northeast segment							
Ameristar East Chicago	East Chicago, IN	Pinnacle Master Lease	Dockside gaming	56,000	1,720	72	288
Hollywood Casino Bangor	Bangor, ME	Penn Master Lease	Land-based gaming/racing	31,750	730	14	152
Hollywood Casino at Charles Town Races	Charles Town, WV	Penn Master Lease	Land-based gaming/racing	115,000	2,302	73	153
Hollywood Casino Columbus	Columbus, OH	Penn Master Lease	Land-based gaming	160,000	2,127	64	—
Hollywood Casino Lawrenceburg (2)	Lawrenceburg, IN	Penn Master Lease	Dockside gaming	146,500	1,522	78	463
Hollywood Casino at Penn National Race Course	Grantville, PA	Penn Master Lease	Land-based gaming/racing	99,500	2,002	69	—
Hollywood Casino Toledo	Toledo, OH	Penn Master Lease	Land-based gaming	125,000	2,042	69	—
Hollywood Gaming at Dayton Raceway	Dayton, OH	Penn Master Lease	Land-based gaming/racing	30,000	1,077	—	—
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, OH	Penn Master Lease	Land-based gaming/racing	50,000	1,100	—	—
Meadows Racetrack and Casino	Washington, PA	Meadows Lease	Land-based gaming/racing	131,000	3,028	91	—
Plainridge Park Casino	Plainville, MA	Pinnacle Master Lease	Land-based gaming/racing	50,000	1,250	—	—
South segment							
1st Jackpot Casino	Tunica, MS	Penn Master Lease	Dockside gaming	40,000	883	14	—
Ameristar Vicksburg	Vicksburg, MS	Pinnacle Master Lease	Dockside gaming	70,000	1,285	33	148
Boomtown Biloxi	Biloxi, MS	Penn Master Lease	Dockside gaming	35,500	674	14	—
Boomtown Bossier City	Bossier City, LA	Pinnacle Master Lease	Dockside gaming	30,000	866	16	187
Boomtown New Orleans	New Orleans, LA	Pinnacle Master Lease	Dockside gaming	30,000	1,156	31	150
Hollywood Casino Gulf Coast	Bay St. Louis, MS	Penn Master Lease	Land-based gaming	51,000	948	20	291
Hollywood Casino Tunica	Tunica, MS	Penn Master Lease	Dockside gaming	54,000	962	16	494
L'Auberge Baton Rouge	Baton Rouge, LA	Pinnacle Master Lease	Dockside gaming	74,000	1,332	47	205
L'Auberge Lake Charles	Lake Charles, LA	Pinnacle Master Lease	Dockside gaming	70,000	1,529	72	995
Margaritaville Resort Casino	Bossier City, LA	Margaritaville Lease	Dockside gaming	30,000	1,200	50	395
Resorts Casino Tunica	Tunica, MS	Penn Master Lease	Dockside gaming	35,000	765	—	201
West segment							
Ameristar Black Hawk	Black Hawk, CO	Pinnacle Master Lease	Land-based gaming	56,000	1,200	40	536
Cactus Petes and Horseshu	Jackpot, NV	Pinnacle Master Lease	Land-based gaming	29,000	740	24	416
M Resort	Henderson, NV	Penn Master Lease	Land-based gaming	96,000	1,138	40	390
Tropicana Las Vegas	Las Vegas, NV	Owned	Land-based gaming	72,000	621	32	1,470
Zia Park Casino	Hobbs, NM	Penn Master Lease	Land-based gaming/racing	18,000	732	—	154
Midwest segment							
Ameristar Council Bluffs (3)	Council Bluffs, IA	Pinnacle Master Lease	Dockside gaming	38,500	1,525	25	444
Argosy Casino Alton (4)	Alton, IL	Penn Master Lease	Dockside gaming	23,000	746	12	—

Argosy Casino Riverside	Riverside, MO	Penn Master Lease	Dockside gaming	56,000	1,500	41	248
Hollywood Casino Aurora	Aurora, IL	Penn Master Lease	Dockside gaming	53,000	1,000	27	—
Hollywood Casino Joliet	Joliet, IL	Penn Master Lease	Dockside gaming	50,000	1,100	26	100
Hollywood Casino at Kansas Speedway (5)	Kansas City, KS	Owned - JV	Land-based gaming	95,000	2,000	41	—
Hollywood Casino St. Louis	Maryland Heights, MO	Penn Master Lease	Dockside gaming	120,000	2,003	63	502
Prairie State Gaming (6)	Illinois	N/A	Land-based gaming	N/A	1,876	—	—
River City Casino	St. Louis, MO	Pinnacle Master Lease	Dockside gaming	90,000	1,925	52	200
Other							
Freehold Raceway (7)	Freehold, NJ	Owned - JV	Standardbred racing	—	—	—	—
Retama Park Racetrack (8)	Selma, TX	None - Managed	Thoroughbred racing	—	—	—	—
Sam Houston Race Park (9)	Houston, TX	Owned - JV	Thoroughbred racing	—	—	—	—
Sanford-Orlando Kennel Club	Longwood, FL	Owned	Greyhound racing	—	—	—	—
Valley Race Park (9)	Harlingen, TX	Owned - JV	Greyhound racing	—	—	—	—
				2,310,750	48,606	1,266	8,582

(1) Excludes poker tables

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(2) Includes 168 rooms at our hotel and event center located less than a mile from the gaming facility.
(3) Includes 284 rooms operated by a third party and located on land leased by us and subleased to such third party.
(4) The riverboat is owned by us and not subject to the Penn Master Lease.
(5) Pursuant to a joint venture with International Speedway Corporation ("International Speedway")
(6) VGT route operator with 403 retail locations
(7) Pursuant to a joint venture with Greenwood Limited Jersey, Inc., a subsidiary of Greenwood Racing, Inc.
(8) Pursuant to a management contract with Retama Development Corporation.
(9) Pursuant to a joint venture with MAXXAM, Inc. ("MAXXAM")

Northeast Segment

Ameristar East Chicago is located less than 25 miles from downtown Chicago, Illinois and offers guests a gaming and entertainment experience in the Chicago metropolitan area. In addition to gaming amenities, the property features a full-service hotel, a fitness center, five dining venues, two lounges and approximately 5,400 square feet of meeting and event space.

Hollywood Casino Bangor features gaming facilities, including slot machines, table games and poker tables. Hollywood Casino Bangor's amenities include a hotel with 5,119 square feet of meeting and multipurpose space, a buffet, a snack bar and a casual dining restaurant, a small entertainment stage, and a four-story parking garage with 1,500 spaces. Bangor Raceway, which is adjacent to the property, is located at historic Bass Park and includes a one-half mile standardbred racetrack and grandstand to seat 3,500 patrons.

Hollywood Casino at Charles Town Races is located within approximately an hour drive of the Baltimore, Maryland and Washington, D.C. markets. In addition to slot machines, table games and poker tables, Hollywood Casino at Charles Town Races includes a sportsbook for live sports betting. The complex also features live thoroughbred racing at a 3/4-mile all-weather lighted thoroughbred racetrack with a 3,000-seat grandstand, parking for approximately 5,800 vehicles and simulcast wagering. Hollywood Casino at Charles Town Races dining options include a high-end steakhouse, a sports bar and entertainment lounge and an Asian-themed restaurant.

Hollywood Casino Columbus is a Hollywood-themed casino featuring slot machines, table games and 36 poker tables. Hollywood Casino Columbus also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 4,600 spaces.

Hollywood Casino Lawrenceburg is located along the Ohio River in Lawrenceburg, Indiana, approximately 15 miles west of Cincinnati, Ohio. In addition to slot machines, table games, and poker tables, the Hollywood-themed casino riverboat includes a hotel; dining options; including a restaurant, bar, nightclub, sports bar, and two cafes; and meeting space. The City of Lawrenceburg Department of Redevelopment constructed a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property. Effective in January 2015, by contractual agreement, the hotel and event center is owned and operated by a subsidiary of the Company. The hotel and event center includes approximately 18,000 square feet of multipurpose space and 19,500 square feet of ballroom and meeting space.

Hollywood Casino at Penn National Race Course is located 15 miles northeast of Harrisburg, Pennsylvania. This gaming facility also includes an entertainment bar and lounge, a sports bar, a buffet, a high-end steakhouse and various casual dining options, as well as a simulcast facility and viewing area for live racing. In addition, Hollywood Casino at Penn National Race Course opened a sportsbook in November 2018. The facility has ample parking, including a five-story self-parking garage, with capacity for approximately 2,200 cars, and approximately 1,500 surface parking spaces for self and valet parking. The property includes a one-mile all-weather lighted thoroughbred racetrack and a 7/8-mile turf track.

Hollywood Casino Toledo is a Hollywood-themed casino whose gaming facilities include 19 poker tables. Hollywood Casino Toledo also includes multiple food and beverage outlets, an entertainment lounge, and structured and surface parking for approximately 3,300 spaces.

Hollywood Gaming at Dayton Raceway is a Hollywood-themed facility featuring video lottery terminals ("VLTs") and a 5/8-mile standardbred racetrack. Hollywood Gaming at Dayton Raceway also includes various restaurants, bars, surface parking for 1,806 spaces and other amenities.

Hollywood Gaming at Mahoning Valley Race Course is a Hollywood-themed facility featuring VLTs and a one-mile thoroughbred racetrack. Hollywood Gaming at Mahoning Valley Race Course also includes various restaurants, bars, surface parking with approximately 1,250 spaces and other amenities.

Meadows Racetrack and Casino is located in Washington, Pennsylvania, approximately 25 miles south of Pittsburgh, Pennsylvania. In addition to gaming amenities, Meadows Racetrack and Casino offers several dining options, including a steakhouse, food court and a bar. In addition, the facility features an events and banquet center, a simulcast betting parlor, a harness racetrack and a bowling alley. The property also offers off-track wagering at a separate facility in Pittsburgh.

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Plainridge Park Casino is located 20 miles southwest of the Boston beltway just off interstate 95 in Plainville, Massachusetts. In addition to gaming offerings, Plainridge Park Casino features various restaurants, bars, approximately 1,600 structured and surface parking spaces, and other amenities. Plainridge Park Casino also includes a 5/8-mile live harness racing facility with a two-story clubhouse for simulcast operations, special events, and live racing viewing, which is approximately 55,000 square feet.

South Segment

1st Jackpot Casino, the closest Tunica-area casino to downtown Memphis, Tennessee, features slot machines, table games, a steakhouse, a buffet, a café, a sportsbook and a live entertainment venue.

Ameristar Vicksburg, which is the largest dockside casino in central Mississippi, is located along the Mississippi River approximately 45 miles west of Mississippi’s largest city, Jackson. In addition to gaming amenities, the property features a hotel, multiple dining facilities, a club lounge, a sportsbook, a live entertainment venue, and 1,792 square feet of meeting and event space.

Boomtown Biloxi offers slot machines and table games as well as a buffet, a steakhouse, a sports bar, a Fat Tuesday, a noodle bar, a sportsbook and a recreational vehicle park. Boomtown Biloxi also features a 3,600 square foot event center and board room and has approximately 1,450 surface parking spaces.

Boomtown Bossier City features a hotel adjoining a dockside riverboat casino located less than one mile from the Louisiana Boardwalk. It also offers several dining options, ranging from a high-end steakhouse to casual dining restaurants, including a buffet, and 1,500 square feet of meeting and conference space.

Boomtown New Orleans is located in the West Bank area across the Mississippi River and approximately 15 minutes from the French Quarter of New Orleans, Louisiana. In addition to gaming amenities, it also features a five-story hotel, a fitness center, four restaurants, a 500-seat entertainment venue, and over 14,000 square feet of meeting and conference space.

Hollywood Casino Gulf Coast (formerly Hollywood Casino Bay St. Louis) features slot machines, table games, and poker tables. The waterfront Hollywood Hotel features 291 rooms, a 10,000 square foot ballroom, and nine separate meeting rooms offering more than 14,000 square feet of meeting space. Hollywood Casino Gulf Coast offers live concerts and various entertainment on weekends. The property also features The Bridges golf course, a sportsbook, and various dining facilities, including a steakhouse, a buffet, a grill and a clubhouse lounge as well as an entertainment bar. Other amenities include a recreational vehicle park and gift shop, lazy river, spa, and pool cabanas.

Hollywood Casino Tunica features gaming facilities, a hotel and a 123-space recreational vehicle park. Entertainment amenities include a steakhouse, a buffet, a grill, an entertainment lounge, a premium players’ club, a themed bar facility, a sportsbook, an indoor pool and showroom as well as banquet and meeting facilities. In addition, Hollywood Casino Tunica offers surface parking with approximately 1,635 spaces.

L’Auberge Baton Rouge is located approximately 10 miles southeast of downtown Baton Rouge, Louisiana. L’Auberge Baton Rouge offers a fully-integrated casino entertainment experience. It also features a 12-story hotel, a fitness center, four dining outlets, a music bar, and approximately 13,000 square feet of meeting and event space.

L’Auberge Lake Charles offers one of the closest full-scale casino hotel facilities to Houston, Texas, as well as to the Austin, Texas and San Antonio, Texas metropolitan areas. The location is approximately 140 miles from Houston and approximately 300 miles and 335 miles from Austin and San Antonio, respectively. L’Auberge Lake Charles features six dining outlets, a golf course, a full-service spa, retail shopping, two bars, and more than 26,000 square feet of meeting and event space.

Margaritaville Resort Casino, located in Bossier City, Louisiana, is one of the premier gaming, lodging, dining and entertainment experiences in Northern Louisiana. The property provides an island-style theme and includes a 15,000 square foot 1,000-seat theater, 9,500 square feet of meeting space, and approximately 1,500 parking spaces.

Resorts Casino Tunica, which is located adjacent to Hollywood Casino Tunica, features slot machines, a steakhouse, a buffet restaurant and a café. Resorts Casino Tunica also features 18,000 square feet of meeting and event space and a hotel.

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West Segment

Ameristar Black Hawk is located in the center of the Black Hawk gaming district, approximately 40 miles west of Denver, Colorado. In addition to gaming amenities, the resort features a hotel, a full-service day spa, a fitness center, several dining outlets, a live entertainment bar, a 1,500 space parking structure, and 15,000 square feet of meeting and event space.

Cactus Petes and Horseshu (collectively, “the Jackpot Properties”) are located in Jackpot, Nevada, just south of the Idaho border. The Jackpot Properties collectively feature two hotels, four dining options, a golf course, a 4,000 seat amphitheater, a showroom, a live entertainment lounge, and meeting and event facilities.

M Resort, located approximately ten miles from the Las Vegas strip in Henderson, Nevada, is situated on approximately 90 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway. The resort features slot machines, table games and a sportsbook. M Resort also offers a hotel, seven restaurants and six destination bars, more than 60,000 square feet of meeting and conference space, a 4,700 space parking structure, a spa and fitness center, a Topgolf Swing Suite, and a 100,000 square foot event center.

Tropicana Las Vegas, located on the strip in Las Vegas, Nevada, is situated on approximately 35 acres of land at the corner of Tropicana Boulevard and Las Vegas Boulevard. In addition to gaming, the resort features a hotel, a sportsbook kiosk, four full-service restaurants, a brunch buffet, a food court, a 1,100-seat performance theater, a 300-seat comedy club, over 100,000 square feet of exhibition and meeting space, a five-acre tropical beach event area and spa, and approximately 2,100 parking spaces.

Zia Park Casino is located in Hobbs, New Mexico and includes a casino, as well as an adjoining racetrack. The property includes slot machines, two restaurants, and a one-mile quarter/thoroughbred racetrack, with live racing from September to December, and a year-round simulcast parlor. In August 2014, we opened a hotel, which includes six suites, a business center, exercise/fitness facility and a breakfast venue.

Midwest Segment

Ameristar Council Bluffs is located across the Missouri River from Omaha, Nebraska and includes the largest riverboat in Iowa. In addition to gaming amenities, it also features a hotel, a fitness center, four dining facilities, a sports bar, and a 5,000 square feet of convention and meeting space.

Argosy Casino Alton is located on the Mississippi River in Alton, Illinois, approximately 20 miles northeast of downtown St. Louis. Argosy Casino Alton is a three-deck gaming facility featuring slot machines and table games. Argosy Casino Alton includes an entertainment pavilion and features a large buffet venue, a restaurant, a deli and a 475-seat main showroom. The facility also includes surface parking areas with approximately 1,350 spaces.

Argosy Casino Riverside is located on the Missouri River, approximately five miles from downtown Kansas City in Riverside, Missouri. The property features slot machines and table games. This Mediterranean-themed property features a nine-story hotel, a spa, an entertainment facility featuring various food and beverage areas, including a buffet, a steakhouse, a deli, a coffee bar, a Mexican restaurant, a VIP lounge and a sports/entertainment lounge and 19,000 square feet of banquet/conference facilities. Argosy Casino Riverside also has parking for approximately 3,000 vehicles, including a 1,250 space parking garage.

Hollywood Casino Aurora, is located in Aurora, Illinois, the second largest city in Illinois, approximately 35 miles west of Chicago. This single-level dockside casino offers guests with gaming amenities, including a poker room. The facility features a steakhouse with a private dining room, a VIP lounge for premium players, a casino bar with video poker, a buffet, and a deli. Hollywood Casino Aurora also has a surface parking lot, two parking garages with approximately 1,500 parking spaces, and a gift shop.

Hollywood Casino Joliet, is located on the Des Plaines River in Joliet, Illinois, approximately 40 miles southwest of Chicago. This barge-based casino provides guests with two levels of gaming experience as well as a deli and a VIP lounge. The land-based pavilion includes a steakhouse, a buffet and a sports bar. The complex also includes a hotel, approximately 4,600 square feet of meeting space, a 1,100 space parking garage, surface parking areas with approximately 1,500 spaces and an 80-space recreational vehicle park.

Hollywood Casino at Kansas Speedway, our 50% joint venture with International Speedway, opened in February 2012, and features slot machines, table games and poker tables. Hollywood Casino at Kansas Speedway offers a variety of dining and entertainment facilities, a meeting room, and has a 1,253 space parking structure.

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Hollywood Casino St. Louis is located adjacent to the Missouri River in Maryland Heights, Missouri, directly off I-70 and approximately 22 miles northwest of downtown St. Louis, Missouri. The facility is situated along the Missouri River and features slot machines, table games, poker tables, a hotel, nine dining and entertainment venues and structured and surface parking with approximately 4,600 spaces.

Prairie State Gaming is our licensed VGT route operator in Illinois across a network of 403 bar and retail gaming establishments in seven distinct geographic areas throughout Illinois.

River City Casino is located in the St. Louis, Missouri metropolitan area, just south of the confluence of the Mississippi River and the River des Peres in the south St. Louis community of Lemay, Missouri. River City Casino features a hotel, multiple dining outlets, an entertainment lounge, and over 10,000 square feet of conference space.

Other

Freehold Raceway. Through our joint venture in Pennwood Racing, Inc. ("Pennwood"), we own 50% of Freehold Raceway, located in Freehold, New Jersey. The property features a half-mile standardbred race track and a 117,715 square foot grandstand.

Retama Park Racetrack. We have a management contract with Retama Development Corporation ("RDC"), a local government corporation of the City of Selma, Texas, to manage the day-to-day operations of Retama Park Racetrack. In addition, we own 1.0% of the equity of Retama Nominal Holder, LLC, which holds a nominal interest in the racing license used to operate Retama Park Racetrack. Additionally, we own a 75.5% interest in Pinnacle Retama Partners, LLC ("PRP"), which owns the contingent gaming rights that may arise if gaming under the existing racing license becomes legal in Texas in the future.

Sam Houston Race Park and Valley Race Park. Our joint venture with MAXXAM owns and operates the Sam Houston Race Park in Houston, Texas and the Valley Race Park in Harlingen, Texas, and holds a license for a racetrack in Manor, Texas, just outside of Austin. Sam Houston Race Park is located 15 miles northwest from downtown Houston along Beltway 8. Sam Houston Race Park hosts thoroughbred and quarter horse racing and offers daily simulcast operations, as well as hosts various special events, private parties and meetings, concerts and national touring festivals throughout the year. Valley Race Park features 91,000 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

Sanford-Orlando Kennel Club. Sanford-Orlando Kennel Club is a 1/4-mile greyhound facility located in Longwood, Florida. The facility has capacity for 6,500 patrons, with seating for 4,000 and surface parking for 2,500 vehicles. The facility conducts year-round greyhound racing and greyhound, thoroughbred, and harness racing simulcasts.

Heartland Poker Tour. We own and operate the Heartland Poker Tour, which is a live and televised poker tournament series.

Off-track Wagering Facilities. Our off-track wagering facilities ("OTWs") and racetracks provide areas for viewing import simulcast races of thoroughbred and standardbred horse racing, televised sporting events, placing pari-mutuel wagers and dining. We operate two OTWs in Pennsylvania, and through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey. In addition, in accordance with an operating agreement with Pennwood, the Company constructed an OTW in Gloucester Township, New Jersey, which opened in July 2014. Per the operating agreement, this OTW is operated by us; however, Pennwood has the option to purchase the OTW once the Company has received its total investment as defined in the operating agreement.

Penn Interactive Ventures. PIV is our interactive gaming division, which includes Rocket Speed, a leading developer of social casino games, and our HollywoodCasino.com Play4Fun social gaming platform with Scientific Games Corporation.

Trademarks

We own a number of trademarks and service marks registered with the U.S. Patent and Trademark Office ("USPTO"), including but not limited to, "Hollywood Casino®," "Hollywood Gaming®," "Argosy®," "M Resort®," "Hollywood Poker®," and "Marquee Rewards.®" With the acquisition of Pinnacle, we acquired Pinnacle's trademark portfolio and now also own "Ameristar®," "Boomtown®," "L'Auberge®," and "MYCHOICE®," among other trademarks. We believe that our rights to our marks are well established and have competitive value to our properties. We also have a number of trademark applications pending with the USPTO.

As part of our acquisition of Tropicana Las Vegas in August 2015, we assumed a trademark settlement agreement with Tropicana Entertainment, LLC, an affiliate of Tropicana Entertainment, Inc. that is not related to the Company, which, subject to other terms, conditions, and advertising limitations set forth in the agreement, confirms, among other things, that (i) Tropicana Las Vegas owns and has the exclusive right to use the “Tropicana Las Vegas” and the “Tropicana LV” marks within 50 miles of the “Las Vegas Property” for the purpose of providing goods and services in the field of entertainment and hospitality and in the natural scope of expansion thereof (the “Services”), and for “Internet Uses” (as defined in the Agreement) without geographic limitation, (ii) Tropicana Las Vegas may advertise the Services identified by the “Tropicana Las Vegas” and the “Tropicana LV” marks worldwide provided that the advertisements explicitly reference the location of the Tropicana Las Vegas Property, and (iii) Tropicana Entertainment, LLC owns and has the exclusive right to use the “Tropicana” and “Trop” marks, in connection with a modifier indicating the type of service being provided or a modifier designating an accurate geographic location of a property, outside of the Las Vegas area, and may advertise the Services worldwide provided that the advertisements explicitly reference the location of the properties.

We have licenses with third parties to use the Resorts® and Margaritaville® trademarks, among others, in connection with the operation of Resorts Casino Tunica, in Tunica, Mississippi and Margaritaville Resort Casino in Bossier City, Louisiana, respectively.

Competition

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos; dockside casinos; land-based casinos; video lottery; internet gaming; sports betting; gaming at taverns in certain states, such as Illinois; gaming at truck stop establishments in certain states, such as Pennsylvania and Louisiana; sweepstakes and poker machines not located in casinos; the potential for increased fantasy sports; real money iGaming; Native American gaming; and other forms of gaming in the U.S. In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts and travel. Legalized gaming is currently permitted in various forms throughout the U.S. and on various lands taken into trust for the benefit of certain Native Americans in the U.S. Other jurisdictions, including states adjacent to states in which we currently have facilities, have legalized, implemented and expanded gaming. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations (including VGTs, sports betting and iGaming). New, relocated or expanded operations by other companies will increase competition for our gaming operations and could have a material adverse impact on us. Finally, the imposition of smoking restrictions and/or higher gaming tax rates have a significant impact on our properties’ ability to compete with facilities in nearby jurisdictions.

Northeast. Hollywood Casino at Charles Town Races has been and will continue to be negatively impacted by competition in the Baltimore, Maryland market, which includes Maryland Live! and Horseshoe Casino Baltimore. Maryland Live!, a casino complex at the Arundel Mills mall in Anne Arundel, Maryland, opened in June 2012 and Horseshoe Casino Baltimore opened at the end of August 2014. Both of these facilities are substantial in nature, as Maryland Live! has approximately 4,000 slot machines, over 200 table games, various food and beverage offerings and as of July 2018, a 300-room hotel, whereas Horseshoe Baltimore has 2,200 slot machines and 180 table games. In December 2013, the sixth casino license for Maryland in Prince George’s County was granted to MGM. In December 2016, MGM National Harbor casino and resort opened featuring 3,300 slot machines and 124 table games and has had an adverse impact our financial results, as it has created additional competition for Hollywood Casino at Charles Town Races.

In November 2011, the Expanded Gaming Act was signed into law in Massachusetts, which allows up to three destination resort casinos located in three geographically diverse regions across the state and a single slots facility for one location statewide. In February 2014, the Massachusetts Gaming Commission awarded us the slots-only gaming license and in June 2015, we opened Plainridge Park Casino in Plainville. The licenses for two of three casino resorts have been awarded, with the remaining license in Southeastern Massachusetts still open. MGM Springfield in Western Massachusetts opened in August 2018 and Encore Boston Harbor in Eastern Massachusetts is scheduled to open in June 2019. Construction of a tribal casino in Taunton, Massachusetts, which was expected to open in 2017, is currently on hold following a judicial opinion issued during the third quarter 2016 regarding the validity of the Tribe’s land in trust. In addition, the relocation of the Newport Casino license to Tiverton, Rhode Island, near the

Massachusetts border, which was approved by local and statewide voters in November 2016, opened in September 2018. Twin River Casino Hotel in Lincoln, Rhode Island, completed its new hotel tower during the fourth quarter 2018. The increased competition in Massachusetts will have a negative impact on the operations of Plainridge Park Casino.

In Ohio, a racino at Scioto Downs in Columbus, Ohio, opened in June 2012, which had a negative impact on Hollywood Casino Lawrenceburg's financial results and competes aggressively in the same market as Hollywood Casino Columbus. In addition, a racino at Miami Valley Gaming opened in December 2013, and a racino at Belterra Park opened in May 2014. Both of these racinos compete with Hollywood Casino Lawrenceburg. We have opened our own racinos in Ohio, with Hollywood Gaming at Dayton Raceway in August 2014 and Hollywood Gaming at Mahoning Valley Race Course in September 2014. As a result, in a relatively short period of time, Ohio has gone from having no gaming facilities to having four casinos and seven VLT facilities. In addition, we continue to fight illegal gaming operations, such as internet sweepstakes, in the state.

In addition, legislators in Kentucky regularly consider new gaming legislation. The commencement of gaming in Kentucky would negatively impact certain of our existing properties in the Northeast segment. In October 2017, Pennsylvania enacted gaming expansion legislation that authorized licenses for up to ten new Category 4 satellite casinos, VGTs at truck stops, online gaming, and other gaming offerings. The new casinos will have the ability to operate between 300 and 750 slot machines and up to 40 table games. Only Pennsylvania's existing gaming operators were permitted to initially participate in the auctions for these new casinos, with a preference given to the Category 1 and Category 2 license holders in the first and second rounds. On January 10, 2018, Penn was awarded the first Category 4 satellite casino license to be located in York County for a $50.1 million license fee, which will compete with our Hollywood Casino at Penn National Race Course facility. On January 24, 2018, the second Category 4 satellite casino license was awarded in Derry Township in Westmoreland County and is expected to compete with and may have an adverse impact on Meadows. On February 8, 2018, the third Category 4 satellite casino license was awarded in Lawrence County which is expected to compete with and have an adverse impact on our existing Hollywood Gaming at Mahoning Valley Race Course facility in Youngstown, Ohio. On February 22, 2018 and April 4, 2018, the fourth and fifth, Category 4 satellite casino licenses, respectively, were awarded in Cumberland County and West Cocalico Township in Lancaster County (this was awarded to Penn for a $7.5 million license fee) which are expected to compete with and have an adverse impact on our Hollywood Casino at Penn National Race Course facility in Grantville, Pennsylvania. Penn also applied for a license to operate online real money gaming in Pennsylvania. Depending on our ability to successfully operate online gaming in Pennsylvania and on how many of the ten satellite casino licenses are ultimately issued, and the final locations and scope of these satellite casinos, as well as the impact of VGTs at truck stops and online gaming offerings, there may be additional negative impacts on our existing facilities in the Northeast segment.

South. In the Mississippi Gulf Coast market, the Island View Beach Casino opened in June 2018, which has had an adverse effect on the financial results of our Boomtown Biloxi property. In the West Memphis and Tunica market, in January 2019, a planned expansion and renovation of Southland Park with a 55,000 square foot gaming floor, including over 2,000 gaming machines, gaming tables and high-limit room, will have an adverse impact on our casinos in the Tunica market. In addition, in the Lake Charles market, the opening of a full-service competitor in December 2014, Golden Nugget Lake Charles, has provided increased competition to L'Auberge Lake Charles and continues to have an adverse impact on financial results of our casino.

West. M Resort and Tropicana Las Vegas compete directly with other Las Vegas hotels, resorts, and casinos, including those located on the Las Vegas Strip, on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment offered, convention and meeting facilities, shopping and restaurant facilities, theme, and size. In addition, a substantial number of customers are drawn from geographic areas outside of Las Vegas, particularly California and Arizona. Ameristar Blackhawk's largest competitor, Monarch Casino, is expected to complete a large renovation and expansion by July 2019, including a parking garage and 500-room hotel.

Midwest. In Illinois, there have been perennial gaming expansion proposals introduced in the legislature, which we expect to continue. In October 2012, video gambling in Illinois was officially launched with the first locations being allowed to operate VGTs. Currently, there are over 22,000 terminals at numerous locations throughout the state, which has had a negative impact on our casinos near or in Illinois. In September 2015, we purchased Prairie State Gaming, which is a licensed VGT operator in Illinois, whose operations now include more than 1,850 video gaming terminals across a network of 403 bars and retail gaming establishments throughout Illinois. Illinois also continues to discuss the viability of gaming expansion in the state through a potential combination of additional riverboat operations, land-based casinos and slots at racetracks. In addition, legislators in Indiana and Missouri are currently considering VGT legislation. The commencement of gaming in Indiana and Missouri or the expansion of gaming in Illinois would negatively impact certain of our existing properties in the Midwest segment. In November 2018, a tribal casino opened in Omaha, Nebraska, which competes with Ameristar Council Bluffs. In addition, there is a proposal to reopen a race track with slot machines at the Woodlands in Wyandotte County, which could have an adverse effect on the financial results of Hollywood Casino at Kansas Speedway. On November 6, 2018, voters in St. Louis County approved a ballot referendum that requires Hollywood Casino St. Louis and River City Casino to make at least 50% of their gaming floors smoke free. This smoking restriction could have an adverse impact on our business operations at our casinos in St. Louis County.

In February 2019, there was new proposed legislation in Indiana to relocate two existing licenses in Buffington Harbor in Gary, Indiana, moving one license to another location in Gary or another municipality in Northwest Indiana, and a second license to Terre Haute outside of Indianapolis. In the event this legislation passes and a casino is developed in Gary or a nearby municipality in Northwest Indiana, this would have a material adverse impact on the results of operations of Ameristar East Chicago, which is located in East Chicago, Indiana.

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In addition, the proposed legislation in Indiana includes the acceleration of live dealer table games at existing racinos in Shelbyville and Anderson, Indiana to the summer of 2019, whereas existing law has live dealer table games at the existing racinos starting in the summer of 2021. In the event this legislation passes and live dealer table games at the existing racinos are available in the summer of 2019, this would have a material adverse impact on the results of operations at Hollywood Casino Lawrenceburg, which is located in Lawrenceburg, Indiana.

Government Regulation and Gaming Issues

The gaming and racing industries are highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our facilities is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws or regulations in one jurisdiction could result in disciplinary action in other jurisdictions. For a more detailed description of the statutes and regulations to which we are subject, please see Exhibit 99.1, "Government Regulation and Gaming Issues," to this Annual Report on Form 10-K, which is incorporated herein by reference.

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, health care, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment have not had a material effect upon our capital expenditures, earnings or the competitive positions of our properties. From time to time, certain development projects may require substantial costs for environmental remediation due to prior use of our development sites. Our project budgets for such a site typically include amounts expected to cover the remediation work required.

Executive Officers of the Registrant

The persons serving as our executive officers and their positions with us are as follows:

NAME	AGE	POSITION WITH THE COMPANY
Timothy J. Wilmott	60	Chief Executive Officer
Jay Snowden	42	President and Chief Operating Officer
William J. Fair	56	Executive Vice President and Chief Financial Officer
Carl Sottosanti	54	Executive Vice President, General Counsel, and Secretary

Timothy J. Wilmott. Mr. Wilmott joined us in February 2008 as President and Chief Operating Officer and was named Chief Executive Officer on November 1, 2013. In addition, in September 2014, Mr. Wilmott was appointed to the Board of Directors. Previously, Mr. Wilmott served as Chief Operating Officer of Harrah's Entertainment, a position he held for approximately four years. In this position, he oversaw the operations of all of Harrah's revenue-generating businesses, including 48 casinos, 38,000 hotel rooms and 300 restaurants. All Harrah's Division Presidents, Senior Vice Presidents of Brand Operations, Marketing and Information Technology personnel reported to Mr. Wilmott in his capacity as Chief Operating Officer. Prior to his appointment to the position of Chief Operating Officer, Mr. Wilmott served from 1997 to 2002 as Division President of Harrah's Eastern Division with responsibility for the operations of eight Harrah's properties.

Jay Snowden. Mr. Snowden is currently our President and Chief Operating Officer. Mr. Snowden joined us in October 2011 as Senior Vice President-Regional Operations, became our Chief Operating Officer in January 2014, and became our President and Chief Operating Officer in March 2017. Mr. Snowden is responsible for overseeing all of our operating businesses, as well as human resources, marketing, and information technology. Prior to joining us, Mr. Snowden was the Senior Vice President and General Manager of Caesars and Harrah's in Atlantic City, and prior to that, held various leadership positions with them in St. Louis, San Diego and Las Vegas.

William J. Fair. Mr. Fair joined us in January 2014 as Senior Vice President and Chief Development Officer and became our Executive Vice President and Chief Financial Officer in January 2017. Previously, Mr. Fair worked in development leadership positions for Universal Studios and Disney Development. Most recently, Mr. Fair was the President and Chief Executive Officer of the American Skiing Company, where he had oversight of ten ski mountain resorts which included ski

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operations, nine hotels, condominium operations, food and beverage operations, retail and rental operations, real estate brokerage and development.

Carl Sottosanti. Mr. Sottosanti is currently our Executive Vice President, General Counsel and Secretary. In February 2014, Mr. Sottosanti was appointed to the position of Senior Vice President and General Counsel and became Secretary in November 2014. Prior to this appointment, Mr. Sottosanti served as Vice President, Deputy General Counsel since 2003. Before joining the Company, Mr. Sottosanti served for five years as General Counsel at publicly traded, Sanchez Computer Associates, Inc. and had oversight of all legal, compliance and intellectual property matters. From 1994 to 1998, Mr. Sottosanti was the Assistant General Counsel for Salient 3 Communications, Inc., a publicly traded telecommunications company. Mr. Sottosanti began his legal career in 1989 with the Philadelphia law firm Schnader, Harrison, Segal & Lewis LLP.

Employees and Labor Relations

As of December 31, 2018, we had approximately 25,750 full- and part-time employees.

The Company is required to have agreements with the horsemen at the majority of its racetracks to conduct its live racing and/or simulcasting activities. In addition, in order to operate gaming machines and table games in West Virginia, the Company must maintain agreements with each of the Charles Town horsemen, pari-mutuel clerks and breeders.

At Hollywood Casino at Charles Town Races, the Company has an agreement with the Charles Town Horsemen's Benevolent and Protective Association, which expired on June 18, 2018, but has been extended until April 18, 2019. Hollywood Casino at Charles Town Races also has an agreement with the breeders that expires on June 30, 2019. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010, but has been extended on a month-to-month basis.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course was renewed through January 31, 2020. The Company has an agreement with Laborers' International Union of North America Local 108, regarding both on-track and off-track pari-mutuel clerks and admission staff, which expires on December 1, 2021. The Company has an agreement, which runs through August 2021, with the International Chapter of Horseshoers and Allied Equine Trades Local 947 regarding starting gate and jockey valet staff.

The Company's agreement with the Meadows Standardbred Owners Clubs Association was renewed through December 31, 2018. Meadows Racetrack and Casino has existing collective bargaining agreements with (1) The International Union, Security, Police and Fire Professionals of America and Local #508, which expires August 16, 2020, (2) UNITE/Hotel Employees and Restaurant Employees ("HERE") Local 57, which expires on September 11, 2020, and (3) Laborers Local Union #108 On-Track and Off-Track, which expires on March 31, 2022.

We are in the process of extending the Company's agreement with the Maine Harness Horsemen Association at Bangor Raceway through the conclusion of the 2020 racing season.

In March 2014, Hollywood Gaming at Mahoning Valley Race Course entered into an agreement with the Ohio Horsemen's Benevolent and Protective Association. The term is for a period of ten years from the September 2014 commencement of video lottery terminal operations at that facility. Hollywood Gaming at Dayton Raceway entered into a ten-year agreement with the Ohio Harness Horsemen's Association for racing at the property in September of 2015. In January 2014, Plainridge Park Casino entered into an agreement with the Harness Horsemen's Association of New England, which expired December 31, 2018 and is currently under negotiation.

Across certain of the Company's properties, Seafarers Entertainment and Allied Trade Union ("SEATU") represents approximately 1,628 of the Company's employees under a National Agreement that expires on January 24, 2032 and Local Addenda that expire at various times between June 2021 and October 2024.

SEATU agreements are in place at Hollywood Casino Joliet, Hollywood Casino Lawrenceburg, Argosy Casino Riverside, Argosy Casino Alton, Hollywood Casino at Kansas Speedway, Hollywood Gaming Dayton, Hollywood Gaming at Mahoning Valley, Plainridge Park Casino, and Ameristar East Chicago. Argosy Alton has a wage reopener in 2019; Plainridge Park Casino wage reopener from October 2018 is still outstanding. The remainder of the SEATU agreements have expiration dates in 2020 and beyond.

At Hollywood Casino Joliet, the Hotel Employees and Restaurant Employees Union Local 1 represents approximately 172 employees under a collective bargaining agreement which expires on March 31, 2019. At Hollywood Casino Columbus and Hollywood Casino Toledo, a council comprised of the United Auto Workers and the United Steel Workers represents approximately 1,254 employees under a collective bargaining agreement which ends on November 15, 2019.

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Ameristar East Chicago has existing collective bargaining agreements with (1) SEATU, which expires on July 30, 2023 and (2) UNITE/HERE Best and Final, which expired April 30, 2018 and has been extended on a year-to-year basis.
Tropicana Las Vegas has seven existing collective bargaining agreements with the following unions: (1) Culinary & Bartenders, which expired on May 31, 2018 and has been extended on a year-to-year basis, (2) United Brotherhood of Carpenters, which expires on July 31, 2019, (3) International Brotherhood of Electrical Workers, which expires on February 28, 2021, (4) International Alliance of Theatrical Stage Employees, which expired on December 31, 2018 and has been extended on a year-to-year basis, (5) International Union of Painters and Allied Trades, which expired on June 30, 2018 and has been extended on a year-to-year basis, and (6)/(7) Teamsters, regarding front and back of the house; both agreements expired on March 31, 2018 and have been extended on a year-to-year basis.

Available Information

We were incorporated in Pennsylvania in 1982 as PNRC Corp. and adopted our current name in 1994, when we became a publicly traded company. For more information about us, visit our website at *www.pngaming.com*. The contents of our website are not part of this Annual Report on Form 10-K. Our electronic filings with the U.S. Securities and Exchange Commission ("SEC") (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to these reports), including the exhibits, are available free of charge through our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. Our filings are also available through a database maintained by the SEC at *www.sec.gov*.

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ITEM 1A. RISK FACTORS

Risks Related to Our Business

We face significant competition from other gaming and entertainment operations.

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos; dockside casinos; land-based casinos; video lottery; internet gaming; sports betting; gaming at taverns in certain states, such as Illinois; gaming at truck stop establishments in certain states, such as Pennsylvania and Louisiana; sweepstakes and poker machines not located in casinos; the potential for increased fantasy sports; real money iGaming; Native American gaming; and other forms of gaming in the U.S. Furthermore, competition from internet lotteries, sweepstakes, fantasy sports, and internet or mobile-based gaming platforms, which allow their customers to wager on a wide variety of sporting events and/or play Las Vegas-style casino games from home or in non-casino settings, could divert customers from our properties and thus adversely affect our business. Even internet wagering services that are illegal under federal and state law but operate from overseas locations, may nevertheless sometimes be accessible to domestic gamblers and divert customers from our properties. Currently, there are proposals that would legalize internet poker and other varieties of internet gaming in a number of states and at the federal level. Several states, such as Nevada, New Jersey and Delaware, have enacted legislation authorizing intrastate internet gaming and internet gaming operations have begun in these states. In addition, Pennsylvania enacted legislation allowing regulated online poker and casino-style games within the state. Further, there has been recent expansion of sports betting in various states (such as New Jersey, Mississippi, Pennsylvania, and West Virginia) as states have passed legislation legalizing sports betting in casinos. Expansion of internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and result of operations.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including: shopping; athletic events; television and movies; concerts; and travel. Legalized gaming is currently permitted in various forms throughout the U.S., and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions, including states adjacent to states in which we currently have facilities, have recently legalized, implemented and expanded gaming. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations (including VGTs, sports betting and iGaming). Voters and state legislatures may seek to supplement traditional tax revenue sources of state governments by authorizing or expanding gaming in the states that we operate in or the states that are adjacent to or near our existing properties. New, relocated or expanded operations by other persons could increase competition for our gaming operations and could have a material adverse impact on us.

We face intense competition in the markets in which we operate.

Gaming competition is intense in most of the markets where we operate. Recently, there has been additional significant competition in our markets as a result of the upgrading or expansion of facilities by existing market participants, the entrance of new gaming participants into a market or legislative changes. As competing properties and new markets are opened, our operating results may be negatively impacted. For example, new casinos and racinos have opened that compete in the same market as our Lawrenceburg property, namely the opening of Belterra Park in May 2014, our own Dayton facility in August 2014, and Horseshoe Casino in Cincinnati in March 2013; there is significantly increased competition to our Hollywood Casino at Charles Town Races property from the casino complex at the Arundel Mills mall in Anne Arundel, Maryland, the opening of Maryland Live! and Horseshoe Casino Baltimore in Baltimore, Maryland in 2014 and the opening of MGM National Harbor casino in Prince George’s County, Maryland in December 2016, which also competes to a lesser extent with Hollywood Casino at Penn National Race Course; the opening of our joint venture casino project in Kansas in February 2012, which impacted Argosy Casino Riverside; and the potential opening of a tribal casino in Taunton, Massachusetts (the construction is currently on hold following a judicial ruling in favor of the Taunton property owners who contended that the federal government erred in placing reservation land in trust for the Mashpee Wampanoag tribe); the recent opening of a tribal casino in Nebraska in November 2018, which competes with Ameristar Council Bluffs; the recent openings of MGM Springfield in Western Massachusetts in August 2018 and Tiverton Casino Hotel in Tiverton, Rhode Island, in September 2018, the expected opening of Wynn Everett in Eastern Massachusetts in mid-2019, and the new hotel tower at Twin River Casino Hotel in Lincoln, Rhode Island, which opened in the fourth quarter 2018; are anticipated to negatively impact our Plainridge Park Casino. Hollywood Casino Aurora, Hollywood Casino Joliet, and Ameristar East Chicago have also been negatively impacted by the proliferation of VGTs at numerous locations throughout the state of Illinois, which are in the vicinity of our operations. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. Pennsylvania enacted legislation that will expand gaming in the state which will cause additional competition for Hollywood Casino at Penn National Race Course, Hollywood Gaming at Mahoning Valley Race Course, and Meadows Racetrack and Casino. We expect each

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existing or future market in which we participate to be highly competitive. The competitive position of each of our casino properties is discussed in detail in Item 1. Business, "Competition," of this Annual Report on Form 10-K.

We may face disruption and other difficulties in integrating and managing facilities we have recently acquired, may develop or acquire in the future.

We expect to continue pursuing expansion opportunities, and we regularly evaluate opportunities for acquisition and development of new properties, which evaluations may include discussions and the review of confidential information after the execution of nondisclosure agreements with potential acquisition candidates, some of which may be potentially significant in relation to our size.

We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets, such as the entry into the Michigan market with the pending acquisition of Greektown. The integration of more significant properties that we may develop or acquire (such as those acquired in the Pinnacle transaction as well as the Margaritaville Resort Casino and anticipated Greektown transactions) will require the dedication of management resources that may temporarily divert attention from our day-to-day business. In addition, development and integration of new information technology systems that may be required is costly and time-consuming. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks as well as the risks attendant to partnership deals on these development opportunities. In particular, in projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas and business lines may require that we increase our management resources. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions or development projects. We also cannot assure you that if acquisitions are completed, that the acquired businesses will generate returns consistent with our expectations.

Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

We may face risks related to our ability to receive regulatory approvals required to complete, or other delays or impediments to completing certain of our acquisitions.

Our growth is fueled, in part, by the acquisition of existing gaming, racing, and development properties. In addition to standard closing conditions, our acquisitions are often conditioned on the receipt of regulatory approvals and other hurdles that create uncertainty and could increase costs. Such delays could significantly reduce the benefits to us of such acquisitions and could have a material adverse effect on our business, financial condition and results of operations.

We face a number of challenges prior to opening new or upgraded gaming facilities.

No assurance can be given that, when we endeavor to open new or upgraded gaming facilities, the expected timetables for opening such facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, construction, the licensing process, legislative action and litigation. Delays in opening new or upgraded facilities could lead to increased costs and delays in receiving anticipated revenues with respect to such facilities and could have a material adverse effect on our business, financial condition and results of operations.

We are required to pay a significant portion of our cash flows as financing payments under the Leases, which could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.

We are required to pay a significant portion of our cash flow from operations as rent pursuant to and subject to the terms and conditions of leases, including our three leases with GLPI and our lease for Margaritaville Resort Casino with VICI (collectively, the leases are referred to as the “Leases”). As a result of these commitments, our ability to fund our own operations or development projects, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected. For example, our obligations under the Leases may:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness and to obtain additional indebtedness;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to making lease payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- restrict our ability to raise capital, make acquisitions, divestitures and engage in other significant transactions.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

Most of our facilities are leased and could experience risks associated with leased property, including risks relating to lease termination, lease extensions, charges and our relationship with our landlords, GLPI and VICI, which could have a material adverse effect on our business, financial position or results of operations.

We lease 34 of the facilities we operate pursuant to the Leases. The Leases provide that our landlords, GLPI and VICI, may terminate each such Lease for a number of reasons, including, subject to applicable cure periods, the default in any payment of rent, taxes or other payment obligations or the breach of any other covenant or agreement in the lease. Termination of any of our Leases could result in a default under our debt agreements and could have a material adverse effect on our business, financial position or results of operations. Moreover, as a lessee we do not completely control the land and improvements underlying our operations and our landlords under the Leases could take certain actions to disrupt our rights in the facilities leased under the Leases which are beyond our control. If one of our landlords chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations would be adversely affected. There can also be no assurance that we will be able to comply with our obligations under the Leases in the future. In addition, if one of our landlords has financial, operational, regulatory or other challenges there can be no assurance that the landlord will be able to comply with its obligations under its agreements with us.

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

We may face reductions in discretionary consumer spending as a result of an economic downturn.

Our net revenues are highly dependent upon the volume and spending levels of customers at properties we manage and as such our business has been adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions such as, but not limited to, lackluster recoveries from recessions, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, cultural and demographic changes, high fuel or other transportation costs and increased stock market volatility may negatively impact our revenues and operating cash flow.

We face extensive regulation from gaming authorities.

As owners and managers of casino gaming, video lottery, and pari-mutuel wagering operations, we are subject to extensive state and local regulation. These regulatory authorities have broad discretion, and may, for any reason set forth in the applicable

legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct gaming operations or prevent us from owning the securities of any of our gaming subsidiaries or prevent another person from owning an equity interest in us. Like all gaming operators in the jurisdictions in which we operate, we must periodically apply to renew our gaming licenses or registrations and have the suitability of certain of our directors, officers and employees approved. We cannot assure you that we will be able to obtain such renewals or approvals. Regulatory authorities have input into our operations, for instance, hours of operation, location or relocation of a facility, and numbers and types of machines. Regulators may also levy substantial fines against or seize our assets or the assets of our subsidiaries or the people involved in violating gaming laws or regulations. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have demonstrated suitability to obtain and have obtained all governmental licenses, registrations, permits and approvals necessary for us to operate our existing gaming and pari-mutuel facilities. We can give no assurance to you that we will be able to retain those existing licenses or demonstrate suitability to obtain any new licenses, registrations, permits or approvals. In addition, the loss of a license in one jurisdiction could trigger the loss of a license or affect our eligibility for a license in another jurisdiction. As we expand our gaming operations in our existing jurisdictions or to new areas, we may have to meet additional suitability requirements and obtain additional licenses, registrations, permits and approvals from gaming authorities in these jurisdictions. The approval process can be time-consuming and costly and we cannot be sure that we will be successful.

Gaming authorities in the U.S. generally can require that any beneficial owner of our securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must generally apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate such an owner’s suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities.

Changes in legislation and regulation of our operations could have an adverse effect on our business.

Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change and could impose additional operating, financial, competitive or other burdens on the way we conduct our business.

In particular, certain areas of law governing new gaming activities, such as the federal and state law applicable to internet gaming and sports betting, are new or developing in light of emerging technologies. New and developing areas of law may be subject to the interpretation of the government agencies tasked with enforcing them. In some circumstances, a government agency may interpret a statute or regulation in one manner and then reconsider its interpretation at a later date. No assurance can be provided that government agencies will interpret or enforce new or developing areas of law consistently, predictably, or favorably. Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results. For example, in January 2019, legal counsel for the U.S. Department of Justice (“DOJ”) issued a legal opinion on the Interstate Wire Act of 1961 (“Wire Act”), which stated that the Wire Act bans any form of online gambling if it crosses state lines and reversed a 2011 DOJ legal opinion that stated that it only applied to interstate sports betting.

State and local smoking restrictions have negatively affected our business and may continue to negatively affect our business.

Legislation in various forms to ban indoor tobacco smoking in public places has been enacted or introduced in many states and local jurisdictions, including several of the jurisdictions in which we operate. We believe the smoking restrictions have significantly impacted business volumes.

In August 2017, the East Baton Rouge Metropolitan Council approved a smoking ban in casinos and bars that took effect in June 2018. This smoking ban has had and is expected to continue to have an adverse effect on our business at L’Auberge Baton Rouge, which we acquired as part of the Pinnacle transaction. We also face a partial smoking ban in

St. Louis, Missouri, which could impact both our Hollywood Casino St. Louis and River City Casino properties. In January 2015, the New Orleans City Council unanimously approved an ordinance in the City of New Orleans that prohibits smoking in casinos, bars and restaurants. The Boomtown New Orleans facility is located in the City of Harvey and not in the City of New Orleans, so the smoking ban does not apply to that facility. However, if a smoking ban was approved in the City of Harvey, we believe that this will have an adverse effect on our business.

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The passage of the Smoke Free Illinois Act which banned smoking in casinos, adversely affected revenues and operating results at our Illinois properties at the time it was implemented in January 2008. In Pennsylvania, we are currently permitted to allow smoking on only up to 50% of the gaming floor of our Grantville facility and smoking is banned in all other indoor areas. Additionally, in July 2012, a state statute in Indiana became effective that imposes a state wide smoking ban in specified businesses, buildings, public places and other specified locations. The statute specifically exempts riverboat casinos, and all other gaming facilities in Indiana, from the smoking ban. However, the statute allows local government to enact a more restrictive smoking ban than the state statute and also leaves in place any more restrictive local legislation that exists as of the effective date of the statute. To date, our facility in Lawrenceburg, Indiana is not subject to any such local legislation.

On November 6, 2018, voters in St. Louis County approved a ballot referendum that requires Hollywood Casino St. Louis and River City Casino to make at least 50% of their gaming floor smoke free. This smoking restriction could have an adverse impact on our business operations at our casinos in St. Louis County.

If additional smoking restrictions are enacted within jurisdictions where we operate or seek to do business, our business could be adversely affected.

Material increases to our taxes or the adoption of new taxes could have a material adverse effect on our future financial results.

We believe that the prospect of significant revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue based taxes and fees in addition to normal federal, state, local and provincial income taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, worsening economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes, property taxes, and/or authorizing additional gaming facilities each subject to payment of a new license fee. It is not possible to determine with certainty the likelihood of changes in such laws or in the administration of such laws. Such changes, if adopted, could have a material adverse effect on our business, financial condition and results of operations. The large number of state and local governments with significant current or projected budget deficits makes it more likely that those governments that currently permit gaming will seek to fund such deficits with new or increased gaming taxes and/or property taxes, and worsening economic conditions could intensify those efforts. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our future financial results.

We are required to comply with extensive non-gaming laws and regulations.

We are also subject to a variety of other rules and regulations, including zoning, environmental, construction and land-use laws and regulations governing the serving of alcoholic beverages. If we are not in compliance with these laws, it could have a material adverse effect on our business, financial condition and results of operations. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations, or any accusations of money laundering or regulatory investigations into possible money laundering activities, by any of our properties, employees or customers could have a material adverse effect on our financial condition, results of operations and cash flows.

We have certain properties that generate a significant percentage of our net revenues.

For the year ended December 31, 2018, we generated approximately 10.2% of our net revenues from our facility in Charles Town, West Virginia. Furthermore, with the acquisitions of Pinnacle and Margaritaville Resort Casino, for the year ending December 31, 2019, we anticipate a significant portion of our net revenues will be generated from our facilities in Louisiana, principally L'Auberge Lake Charles. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of our facilities in Louisiana and in West Virginia. The operations at the facilities in Louisiana and West Virginia and any of our other facilities could be adversely affected by numerous factors, including those described in these "Risk Factors" as well as more specifically those described below:

- risks related to local and regional economic and competitive conditions, such as a decline in the number of visitors to a facility, a downturn in the overall economy in the market, a decrease in consumer spending on gaming activities in the market or an increase in competition within and outside the state in which each property is located;

- changes in local and state governmental laws and regulations (including smoking restrictions and changes in laws and regulations affecting gaming operations and taxes) applicable to a facility;

- impeded access to a facility due to weather, road construction or closures of primary access routes;
- work stoppages, organizing drives and other labor problems as well as issues arising in connection with agreements with horsemen and pari-mutuel clerks; and
- the occurrence of natural disasters or other adverse regional weather trends.

In addition, although to a lesser extent than our facilities in Louisiana and West Virginia, we anticipate meaningful contributions from Ameristar Black Hawk, Hollywood Casino at Penn National Race Course, and our properties in Missouri and Ohio. Therefore, our results will be dependent on the regional economies and competitive landscapes at these locations as well.

We may experience an impairment of our goodwill, other intangible assets, or long-lived assets, which could adversely affect our financial condition and results of operations.

We have recognized a substantial amount of goodwill in connection with consummation of the merger with Pinnacle and the allocation of the purchase price thereto. We test goodwill and other indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. A significant amount of judgment is involved in performing fair value estimates for goodwill since the results are based on estimated future cash flows and assumptions related thereto. Significant assumptions include estimates of future sales and expense trends, construction costs, discount rates, liquidity and capitalization, among other factors. We base our fair value estimates on projected financial information, which we believe to be reasonable. However, actual results may differ from those projections. Further, we may need to recognize an impairment of some of the goodwill recognized in the merger with Pinnacle or any other indefinite-lived intangible assets, it could adversely affect our financial condition and results of operations.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners and others in the ordinary course of business (particularly in the case of class actions). As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in these lawsuits, and, especially with increasing class action claims in our industry, could result in costs, settlements or damages that could significantly impact our business, financial condition and results of operations.

Our operations are largely dependent on the skill and experience of our management and key personnel. The loss of management and other key personnel could significantly harm our business, and we may not be able to effectively replace members of management who have left our company.

Our success and our competitive position are largely dependent upon, among other things, the efforts and skills of our senior executives and management team. Although we enter into employment agreements with certain of our senior executives and key personnel, we cannot guarantee that these individuals will remain employed by us. If we lose the services of any members of our management team or other key personnel, our business may be significantly impaired. We cannot assure you that we will be able to retain our existing senior executive and management personnel or attract additional qualified senior executive and management personnel.

We expect to experience strong competition in hiring and retaining qualified property and corporate management personnel, including competition from numerous Native American gaming facilities that are not subject to the same taxation regimes as we are and therefore may be willing and able to pay higher rates of compensation. From time to time, we expect to have a number of vacancies in key corporate and property management positions. If we are unable to successfully recruit and retain qualified management personnel at our facilities or at our corporate level, our results of operations could be adversely affected.

Inclement weather and other casualty events could seriously disrupt our business and have a material adverse effect on our financial condition and results of operations.

The operations of our facilities are subject to disruptions or reduced patronage as a result of severe weather conditions, natural disasters and other casualty events. Because many of our gaming operations are located on or adjacent to bodies of water, these facilities are subject to risks in addition to those associated with land-based casinos, including loss of service due to casualty, forces of nature, mechanical failure, extended or extraordinary maintenance, flood, hurricane or other severe weather conditions. Many of our casinos operate in areas which are subject to periodic flooding that has caused us to experience decreased attendance and increased operating expenses. Any flood or other severe weather condition could lead to the loss of use of a casino facility for an extended period. For instance, Hollywood Casino Toledo was closed for brief periods in 2014, 2015 and 2016 due to harsh winter conditions and Argosy Casino Alton was closed for several days in December 2015, January 2016 and May 2017 due to flooding. In 2015, Boomtown Bossier City experienced flooding which resulted in temporary closure, repair and clean-up costs and lost business volume. In 2016, L'Auberge Lake Charles and L'Auberge Baton Rouge were both negatively impacted by lost business volume due to severe rain and flooding. In 2017, visitation to Boomtown New Orleans, L'Auberge Lake Charles and L'Auberge Baton Rouge was negatively impacted by Hurricanes Harvey and Nate.

Even if adverse weather conditions do not require the closure of our facilities, those conditions make it more difficult for our customers to reach our properties for an extended period of time, which can have an adverse impact on our operations. Casualty events such as, the tragic shootings that occurred on the Las Vegas Strip on October 1, 2017 that affect tourism also impact our business. Following the October 2017 tragedy, operations at Tropicana Las Vegas were adversely effected.

The extent to which we can recover under our insurance policies for damages sustained at our properties in the event of future inclement weather and other casualty events could adversely affect our business.

We maintain significant property insurance, including business interruption coverage, for these and other properties. However, there can be no assurances that we will be fully or promptly compensated for losses at any of our facilities in the event of future inclement weather or casualty events. In addition, our property insurance coverage is in an amount that may be significantly less than the expected and actual replacement cost of rebuilding certain facilities "as was" if there was a total loss. The Leases require us, in the event of a casualty event, to rebuild a leased property to substantially the same condition as existed immediately before such casualty event. We renew our insurance policies (other than our builder's risk insurance) on an annual basis. The cost of coverage may become so material that we may need to further reduce our policy limits, further increase our deductibles, or agree to certain exclusions from our coverage.

Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security systems and all of our slot machines are controlled by computers and reliant on electrical power to operate.

Any unscheduled disruption in our technology services or interruption in the supply of electrical power could result in an immediate, and possibly substantial, loss of revenues due to a shutdown of our gaming operations. Such interruptions may occur as a result of, for example, a failure of our information technology or related systems, catastrophic events or rolling blackouts. Our systems are also vulnerable to damage or interruption from earthquakes, floods, fires, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events. In the event one of these third parties experiences a disruption in its ability to provide such services to us (whether due to technological difficulties or power problems), this may result in a material disruption at the casinos that we operate and have a material effect on our business, operating results and financial condition.

Our information technology and other systems are subject to cyber security risk including misappropriation of employee information, customer information or other breaches of information security.

We rely on information technology and other systems, including our own systems and those of service providers and third parties, to manage our business and employee data and maintain and transmit customers' personal and financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. Our collection of such data is subject to extensive regulation by private groups, such as the payment card industry, as well as governmental authorities, including gaming authorities. Privacy regulations continue to evolve and we have taken, and will continue to take, steps to comply by implementing processes designed to safeguard our business, employee and customers' confidential and personal information. In addition, our security measures are reviewed and evaluated regularly. However, our information and processes and those of our service providers and other third parties, are subject to the ever-changing threat of compromised security, in the form of a risk of potential breach, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate the risks of breaches may not be successful, and any resulting compromise or loss of data or systems could adversely impact operations or regulatory compliance and could result in remedial expenses, fines, litigation, disclosures, and loss of reputation, potentially impacting our financial results.

Further, as cyber-attacks continue to evolve, we may incur significant costs in our attempts to modify or enhance our protective measures or investigate or remediate any vulnerability. Increased instances of cyber-attacks may also have a negative reputational impact on us and our properties that may result in a loss of customer confidence and, as a result, may have a material adverse effect on our business and results of operations.

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Our operations in certain jurisdictions depend on management agreements and/or leases with third parties and local governments.

Our operations in several jurisdictions depend on land leases and/or management and development agreements with third parties and local governments. If we, or if GLPI or VICI in the case of leases pursuant to which we are the sub-lessee, are unable to renew these leases and agreements on satisfactory terms as they expire or disputes arise regarding the terms of these agreements, our business may be disrupted and, in the event of disruptions in multiple jurisdictions, could have a material adverse effect on our financial condition and results of operations.

We depend on agreements with our horsemen and pari-mutuel clerks

The Federal Interstate Horseracing Act of 1978, as amended, the West Virginia Race Horse Industry Reform Act and the Pennsylvania Racing Act require that, in order to simulcast races, we have certain agreements with the horse owners and trainers at our West Virginia and Pennsylvania racetracks. In addition, West Virginia requires applicants seeking to renew their gaming license to demonstrate they have an agreement regarding the proceeds of the gaming machines with a representative of a majority of the horse owners and trainers, a representative of a majority of the pari-mutuel clerks and a representative of a majority of the horse breeders.

At Hollywood Casino at Charles Town Races, the Company has an agreement with the Charles Town Horsemen's Benevolent and Protective Association, which expired on June 18, 2018, but has been extended until April 18, 2019. Hollywood Casino at Charles Town Races also has an agreement with the breeders that expires on June 30, 2019. Additionally, the pari-mutuel clerks at Charles Town are represented under a collective bargaining agreement with the West Virginia Union of Mutuel Clerks, which expired on December 31, 2010, but has been extended on a month-to-month basis.

The Company's agreement with the Pennsylvania Horsemen's Benevolent and Protective Association at Hollywood Casino at Penn National Race Course was renewed through January 31, 2020. The Company has an agreement with Laborers' International Union of North America Local 108, regarding both on-track and off-track pari-mutuel clerks and admission staff, which expires on December 1, 2021. The Company has an agreement, which runs through August 2021, with the International Chapter of Horseshoers and Allied Equine Trades Local 947 regarding starting gate and jockey valet staff.

In certain jurisdictions where we operate pari-mutuel wagering, if we fail to present evidence of an agreement with the horsemen at a track, we may not be permitted to conduct live racing and export and import simulcasting at that track and OTWs and, in West Virginia, our video lottery license may not be renewed. In addition, our annual simulcast export agreements are subject to the horsemen's approval under the Federal Interstate Horseracing Act of 1978, as amended. Some simulcast import agreements require horsemen approval depending on state law. If we fail to renew or modify existing agreements on satisfactory terms, this failure could have a material adverse effect on our business, financial condition and results of operations.

Our planned capital expenditures may not result in our expected improvements in our business.

We regularly expend capital to construct, maintain and renovate our properties to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. Our ability to realize the expected returns on our capital investments is dependent on a number of factors, including, general economic conditions; changes to construction plans and specifications; delays in obtaining or inability to obtain necessary permits, licenses and approvals; disputes with contractors; disruptions to our business caused by construction; and other unanticipated circumstances or cost increases.

While we believe that the overall budgets for our planned capital expenditures are reasonable, these costs are estimates and the actual costs may be higher than expected. In addition, we can provide no assurance that these investments will be sufficient or that we will realize our expected returns on our capital investments, or any returns at all. A failure to realize our expected returns on capital investments could materially adversely affect our business, financial condition and results of operations or an outright sale of the loan to a third party.

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

A majority of our revenues are attributable to slot machines and related systems operated by us at our gaming facilities. It is important, for competitive reasons, that we offer the most popular and up to date slot machine games with the latest technology to our customers.

A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by a few select companies, and there has been extensive consolidation activity within the gaming equipment sector in recent years, including the acquisitions of Multimedia Games, Inc. by Global Cash Access, Bally Technologies, Inc. (which had acquired SHFL Entertainment, Inc.) and WMS Industries Inc. by Scientific Games Corporation and International Gaming Technologies by GTECH Holdings.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements in order to acquire the machines. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

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

We have announced several initiatives in the social gaming space, which is a new line of business for us in a rapidly evolving and highly competitive market. There can be no assurance that we will be able to compete effectively or that our new initiatives will be successful.

We have announced several initiatives in the social gaming space, including the 2016 acquisition of Rocket Speed, and expect to continue to invest in and market social gaming and other mobile gaming platforms to our customers in casinos and beyond and to explore other acquisitions in the space. Social gaming is a new line of business for us, which makes it difficult to assess its future prospects. Our products will compete in a rapidly evolving and highly competitive market against an increasing number of competitors, including Playtika, Zynga and slot manufacturers. Given the open nature of the development and distribution of games for electronic devices, our business will also compete with developers and distributors who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. We have limited experience operating in this rapidly evolving marketplace and may not be able to compete effectively.

In addition, our ability to be successful with our social gaming platform is dependent on numerous factors beyond our control that affect the social and mobile gaming industry and the online gaming industry in the United States, including the occurrence and manner of legalization of online real money gaming in the United States beyond Nevada, Delaware and New Jersey; changes to the policies of social gaming distribution channels, including Apple and Google; changes in consumer demographics and public tastes and preferences; changing laws and regulations affecting social and mobile games; the reaction of regulatory bodies to social gaming initiatives by holders of gaming licenses; the availability and popularity of other forms of entertainment; any challenges to the intellectual property rights underlying our games; any advances in technology that we are unable to implement timely; and outages and disruptions of our online services that may harm our business.

Our social gaming initiatives will result in increased operating expense and increased time and attention from our management. In addition, we may be particularly dependent on key personnel in our interactive business unit. We believe our social games are complementary to our current operations and offer additional avenues of access and interaction for our customers, and, the social gaming business depends on developing and publishing games that consumers will download and spend time and money on consistently. We continue to invest in research and development, analytics and marketing to attract and retain customers for our social games. Our success depends, in part, on unpredictable factors beyond our control, including consumer preferences, competing games and other forms of entertainment, and the emergence of new platforms. Our inability to ultimately monetize our investment in social gaming initiatives could have a material adverse effect on our business and results of operations.

We have recently expanded our sports betting operations. There can be no assurance that we will be able to compete effectively or that we will be successful and generate sufficient returns on our investment.

During the second quarter 2018, the U.S. Supreme Court struck down the Professional and Amateur Sports Protection Act of 1992 (“PASPA”) as unconstitutional. Prior to the Court’s ruling, PASPA banned sports betting in most U.S. States. In light of the Court’s ruling, certain of the jurisdictions in which we operate legalized intra-state sports wagering and established extensive state licensing and regulatory requirements governing any such intra-state sports wagering, including the payment of license fees and additional taxes by operators. We began accepting wagers on sporting events during the third quarter 2018 at our casinos located in Mississippi, West Virginia, and during the fourth quarter at one of our casinos in Pennsylvania while we were already accepting wagers on sporting events in our casinos in Nevada. We continue to engage with state lawmakers in other jurisdictions in which we already operate to advocate for the passage of laws legalizing sports betting within the jurisdiction with reasonable tax rates and license fees, similar to legislation enacted in West Virginia, Mississippi and Nevada. Any further expansion of our sports betting operations is dependent on potential legislation in these other jurisdictions.

Our sports betting operations will compete in a rapidly evolving and highly competitive market against an increasing number of competitors. In order to compete successfully, we may need to enter into agreements with strategic partners and other third party vendors and we may not be able to do so on terms that are favorable to us. The success of our proposed sports betting operations is dependent on a number of additional factors that are beyond our control, including the ultimate tax rates and license fees charged by jurisdictions across the United States; our ability to gain market share in a newly developing market; our ability to compete with new entrants in the market; changes in consumer demographics and public tastes and preferences; and the availability and popularity of other forms of entertainment. There can be no assurance that we will be able to compete effectively or that our expansion will be successful and generate sufficient returns on our investment.

Our internet gaming initiatives may result in increased risk of cyber-attack, hacking, or other security breaches, which could harm our reputation and competitive position and which could result in regulatory actions against us or in other penalties.

As our social gaming and real money iGaming business grows, we will face increased cyber risks and threats that seek to damage, disrupt or gain access to our networks, our products and services, and supporting infrastructure. Such cyber risks and threats, including to virtual currencies that may be used in the games, may be difficult to detect. Any failure to prevent or mitigate security breaches or cyber risk could result in interruptions to the services we provide, degrade the user experience, and cause our users to lose confidence in our products. The unauthorized access, acquisition or disclosure of consumer information could compel us to comply with disparate breach notification laws and otherwise subject us to proceedings by governmental entities or others and substantial legal and financial liability. Our key business partners also face these same risks with respect to consumer information they collect, and data security breaches with respect to such information could cause reputational harm to them and negatively impact our ability to offer our products and services through their platforms. This could harm our business and reputation, disrupt our relationships with partners and diminish our competitive position.

The success of our VGT operations in Illinois is dependent on our ability to renew our contracts and expand the business.

On September 1, 2015, we completed our acquisition of Prairie State Gaming, one of the largest VGT operators in Illinois and subsequently have completed several smaller acquisitions of VGT operators in the state. We face competition from other VGT operators, as well as from casinos, hotels, taverns and other entertainment venues. Our ability to compete successfully in this new line of business depends on our ability to retain existing customers and secure new establishments, both of which are dependent on the level of service and variety of products that we are able to offer to our customers. VGT contracts are renewable at the option of the owner of the applicable bar and retail gaming establishments and, as our contracts expire, we will be subject to competition for renewals. In addition, VGT operations in Illinois are subject to approval by local municipalities, and therefore our ability to retain and expand our VGT business depends, in part, on such approvals. In addition, there is a risk that the market for VGTs in Illinois could become oversaturated. If we are unable to retain our existing customers or their results suffer as a result of competition or because the market becomes oversaturated or if certain municipalities in Illinois elect to prohibit VGTs, our business and operations could be adversely impacted.

We operate in a highly taxed industry and it may be subject to higher taxes in the future. If the jurisdictions in which we operate increase gaming taxes and fees, our operating results could be adversely affected.

In gaming jurisdictions in which we operate, state and local governments raise considerable revenues from taxes based on casino revenues and operations. We also pay property taxes, admission taxes, occupancy taxes, sales and use taxes, payroll taxes, franchise taxes and income taxes. Our profitability depends on generating enough revenues to pay gaming taxes and other largely variable expenses, such as payroll and marketing, as well as largely fixed expenses, such as rental payments to our landlords, property taxes and interest expense. From time to time, state and local governments have increased gaming taxes and such increases can significantly impact the profitability of gaming operations. For example, on October 30, 2017, Pennsylvania increased gaming taxes, which adversely impacted our casinos in Pennsylvania.

We cannot assure you that governments in jurisdictions in which we operate, or the federal government, will not enact legislation that increases gaming tax rates. Global economic pressures have reduced the revenues of state governments from traditional tax sources, which may cause state legislatures or the federal government to be more inclined to increase gaming tax rates.

Work stoppages, organizing drives and other labor problems could negatively impact our future profits.
Some of our employees are currently represented by labor unions. A lengthy strike or other work stoppages at any of our casino properties or construction projects could have an adverse effect on our business and results of operations. Given the large number of employees, labor unions are making a concerted effort to recruit more employees in the gaming industry. We cannot provide any assurance that we will not experience additional and more successful union organization activity in the future.

We are subject to environmental laws and potential exposure to environmental liabilities.
We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and non-hazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. From time to time, we have incurred and are incurring costs and obligations for correcting environmental noncompliance matters. The extent of such potential conditions cannot be determined definitively. To date, none of these matters have had a material adverse effect on our business, financial condition or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. Under our contractual arrangements under the Leases, we will generally be responsible for both past and future environmental liabilities associated with our gaming operations, notwithstanding ownership of the underlying real property having been transferred. Furthermore, we are aware that there is or may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. By way of further example, portions of Tropicana Las Vegas are known to contain asbestos as well as other environmental conditions, which may include the presence of mold. The environmental conditions may require remediation in isolated areas. The extent of such potential conditions cannot be determined definitely, and may result in additional expense in the event that additional or currently unknown conditions are detected.

Additionally, certain of the gaming chips used at many gaming properties, including some of ours, have been found to contain some level of lead. Analysis by third parties has indicated the normal handling of the chips does not create a health hazard. We have disposed of a majority of these gaming chips. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

We are subject to certain federal, state and other regulations.
We are subject to certain federal, state and local environmental laws, regulations and ordinances that apply to businesses generally, The Bank Secrecy Act, enforced by the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Treasury Department, requires us to report currency transactions in excess of $10,000 occurring within a gaming day, including identification of the guest by name and social security number, to the IRS. This regulation also requires us to report certain suspicious activity, including any transaction that exceeds $5,000 that we know, suspect or have reason to believe involves funds from illegal activity or is designed to evade federal regulations or reporting requirements and to verify sources of funds, in response to which we have implemented Know Your Customer processes. Periodic audits by the IRS and our internal audit department assess compliance with the Bank Secrecy Act, and substantial penalties can be imposed against us if we fail to comply with this regulation. In recent years the U.S. Treasury Department has increased its focus on Bank Secrecy Act compliance throughout the gaming industry, and public comments by FinCEN suggest that casinos should obtain information on each customer’s sources of income. This could impact our ability to attract and retain casino guests.

The riverboats on which we operate must comply with certain federal and state laws and regulations with respect to boat design, on-board facilities, equipment, personnel and safety. In addition, we are required to have third parties periodically inspect and certify all of our casino barges for stability and single compartment flooding integrity. The casino barges on which we operate also must meet local fire safety standards. We would incur additional costs if any of the gaming facilities on which we operate were not in compliance with one or more of these regulations.

We are also subject to a variety of other federal, state and local laws and regulations, including those relating to zoning, construction, land use, employment, marketing and advertising and the production, sale and service of alcoholic beverages. If

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we are not in compliance with these laws and regulations, it could have a material adverse effect on our business, financial condition and results of operations.

The imposition of a substantial penalty could have a material adverse effect on our business.

Climate change, climate change regulations and greenhouse effects may adversely impact our operations and markets.

There is a growing political and scientific consensus that greenhouse gas emissions, also referred to herein as "GHG" continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue affecting the global climate.

We may become subject to legislation and regulation regarding climate change, and compliance with any new rules could be difficult and costly. Concerned parties, such as legislators and regulators, stockholders and nongovernmental organizations, as well as companies in many business sectors, are considering ways to reduce GHG emissions. Many states have announced or adopted programs to stabilize and reduce GHG emissions and in the past federal legislation have been proposed in Congress. If such legislation is enacted, we could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations. Unless and until legislation is enacted and its terms are known, we cannot reasonably or reliably estimate its impact on our financial condition, operating performance or ability to compete. Further, regulation of GHG emissions may limit our guests' ability to travel to our facilities as a result of increased fuel costs or restrictions on transport related emissions. Climate change could have a material adverse effect on our results of operations, financial condition, and liquidity. We have described the risks to us associated with extreme weather events in the risk factors above.

Risks Related to the Spin-Off

If the Spin-Off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we could be subject to significant tax liabilities.

We received a private letter ruling (the "IRS Ruling") from the IRS substantially to the effect that, among other things, the Spin-Off, together with certain related transactions, will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and/or 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). The IRS Ruling does not address certain requirements for tax-free treatment of the Spin-Off under Section 355, and we received from our tax advisors a tax opinion substantially to the effect that, with respect to such requirements on which the IRS will not rule, such requirements will be satisfied. The IRS Ruling, and the tax opinions that we received from our tax advisors, relied on and will rely on, among other things, certain representations, assumptions and undertakings, including those relating to the past and future conduct of GLPI's business, and the IRS Ruling and the opinions would not be valid if such representations, assumptions and undertakings were incorrect in any material respect.

Notwithstanding the IRS Ruling and the tax opinions, the IRS could determine the Spin Off should be treated as a taxable transaction for U.S. federal income tax purposes if it determines any of the representations, assumptions or undertakings that were included in the request for the IRS Ruling are false or have been violated or if it disagrees with the conclusions in the opinions that are not covered by the IRS Ruling.

If the Spin-Off fails to qualify for tax-free treatment, in general, we would be subject to tax as if we had sold the GLPI common stock in a taxable sale for its fair market value.

Under the tax matters agreement that GLPI entered into with us, GLPI generally is required to indemnify us against any tax resulting from the Spin-Off to the extent that such tax resulted from (1) an acquisition of all or a portion of the equity securities or assets of GLPI, whether by merger or otherwise, (2) other actions or failures to act by GLPI, or (3) any of GLPI's representations or undertakings being incorrect or violated. GLPI's indemnification obligations to Penn and its subsidiaries, officers and directors will not be limited by any maximum amount. If GLPI is required to indemnify Penn or such other persons under the circumstance set forth in the tax matters agreement, GLPI may be subject to substantial liabilities and there can be no assurance that GLPI will be able to satisfy such indemnification obligations.

On September 27, 2017 the Internal Revenue Service finalized the audit examination of the 2013 U.S. federal income tax return with no adjustments related to the Spin-off including the tax-free treatment. Although the 2013 examination is finalized, the statute of limitation was extended to June 30, 2018.

Peter M. Carlino, our Chairman, and David A. Handler, one of our directors, may have actual or potential conflicts of interest because of their positions at GLPI.

Peter M. Carlino serves as our Chairman and as the Chairman and Chief Executive Officer of GLPI. In addition, David A. Handler, one of our directors, is also a director of GLPI. While we have procedures in place to address such situations, these overlapping positions could create, or appear to create, potential conflicts of interest when our or GLPI's management and directors pursue the same corporate opportunities, such as greenfield development opportunities or potential acquisition targets, or face decisions that could have different implications for us and GLPI. Further, potential conflicts of interest could arise in connection with the resolution of any dispute between us and GLPI (or its subsidiaries) regarding the terms of the agreements governing the separation and the relationship, between us and GLPI, such as under the Leases with GLPI. Potential conflicts of interest could also arise if we and GLPI enter into any commercial or other adverse arrangements with each other in the future.

In connection with the Spin-Off, GLPI agreed to indemnify us for certain liabilities. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that GLPI's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the separation and distribution agreement, GLPI has agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that GLPI agreed to retain, and there can be no assurance that GLPI will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from GLPI any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from GLPI.

A court could deem the distribution in the Spin-Off to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.

If the transaction is challenged by a third party, a court could deem the distribution of GLPI common shares or certain internal restructuring transactions undertaken by us in connection with the Spin Off to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Among other things, the court could require our shareholders to return to us some or all of the shares of our common stock issued in the distribution or require us to fund liabilities of other companies involved in the restructuring transactions for the benefit of creditors. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the laws of the applicable jurisdiction.

If we and GLPI are treated by the IRS as being under common control, both we and GLPI could experience adverse tax consequences.

If we and GLPI are treated by the IRS as being under common control, the IRS will be authorized to reallocate income and deductions between us and GLPI to reflect arm's length terms. If the IRS were to successfully establish that rents paid by us to GLPI are excessive, (1) we would be denied a deduction for the excessive portion and (2) we would be subject to a penalty on the portion deemed excessive, each of which could have a material adverse effect on our business, financial position or results of operations. In addition, our shareholders would be deemed to have received a distribution that was then contributed to the capital of GLPI.

Risks Related to the Acquisition of Pinnacle

We may be unable to integrate the business of Pinnacle into our business successfully or realize the anticipated benefits of the Pinnacle transaction.

We entered into the merger agreement with Pinnacle with the expectation that the transaction will result in various benefits for the combined company, including, among others, synergies resulting from cost savings and operating efficiencies. Achieving the anticipated benefits of the transaction is subject to a number of uncertainties, including whether the respective businesses and assets of both companies can be integrated in an efficient and effective manner. We will be required to devote significant management attention and resources to integrating the business practices and operations of Pinnacle with our operations. Potential difficulties we may encounter as part of the integration process include the following:

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the inability to successfully combine the business of Pinnacle with our business in a manner that permits the parties to achieve the full revenue, cost synergies and other benefits anticipated to result from the transaction;

- complexities associated with managing the combined businesses, including possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies; and

- potential unknown liabilities and unforeseen increased expenses or delays associated with the integration of Pinnacle's business with our business.

Even if we are able to integrate Pinnacle's businesses successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies that we currently expect from this integration or that these benefits will be achieved within the anticipated timeframe or at all. For example, we may not be able to eliminate duplicative costs. Moreover, we may incur substantial expenses in connection with the integration of Pinnacle's businesses. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the transaction may be offset by costs incurred or delays in integrating the businesses. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect the combined company's future business, financial condition, operating results and prospects.

Our future results could suffer if we cannot effectively manage the expanded operations following the transaction.

The size of the combined business is significantly larger than the size of either the Penn business or the Pinnacle business prior to the closing of the transaction. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurance that we will be successful or that we will realize any operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the Pinnacle transaction.

Risks Related to Our Capital Structure

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our outstanding indebtedness.

As of December 31, 2018, we had indebtedness of $2.45 billion, including $112.0 million outstanding borrowings under our revolving credit facility and $1.8 billion in outstanding term loans. In addition, we are required to make significant annual lease payments to GLPI which increased upon the closing of the Pinnacle Acquisition by approximately $355 million to approximately $817 million. Beginning January 1, 2019, we are required to make $23.2 million in initial annual lease payments to VICI pursuant to the Margaritaville Lease. Additionally, upon closing of the Greektown acquisition, we will pay VICI an initial annual rent amount of $55.6 million.

We have a substantial amount of indebtedness and a significant fixed annual lease payments under the Leases. Our substantial indebtedness and additional fixed costs under our Lease obligations could have important consequences to our financial health. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability to participate in multiple or large development projects, including mergers and acquisitions, absent additional third party financing;
- increase our vulnerability to general or regional adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to satisfy our financing obligation and debt service, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds; and
- result in an event of default if we fail to satisfy our obligations under our indebtedness or fail to comply with the financial and other restrictive covenants contained in our debt instruments, which event of default could result in all of

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our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations. The terms of our debt do not, and any future debt may not, fully prohibit us from incurring additional debt, including debt related to facilities we develop or acquire. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our revenues and our ability to access favorable financing terms.

While we intend to finance expansion and renovation projects with existing cash, cash flow from operations and borrowings under our senior secured credit facility, we may require additional financing to support our continued growth. However, depending on then current economic or capital market conditions, our access to capital may not be available on terms acceptable to us or at all. Further, if adverse regional and national economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Finally, our borrowing costs under our senior secured credit facility are tied to LIBOR. We currently have no hedges in place to mitigate the impact of higher LIBOR rates and as such significant increases in LIBOR could have a negative impact on our results of operations.

The availability and cost of financing could have an adverse effect on business.

We intend to finance some of our current and future expansion, development and renovation projects and acquisitions with cash flow from operations, borrowings under our senior secured credit facility and equity or debt financings. We are required by the Leases to, in the case of certain expansion projects, or may choose, in the case of other development projects, provide GLPI or VICI with the right to provide the financing needed for such purposes. Depending on the state of the credit markets, if we are unable to finance our current or future projects, we could have to seek alternative financing, such as through selling assets, restructuring debt, increasing our reliance on equity financing or seeking additional joint venture partners. Depending on credit market conditions, alternative sources of funds may not be sufficient to finance our expansion, development and/or renovation, or such other financing may not be available on acceptable terms, in a timely manner or at all. In addition, our existing indebtedness contains restrictions on our ability to incur additional indebtedness. If we are unable to secure additional financing, we could be forced to limit or suspend expansion, development and renovation projects and acquisitions, which may adversely affect our business, financial condition and results of operations.

The capacity under our revolving credit facility, which expires in 2023, is $700 million. If a large percentage of our lenders were to file for bankruptcy or otherwise default on their obligations to us, we could experience decreased levels of liquidity which could have a detrimental impact on our operations. There is no certainty that our lenders will continue to remain solvent or fund their respective obligations under our senior secured credit facility.

Our indebtedness imposes restrictive covenants on us that could limit our operations and lead to events of default if we do not comply with those covenants.

Our senior secured credit facility requires us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including interest coverage, senior secured net leverage and total net leverage ratios. In addition, our credit facility restricts, among other things, our ability to incur additional indebtedness, incur guarantee obligations, repay certain other indebtedness or amend debt instruments, pay dividends, create liens on our assets, make investments, make acquisitions, engage in mergers or consolidations, engage in certain transactions with subsidiaries and affiliates or otherwise restrict corporate activities. In addition, the indenture governing our senior unsecured notes restricts, among other things, our ability to incur additional indebtedness (excluding certain indebtedness under our credit facility), issue certain preferred stock, pay dividends or distributions on our capital stock or repurchase our capital stock, make certain investments, create liens on our assets to secure certain debt, enter into transactions with affiliates, merge or consolidate with another company, transfer and sell assets and designate our subsidiaries as unrestricted subsidiaries. A failure to comply with the restrictions contained in the documentation governing any of our indebtedness, termination of the Leases (subject to certain exceptions) or the occurrence of certain defaults under the Leases could lead to an event of default thereunder that could result in an acceleration of such indebtedness. Such acceleration would likely constitute an event of default under our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on any of our assets securing such debt.

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To service our indebtedness, we will require a significant amount of cash, which depends on many factors beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facility in amounts sufficient to enable us to fund our liquidity needs, including with respect to our indebtedness. We also may incur indebtedness related to facilities we develop or acquire in the future prior to generating cash flow from those facilities. If those facilities do not provide us with cash flow to service that indebtedness, we will need to rely on cash flow from our other properties, which would increase our leverage. In addition, if we consummate significant acquisitions in the future, our cash requirements may increase significantly. As we are required to satisfy amortization requirements under our senior secured credit facility or as other debt matures, we may also need to raise funds to refinance all or a portion of our debt. We cannot assure you that we will be able to refinance any of our debt, including our senior secured credit facility, on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service, extend or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As detailed in Item 1. Business, "Operating Properties," the majority of our facilities are subject to leases of the underlying real estate assets, which, among other things, includes the land underlying the facility and the buildings used in the operations of the casino and the hotel. The following describes the principal real estate associated with our facilities by segment as of December 31, 2018 as well as Margaritaville Resort Casino, which we acquired on January 1, 2019 (all area metrics are approximate):

Northeast Segment

Ameristar East Chicago. We lease 22 acres of land in East Chicago, Indiana, used in the operations of Ameristar East Chicago as well as the casino vessel, hotel and other improvements on the site.

Hollywood Casino Bangor. We lease the land on which the Hollywood Casino Bangor facility is located in Bangor, Maine, which consists of nine acres, and includes a hotel and four-story parking. In addition, we lease 35 acres located at historic Bass Park, which is adjacent to the facility and includes a one-half mile standardbred racetrack with a 12,000 square foot grandstand capable of seating 3,500 patrons.

Hollywood Casino at Charles Town Races. We lease 300 acres on various parcels in Charles Town and Ranson, West Virginia, of which 155 acres comprise Hollywood Casino at Charles Town Races. The facility includes a hotel, a 3/4-mile all-weather lighted thoroughbred racetrack, a training track, two parking garages, an employee parking lot, an enclosed grandstand/clubhouse, and housing facilities for over 1,300 horses.

Hollywood Casino Columbus. We lease 116 acres of land in Columbus, Ohio, where we operate Hollywood Casino Columbus. The property includes the casino as well as structured and surface parking, which are also leased.

Hollywood Casino Lawrenceburg. We lease 53 acres in Lawrenceburg, Indiana, a portion of which serves as the dockside embarkation for the gaming vessel, and includes a Hollywood-themed casino riverboat, an entertainment pavilion, a hotel, two parking garages and an adjacent surface lot. In addition, we lease 52 acres on Route 50 used for remote parking. Effective January 2015, we own and operate a hotel and event center located less than a mile away from our Hollywood Casino Lawrenceburg property, which includes 168 rooms, 18,000 square feet of multi-purpose space and 19,500 square feet of ballroom and meeting space.

Hollywood Casino at Penn National Race Course. We lease 574 acres in Grantville, Pennsylvania, where Penn National Race Course is located on 181 acres. The facility includes a one-mile all-weather lighted thoroughbred racetrack and a 7/8-mile turf track, a parking garage and surface parking spaces. The property also includes 393 acres surrounding Penn National Race Course that are available for future expansion or development.

Hollywood Casino Toledo. We lease 44 acres in Toledo, Ohio, where we operate Hollywood Casino Toledo. The property includes the casino as well as structured and surface parking, which are also leased.

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Hollywood Gaming at Dayton Raceway. We lease 120 acres on the site of an abandoned Delphi Automotive plant in Dayton, Ohio, where we relocated Raceway Park and opened a new gaming facility on August 28, 2014. The facility includes a 5/8-mile standardbred racetrack and surface parking.

Hollywood Gaming at Mahoning Valley Race Course. We lease 193 acres in Austintown, Ohio, where we relocated Beulah Park and opened a new gaming facility in September 2014. The facility includes a one-mile thoroughbred racetrack and surface parking.

Meadows Racetrack and Casino. We lease the real estate used in the operations of Meadows Racetrack and Casino, located on 153 acres of land approximately 25 miles south of Pittsburgh, Pennsylvania. We also lease the off-track wagering facility in Pittsburgh.

Plainridge Park Casino. We lease the 90-acre site in Plainville, Massachusetts, where we opened Plainridge Park Casino in June 2015. The property includes the casino as well as structured and surface parking. The facility also includes a 5/8-mile live harness racing track and a two-story clubhouse.

South Segment

1st Jackpot Casino. We lease 94 acres of land and own 53 acres of wetlands in Tunica, Mississippi. The property includes the casino, surface parking and other land-based facilities.

Ameristar Vicksburg. Ameristar Vicksburg is located on a total of 74 acres of land in Vicksburg, Mississippi, on either side of Washington Street near Interstate 20. In addition to the gaming and hotel facilities, we operate a recreational vehicle park and utilize buildings for warehousing and support services also located on these parcels. We lease the real estate assets at this location.

Boomtown Biloxi. We lease 20 acres in Biloxi, Mississippi, most of which is utilized for the gaming location. We also lease 5 acres of submerged tidelands at the casino site from the State of Mississippi and one acre of land utilized mostly for the daiquiri bar area and welcome center.

Boomtown Bossier City. Boomtown Bossier City is located on 23 acres in Bossier City, Louisiana on the banks of the Red River. We lease the real estate at this site, including the dockside riverboat casino, under the terms of the Pinnacle Master Lease and lease one acre of water bottoms.

Boomtown New Orleans. Boomtown New Orleans is located in Harvey, Louisiana on 54 acres. The land, facilities, and associated improvements at the property, including the dockside riverboat casino and hotel, are leased.

Hollywood Casino Gulf Coast. We lease 580 acres in the city of Bay St. Louis, Mississippi. The property includes a land-based casino, an 18-hole golf course, a hotel, a 20-slip marina, a 100-space recreational vehicle park and other facilities.

Hollywood Casino Tunica. We lease 68 acres of land in Tunica, Mississippi. The property includes a single-level casino, a hotel, surface parking and other land-based facilities.

L'Auberge Baton Rouge. L'Auberge Baton Rouge is located approximately 10 miles south of downtown Baton Rouge, Louisiana. We lease the real estate assets of L'Auberge Baton Rouge, including 99 acres and the casino facility. Additionally, we own 478 acres of excess land adjacent to L'Auberge Baton Rouge, which is available for future expansion and development.

L'Auberge Lake Charles. L'Auberge Lake Charles is located in Lake Charles, Louisiana, approximately 140 miles from Houston and approximately 300 miles and 335 miles from Austin, Texas and San Antonio, Texas, respectively. We lease 235 acres of land; upon which the L'Auberge Lake Charles property is located; the casino facility; and other real estate improvements. Additionally, we own 54 acres of excess land surrounding the site, which is available for future expansion and development.

Margaritaville Resort Casino. Margaritaville Resort Casino is located in Bossier City, Louisiana on 34 acres of land. Effective January 1, 2019, we lease the land and building used in the operations of the property.

Resorts Casino Tunica. We lease 87 acres of land in Tunica, Mississippi. The property includes the casino, a hotel, surface parking and other land-based facilities.

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West Segment
Ameristar Black Hawk. Ameristar Black Hawk is located on a six-acre site on the north side of Colorado Highway 119 in Black Hawk, Colorado. We lease the real estate of Ameristar Black Hawk, including the land underlying the casino facility, and other property in the vicinity, including 100 acres of largely hillside land across Richman Street from the casino site, portions of which are used for overflow parking, administrative offices and other operational uses.
Cactus Petes and Horseshu. Cactus Petes and Horseshu are located in Jackpot, Nevada, across from each other on either side of U.S. Highway 93. We lease the real estate at both locations and other property in the vicinity, which includes 34 acres for Cactus Petes, 20 acres for Horseshu, and 26 acres for a service station and 288 housing units that support the primary operations of the Jackpot Properties.
M Resort. We lease 84 acres on the southeast corner of Las Vegas Boulevard and St. Rose Parkway in Henderson, Nevada, where M Resort is located. The M Resort property includes a hotel, a 4,700 space parking facility, and other facilities. We also lease four acres of land which is part of the property.
Zia Park Casino. Our casino adjoins the racetrack and is located on 317 acres that we lease in Hobbs, New Mexico. The property includes a one-mile quarter/thoroughbred racetrack. In August 2014, we opened a new hotel, a business center, exercise/fitness facilities and a breakfast venue.
Tropicana Las Vegas. We own 35 acres on the strip of Las Vegas, Nevada. In addition, we own the casino facility as well as the hotel and structured and surface parking.
Midwest Segment
Ameristar Council Bluffs. Ameristar Council Bluffs is located on 58 acres along the east bank of the Missouri River in Council Bluffs, Iowa. We lease the real estate at this site under the terms of the Pinnacle Master Lease. We sublease one acre of the site to a third party for the operation of a 188-room limited service Holiday Inn Suites Hotel and a 96-room Hampton Inn Hotel.
Argosy Casino Alton. We lease four acres in Alton, Illinois, a portion of which serves as the dockside boarding for the Alton Belle II, a riverboat casino. The dockside facility includes an entertainment pavilion and office space, as well as surface parking areas.
Argosy Casino Riverside. We lease 38 acres in Riverside, Missouri, which includes a barge-based casino, a luxury hotel, an entertainment/banquet facility and a parking garage. We also lease seven acres which is primarily used for overflow parking.
Hollywood Casino Aurora. We lease a dockside barge structure and land-based pavilion in Aurora, Illinois. We lease the half-acre of land on which the pavilion is located. We also lease the rights to a pedestrian walkway bridge and two parking garages, together comprising 2 acres.
Hollywood Casino Joliet. We lease 276 acres in Joliet, Illinois, which includes a barge-based casino, land-based pavilion, a hotel, structured and surface parking areas and a recreational vehicle park.
Hollywood Casino at Kansas Speedway. We own a 50% interest in the entity that owns the 101 acres of land and building used in the operations of Hollywood Casino at Kansas Speedway, which sits on turn two of Kansas Speedway.
Hollywood Casino St. Louis. We lease 248 acres along the Missouri River in Maryland Heights, Missouri, which includes a hotel and structured and surface parking.
Prairie State Gaming. Prairie State Gaming's operations include 1,876 VGTs across a network of 403 bar and/or retail gaming establishments in seven distinct geographic areas throughout Illinois.
River City Casino: We lease the real estate assets used in the operations of River City Casino. The River City Casino site is located on 56 acres in south St. Louis County, approximately 12 miles south of downtown St. Louis.
Other
Freehold Raceway. Through our joint venture in Pennwood, we own a 51-acre

ch is currently
undeveloped.

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Retama Park Racetrack. We have a management contract with RDC to manage the day-to-day operations of Retama Park Racetrack. PRP owns 28 acres of land located adjacent to, but not used in the operations of Retama Park Racetrack.

Sam Houston Race Park and Valley Race Park. Through our joint venture with MAXXAM, we own 168 acres at Sam Houston Race Park and 71 acres at Valley Race Park. Sam Houston Race Park includes a one-mile dirt track and a 7/8-mile turf track as well as a 226,000 square foot grandstand and pavilion center. Valley Race Park features 91,000 of property square footage as a dog racing and simulcasting facility located in Harlingen, Texas.

Sanford-Orlando Kennel Club. We own 26 acres in Longwood, Florida, where Sanford-Orlando Kennel Club is located. The property includes a1/4-mile racing surface, a clubhouse dining facility and a main grandstand building. Kennel facilities for up to 1,300 greyhounds are located at a leased location approximately 1/2-mile from the racetrack enclosure.

Off-track Wagering Facilities. The following is a list of our three OTWs and their locations:

Location	**Size (Square Ft.)**	**Owned/Leased**	**Date Opened**
York, PA	25,590	Leased	March 1995
Lancaster, PA	24,000	Leased	July 1996
Clementon, NJ	15,000	Leased	July 2014

In addition, through our joint venture in Pennwood, we own 50% of a leased OTW in Toms River, New Jersey, that has 28,160 square feet.

Corporate and Service Center. We lease office and warehouse space in various locations outside of our operating properties, including 52,116 square feet of executive office and warehouse space for buildings in Wyomissing, Pennsylvania, and our offices in Las Vegas, Nevada.

Penn Interactive Ventures. We lease 7,787 square feet of executive office space in Conshohocken, Pennsylvania, 10,463 square feet of executive office space in San Francisco, California, and 5,740 square feet of executive office space in Henderson, Nevada.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions, development agreements and other matters arising in the ordinary course of business. The Company does not believe that the final outcome of these matters will have a material adverse effect on its consolidated financial position, cash flows or results of operations. In addition, the Company maintains what it believes is adequate insurance coverage to further mitigate the risks of such proceedings. However, such proceedings can be costly, time consuming, and unpredictable; therefore, no assurance can be given that the final outcome of such proceedings may not materially impact the Company’s consolidated financial condition, cash flows or results of operations. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

Legal proceedings could result in costs, settlements, damages or rulings that materially impact the Company’s consolidated financial condition, cash flows or results of operations. The Company believes that it has meritorious defenses, claims and/or counter claims with respect to these proceedings and intends to vigorously defend itself or pursue its claims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Ticker Symbol and Holders of Record

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PENN." As of February 19, 2019, there were 1,783 holders of record of our common stock.

Dividends

Since our initial public offering of common stock in May 1994, we have not paid any cash dividends on our common stock. We intend to retain all of our earnings to finance the development of our business, and thus, do not anticipate paying cash dividends on our common stock for the foreseeable future. Payment of any cash dividends in the future will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operations and capital requirements, our general financial condition and general business conditions. In addition, our senior secured credit facility and senior notes restrict, among other things, our ability to pay dividends. Future financing arrangements may also prohibit the payment of dividends under certain conditions.

Sales of Unregistered Equity Securities

During the years ended December 31, 2018, 2017, and 2016, we did not issue or sell any unregistered equity securities.

Issuer Purchases of Equity Securities

On February 3, 2017, the Company announced a share repurchase program pursuant to which the Board of Directors authorized to repurchase up to $100 million of the Company's common stock, which expired on February 1, 2019. The following table provides information regarding purchases of our common stock pursuant to the above repurchase program for the three months ended December 31, 2018. All of the repurchased shares were retired.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1, 2018 - October 31, 2018	—	$ —	—	$ 75,229,530
November 1, 2018 - November 30, 2018	893,429	$ 21.59	893,429	$ 55,939,823
December 1, 2018 - December 31, 2018	1,406,069	$ 21.84	1,406,069	$ 25,229,529
Total	2,299,498	$ 21.74	2,299,498	

On January 9, 2019, the Company announced a new share repurchase program pursuant to which the Board of Directors authorized to repurchase up to $200 million of the Company's common stock. The new share repurchase program covers an authorization period of two years, expiring on December 31, 2020.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial information for the years 2014 through 2018 was derived from our audited Consolidated Financial Statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the audited Consolidated Financial Statements and related notes thereto.

During the first quarter 2018, the Company adopted FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), using a modified retrospective approach as of the date of initial application, which was January 1, 2018. The modified retrospective approach did not require that prior periods presented be restated. The adoption of ASC 606 did not materially impact the comparability of any of the selected financial information below.

	For the year ended December 31,				
(in millions, except per share data)	**2018** (a)	**2017** (b)	**2016** (c)	**2015** (d)	**2014** (e)
Income statement data:					
Revenues	$3,587.9	$3,148.0	$3,034.4	$2,838.3	$2,590.5
Total operating expenses	2,953.8	2,702.3	2,491.4	2,370.5	2,333.3
Operating income	634.1	445.7	543.0	467.8	257.2
Total other expenses	(544.2)	(470.8)	(422.4)	(411.2)	(410.5)
Income (loss) before income taxes	89.9	(25.1)	120.6	56.6	(153.3)
Income tax benefit (expense)	3.6	498.5	(11.3)	(55.9)	(30.5)
Net income (loss)	$93.5	$473.4	$109.3	$0.7	$(183.8)
Per share data:					
Earnings (loss) per common share—Basic	$0.96	$5.21	$1.21	$0.01	$(2.34)
Earnings (loss) per common share—Diluted	$0.93	$5.07	$1.19	$0.01	$(2.34)
Weighted-average shares outstanding—Basic (f)	97,105	90,854	82,929	80,003	78,425
Weighted-average shares outstanding—Diluted (f)	100,338	93,378	91,407	90,904	78,425
Other data:					
Depreciation and amortization	$269.0	$267.1	$271.2	$259.5	$266.7
Interest expense	$539.4	$466.8	$459.2	$443.1	$425.1
Project and maintenance capital expenditures	$92.6	$99.3	$97.2	$199.2	$228.1
Cash flows provided by (used in):					
Operating activities (g)(h)	$352.8	$477.8	$408.0	$417.4	$272.5
Investing activities	$(1,423.1)	$(221.6)	$(79.3)	$(781.0)	$(375.5)
Financing activities (g)	$1,272.1	$(207.0)	$(339.9)	$395.5	$18.6
Balance Sheet Data—As of December 31:					
Cash, cash equivalents and restricted cash	$481.2	$279.4	$230.2	$241.5	$209.6
Total assets	$10,961.0	$5,234.8	$4,974.5	$5,138.8	$4,624.6
Total financing obligations	$7,148.4	$3,538.8	$3,514.1	$3,564.6	$3,611.5
Total debt	$2,412.2	$1,250.2	$1,415.5	$1,711.0	$1,241.4
Stockholders' equity (deficit)	$731.2	$(73.1)	$(543.3)	$(678.0)	$(708.0)

(a) The financial position, results of operations and cash flows as of and for the year ended December 31, 2018 include the impact of the acquisition of Pinnacle in October 2018. In addition, we incurred $95.0 million in costs, primarily associated with the Pinnacle Acquisition, a $21.0 million loss on early extinguishment of debt, and a $34.3 million long-lived asset impairment charge. In addition, during the year ended December 31, 2018, we recorded $464.5 million of interest expense on the financing obligations associated with the Master Leases.

(b) The financial position and results of operations for the year ended December 31, 2017, reflect impairment losses on our goodwill and other intangible assets of $18.0 million and a provision for loan losses and unfunded loan commitments to the JIVDC of $89.8 million. In addition, during the year ended December 31, 2017, we recorded $397.6 million of interest expense on the Penn Master Lease financing obligation, released $741.9 million of our deferred tax valuation allowance, and recorded a $261.3 million write-down of our deferred tax assets due to the lowering of the corporate tax rate from 35% to 21%.

(c) The financial position, cash flows and results of operations as of and for the year ended December 31, 2016, reflect the acquisition of Rocket Speed in August 2016. In addition, during the year ended December 31, 2016, we recorded $391.7 million of interest expense on the Penn Master Lease financing obligation.

(d) The financial position and results of operations as of and for the year ended December 31, 2015, reflect impairment losses on our other intangible assets of $40.0 million related to the write-off of our Plainridge Park Casino gaming license and a write-down of the gaming license at Hollywood

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Gaming at Dayton Raceway. In addition, during the year ended December 31, 2015, we recorded $390.1 million of interest expense on the Penn Master Lease financing obligation.

(e) The financial position and results of operations as of and for the year ended December 31, 2014, reflect impairment losses on our goodwill and other intangible assets of $155.3 million and property and equipment of $4.6 million. In addition, during the year ended December 31, 2014, we recorded insurance recoveries, net of deductible charges of $5.7 million, which related to tornado damage at Hollywood Casino St. Louis incurred in 2013, and $379.2 million of interest expense on the Penn Master Lease financing obligation.

(f) Since we reported an operating loss for the year ended December 31, 2014, we were required to use basic weighted-average common shares outstanding because the inclusion of diluted shares would have been anti-dilutive.

(g) In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, "Statement of Cash Flows (Topic 230): Clarification of Certain Cash Receipts and Cash Payments." The Company adopted this new guidance on January 1, 2018 on a retrospective basis. As a result of adopting this new guidance, the impact to the year ended December 31, 2017 was an increase to net cash provided by operating activities and an increase to net cash used in financing activities of $18.0 million within the Company's Consolidated Statements of Cash Flows.

(h) In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The Company adopted this new guidance on January 1, 2018 on a retrospective basis. As a result of adopting this new guidance, the impact to the years ended December 31, 2017, 2016, 2015 and 2014, were increases (decreases) to net cash provided by operating activities of $0.7 million, $(3.8) million, $3.6 million and $(0.1) million, respectively, within the Company's Consolidated Statements of Cash Flows.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, our audited Consolidated Financial Statements and the notes thereto, included in this Annual Report on Form 10-K, and other filings with the Securities and Exchange Commission.

EXECUTIVE OVERVIEW

Our Business

Penn National Gaming, Inc., together with its subsidiaries, is a leading, diversified, multi-jurisdictional owner and manager of gaming and racing facilities and video gaming terminal ("VGT") operations with a focus on slot machine entertainment. In the second half of 2018, we launched live sports wagering at our facilities in Mississippi, Pennsylvania and West Virginia. In addition, the Company operates an interactive gaming division through its subsidiary, Penn Interactive Ventures, LLC ("PIV"). As of December 31, 2018, we owned, managed, or had ownership interests in 40 facilities in 18 jurisdictions. The majority of the gaming facilities used in the Company's operations are subject to triple net master leases; the most significant of which are the Penn Master Lease and the Pinnacle Master Lease (as such terms are defined in the "Liquidity and Capital Resources" section below and collectively referred to as the "Master Leases"), with Gaming and Leisure Properties, Inc. ("GLPI"), a publicly-traded real estate investment trust ("REIT"), as the landlord under the Master Leases. References herein to "Penn," the "Company," "we," "our" or "us" refer to P National Gaming, Inc. and its subsidiaries, except where stated or the context otherwise indicates.

In October 2018, the Company completed the acquisition of Pinnacle Entertainment, Inc. ("Pinnacle"), a leading regional gaming operator (the "Pinnacle Acquisition"), for $2,816.2 million (including the repayment of $814.3 million in debt obligations). In conjunction with the Pinnacle Acquisition, the Company divested the membership interests of certain Pinnacle subsidiaries which operated the casinos known as Ameristar Casino Resort St. Charles, Ameristar Casino Hotel Kansas City, Belterra Casino Resort and Belterra Park (referred to collectively as the "Divested Properties"), to Boyd Gaming Corporation ("Boyd") in exchange for $604.9 million of cash, subject to customary final working capital adjustments. Additionally, as a part of the transaction, (i) GLPI acquired the real estate associated with Plainridge Park Casino for $250.0 million, and concurrently leased back the real estate assets to the Company (the "Plainridge Park Casino Sale-Leaseback") and (ii) a subsidiary of Boyd acquired the real estate assets associated with Belterra Park from a subsidiary of GLPI, from which the Company received proceeds of $57.7 million. In connection with the sale of the Divested Properties to Boyd as well as the Plainridge Park Casino Sale-Leaseback, the Pinnacle Master Lease, which was assumed by the Company concurrent with the closing of the Pinnacle Acquisition, was amended. The Pinnacle Acquisition added twelve gaming properties to our holdings and provides us with greater operational scale and geographic diversity.

In November 2018, we announced that the Company entered into a definitive agreement to acquire the operations of Greektown Casino-Hotel in Detroit, Michigan, subject to a triple net lease with VICI Properties, Inc. ("VICI"), which we expect to close in the second quarter 2019. In January 2019, we acquired Margaritaville Casino Resort subject to a triple net lease with VICI (the "Margaritaville Lease"). Further, we have planned two development projects in Pennsylvania: Hollywood Casino York and Hollywood Casino Morgantown (a greenfield project), which are both Category 4 satellite gaming facilities. We anticipate that both of these development projects will be complete within 12-18 months after obtaining the necessary local and regulatory approvals.

In May 2017, we completed the acquisitions of 1st Jackpot Casino Tunica (f/k/a Bally's Casino Tunica) and Resorts Casino Tunica. In 2016, Prairie State Gaming acquired two small VGT route operators in Illinois and in the first half of 2017, it acquired two additional Illinois-based VGT operators. In 2015, PIV launched our HollywoodCasino.com Play4Fun social gaming platform with Scientific Games Corporation, and in August 2016, we enhanced our social gaming offerings with the acquisition of Rocket Speed, Inc. ("Rocket Speed"), a leading developer of social casino games.

We believe that our portfolio of assets provides us the benefit of a geographically diversified cash flow from operations. We expect to continue to expand our gaming operations through the implementation and execution of a disciplined capital expenditure program at our existing properties, the pursuit of strategic acquisitions, and the development of new gaming properties. In addition, we expect to pursue opportunities within other distribution channels, such as retail gaming, social gaming, and real money iGaming.

Our properties generate significant operating cash flow since most of our revenue is cash-based from slot machines, table games, and pari-mutuel wagering. Our business is capital intensive, and we rely on cash flow from our properties to generate operating cash to satisfy our obligations under the Master Leases, repay debt, fund maintenance capital expenditures, fund new capital projects at existing properties and provide excess cash for future development and acquisitions. Additional information regarding our capital projects is discussed in detail in the section entitled "Liquidity and Capital Resources" below.

Operating and Competitive Environment

Most of our properties operate in mature, competitive markets. Consequently, we expect a significant amount of our future growth to come from prudent acquisitions of gaming properties, jurisdictional expansions, expansions of gaming in existing jurisdictions, expansions/improvements of our existing properties and new growth opportunities. Our geographically-diversified portfolio is comprised largely of new and well-maintained regional gaming facilities. This has allowed us to develop what we believe to be a solid base for future growth opportunities supported by a flexible and attractively-priced capital structure. We have also made investments in joint ventures that we believe will allow us to capitalize on additional gaming opportunities in certain states if legislation or referenda are passed that permit and/or expand gaming in these jurisdictions and we are selected as a licensee.

As reported by most jurisdictions, regional gaming industry trends have shown little revenue growth in recent years as numerous jurisdictions now permit gaming or have expanded their gaming offerings. The proliferation of new gaming facilities continues to impact the overall domestic gaming industry as well as our operating results in certain markets; however, the current economic environment, specifically, low levels of unemployment, strength in residential real estate prices, and high levels of consumer confidence, has resulted in a stable operating environment in recent years. Our ability to continue to succeed in this environment will be predicated on operating our existing facilities efficiently and offering our customers additional gaming experiences through our multi-channel distribution strategy. We seek to continue to expand our customer database through accretive acquisitions, such as the Pinnacle Acquisition, and capitalize on organic growth opportunities from the development of new facilities or the expansion of recently-developed business lines.

Historically, the Company has been reliant on certain key regional gaming markets (for example, its results from Hollywood Casino at Charles Town Races and Hollywood Casino Lawrenceburg). Over the past several years, we have diversified our operations via development of new facilities and acquisitions. The acquisition of Pinnacle has further reduced our reliance on specific properties. In addition, we expect to generate approximately $100 million in annual run-rate cost synergies within two years of the Pinnacle Acquisition. We also believe that the acquisition of Pinnacle has and will continue to present revenue growth opportunities with respect to increased cross-property play, including visitation to our Las Vegas properties, and higher social gaming volumes due principally to the enhanced scale and size of our customer database.

In October 2017, Pennsylvania's House Bill 271 was signed into law, which extensively expanded gambling in the state by introducing licenses for up to 10 additional casinos limited to 750 slot machines and up to 40 table games not to be within 25 miles of existing casinos, up to five VGTs at certain truck stops, online gambling, fantasy contests and sport wagering. In response to this bill, we have commenced development of Hollywood Casino York and Hollywood Casino Morgantown, which are discussed above. We believe Hollywood Casino at Penn National Race Course, Hollywood Gaming at Mahoning Valley Race Course, and Meadows Racetrack and Casino, all of which are in our Northeast segment, will be impacted by new competition in the near future based on the ultimate location of the additional facilities, either owned by us or by our competitors.

MGM Springfield in Western Massachusetts opened in August 2018, Tiverton Casino in Tiverton, Rhode Island, which is near the border of Massachusetts, opened in September 2018, and Encore Boston Harbor in Eastern Massachusetts is scheduled to open in June 2019. MGM Springfield and Tiverton Casino have negatively impacted our Plainridge Park Casino, which is in our Northeast segment, since their opening and we expect Encore Boston Harbor to negatively impact Plainridge Park Casino due to the increased competition upon its opening.

Lastly, we expect that a large renovation and expansion, including a 500-room hotel and a parking garage, at Monarch Casino, in Blackhawk, Colorado, which is expected to be complete by July 2019, will have an adverse impact on our Ameristar Blackhawk property, which is included in our West segment, due to the increased competition.

Key Performance Indicators

In our business, revenue is driven by discretionary consumer spending. We have no certain mechanism for determining why consumers choose to spend more or less money at our facilities from period-to-period; therefore, we cannot quantify a dollar amount for each factor that impacts our customers' spending behaviors. However, based on our experience, we can generally offer some insight into the factors that we believe were likely to account for such changes and which factors may have had a greater impact than others. In all instances, such insights are based solely on our judgment and professional experience, and no assurance can be given as to the accuracy of our judgments.

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The vast majority of our revenues is gaming revenue, derived primarily from gaming on slot machines (which represented approximately 92% and 87% of our gaming revenue in 2018 and 2017, respectively), and to a lesser extent, table games, which is highly dependent upon the volume and spending levels of customers at our facilities. Aside from gaming revenues, our revenues are derived from our hotel, dining, retail, admissions, program sales, concessions and certain other ancillary activities, and our racing operations. Our racing revenue includes our share of pari-mutuel wagering on live races after payment of amounts returned as winning wagers, our share of wagering from import and export simulcasting, and our share of wagering from our off-track wagering facilities.

Key performance indicators related to gaming revenue are slot handle and table game drop, which are volume indicators, and “win” or “hold” percentage. Our typical property slot win percentage is in the range of approximately 6% to 10% of slot handle, and our typical table game hold percentage is in the range of approximately 13% to 27% of table game drop.

Slot handle is the gross amount wagered for the period cited. The win or hold percentage is the net amount of gaming wins and losses, with liabilities recognized for accruals related to the anticipated payout of progressive jackpots. Given the stability in our slot hold percentages on a historical basis, we have not experienced significant impacts to net income from changes in these percentages.

For table games, customers usually purchase chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table’s drop box. Table game hold is the amount of drop that is retained and recorded as gaming revenue, with liabilities recognized for funds deposited by customers before gaming play occurs and for unredeemed gaming chips. As we are primarily focused on regional gaming markets, our table game hold percentages are fairly stable as the majority of these markets do not regularly experience high-end play, which can lead to volatility in hold percentages. Therefore, changes in table game hold percentages do not typically have a material impact to our net income.

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Reportable Segments

We view each of our operating businesses as an operating segment with the exception of our two facilities in Jackpot, Nevada, which we view as one operating segment. During the fourth quarter 2018, the Company made revisions to its reportable segments upon the consummation of the Pinnacle Acquisition. Apart from the addition of the new properties, the most significant change was dividing the South/West segment into two separate reportable segments. For financial reporting purposes, we aggregate our operating segments into the following reportable segments:

	Location	Real Estate Assets Lease or Ownership Structure
Northeast segment		
Ameristar East Chicago	East Chicago, IN	Pinnacle Master Lease
Hollywood Casino Bangor	Bangor, ME	Penn Master Lease
Hollywood Casino at Charles Town Races	Charles Town, WV	Penn Master Lease
Hollywood Casino Columbus	Columbus, OH	Penn Master Lease
Hollywood Casino Lawrenceburg	Lawrenceburg, IN	Penn Master Lease
Hollywood Casino at Penn National Race Course	Grantville, PA	Penn Master Lease
Hollywood Casino Toledo	Toledo, OH	Penn Master Lease
Hollywood Gaming at Dayton Raceway	Dayton, OH	Penn Master Lease
Hollywood Gaming at Mahoning Valley Race Course	Youngstown, OH	Penn Master Lease
Meadows Racetrack and Casino	Washington, PA	Meadows Lease
Plainridge Park Casino	Plainville, MA	Pinnacle Master Lease
South segment		
1^{st} Jackpot Casino	Tunica, MS	Penn Master Lease
Ameristar Vicksburg	Vicksburg, MS	Pinnacle Master Lease
Boomtown Biloxi	Biloxi, MS	Penn Master Lease
Boomtown Bossier City	Bossier City, LA	Pinnacle Master Lease
Boomtown New Orleans	New Orleans, LA	Pinnacle Master Lease
Hollywood Casino Gulf Coast	Bay St. Louis, MS	Penn Master Lease
Hollywood Casino Tunica	Tunica, MS	Penn Master Lease
L'Auberge Baton Rouge	Baton Rouge, LA	Pinnacle Master Lease
L'Auberge Lake Charles	Lake Charles, LA	Pinnacle Master Lease
Resorts Casino Tunica	Tunica, MS	Penn Master Lease
West segment		
Ameristar Black Hawk	Black Hawk, CO	Pinnacle Master Lease
Cactus Petes and Horseshu (the "Jackpot Properties")	Jackpot, NV	Pinnacle Master Lease
M Resort	Henderson, NV	Penn Master Lease
Tropicana Las Vegas	Las Vegas, NV	Owned
Zia Park Casino	Hobbs, NM	Penn Master Lease
Midwest segment		
Ameristar Council Bluffs	Council Bluffs, IA	Pinnacle Master Lease
Argosy Casino Alton [(1)]	Alton, IL	Penn Master Lease
Argosy Casino Riverside	Riverside, MO	Penn Master Lease
Hollywood Casino Aurora	Aurora, IL	Penn Master Lease
Hollywood Casino Joliet	Joliet, IL	Penn Master Lease
Hollywood Casino at Kansas Speedway [(2)]	Kansas City, KS	Owned - JV
Hollywood Casino St. Louis	Maryland Heights, MO	Penn Master Lease
Prairie State Gaming [(3)]	Illinois	N/A
River City Casino	St. Louis, MO	Pinnacle Master Lease

(1) The riverboat is owned by us and not subject to the Penn Master Lease.
(2) Pursuant to a joint venture with International Speedway Corporation
(3) VGT route operations

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RESULTS OF OPERATIONS

The following table highlights our revenues, operating income (loss) and Adjusted EBITDAR by reportable segment as well as our consolidated net income and Adjusted EBITDA, after Lease Payments. Such segment reporting is on a basis consistent with how we measure our business and allocate resources internally. The financial information presented below reflects the revisions made to our reportable segments as a result of the Pinnacle Acquisition, including restating the prior year financial information.

The Company considers net income to be the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States ("GAAP") to Adjusted EBITDAR and Adjusted EBITDA, after Lease Payments, which are non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section below for the definitions of Adjusted EBITDAR; Adjusted EBITDA, after Lease Payments; and Lease Payments; as well as a reconciliation of net income to Adjusted EBITDAR and Adjusted EBITDA, after Lease Payments.

	For the year ended December 31,		
(dollars in millions)	**2018**	**2017**	**2016**
Revenues:			
Northeast segment [(a)]	$1,891.5	$1,756.6	$1,741.8
South segment [(a)]	394.4	224.3	185.8
West segment [(a)]	437.9	380.4	360.8
Midwest segment [(a)]	823.7	735.0	704.3
Other [(b)]	40.4	51.7	41.7
Revenues	$3,587.9	$3,148.0	$3,034.4
Operating income (loss):			
Northeast segment [(a)]	$514.3	$451.1	$437.8
South segment [(a)]	97.9	51.5	46.2
West segment [(a)]	106.5	(57.3)	46.4
Midwest segment [(a)]	233.5	191.3	182.9
Other [(b)]	(318.1)	(190.9)	(170.3)
Operating income	$634.1	$445.7	$543.0
Net income	$93.5	$473.4	$109.3
Adjusted EBITDAR:			
Northeast segment [(a)]	$583.8	$549.3	$536.4
South segment [(a)]	118.9	62.6	56.1
West segment [(a)]	114.3	72.7	72.5
Midwest segment [(a)]	294.3	249.7	239.9
Other [(b)]	(68.1)	(55.2)	(67.8)
Adjusted EBITDAR	1,043.2	879.1	837.1
Less: Lease Payments	(537.4)	(455.4)	(442.3)
Adjusted EBITDA, after Lease Payments	$505.8	$423.7	$394.8
Operating income margin	17.7%	14.2%	17.9%
Net income margin	2.6%	15.0%	3.6%
Adjusted EBITDAR margin	29.1%	27.9%	27.6%

(a) See "Executive Overview" section for listing of properties included in each reportable segment.

(b) The Other category consists of the Company's standalone racing operations, namely Sanford-Orlando Kennel Club, and the Company's joint venture interests in Sam Houston Race Park, Valley Race Park, and Freehold Raceway. The Other category also includes PIV, our management contract for Retama Park Racetrack, and our live and televised poker tournament series that operates under the trade name, Heartland Poker Tour. Expenses incurred for corporate and shared services activities that are directly attributable to a property or are otherwise incurred to support a

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property are allocated to each property. The Other category also includes corporate overhead costs, which consists of certain expenses, such as: payroll, professional fees, travel expenses and other general and administrative expenses that do not directly relate to or have otherwise been allocated to a property.

Consolidated comparison of the years ended December 31, 2018, 2017 and 2016

Revenues

The following table presents our consolidated revenues at a disaggregated level:

(dollars in millions)	For the year ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% Change 2018 vs. 2017 [(a)]	2017 vs. 2016
Revenues [(a)]							
Gaming	$2,894.9	$2,692.0	$2,606.3	$202.9	$85.7	7.5 %	3.3 %
Food, beverage, hotel and other	629.7	601.7	575.4	28.0	26.3	4.7 %	4.6 %
Management service and license fees	6.0	11.7	11.4	(5.7)	0.3	(48.7)%	2.6 %
Reimbursable management costs	57.3	26.1	16.0	31.2	10.1	119.5 %	63.1%
	3,587.9	3,331.5	3,209.1	256.4	122.4	7.7 %	3.8 %
Less: Promotional allowances	—	(183.5)	(174.7)	183.5	(8.8)	(100.0)%	5.0 %
Revenues	$3,587.9	$3,148.0	$3,034.4	$439.9	$113.6	14.0 %	3.7 %

(a) The adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers, (“ASC 606”) using the modified retrospective transition approach principally impacted the year-over-year comparability of gaming revenues; food, beverage, hotel and other revenues; reimbursable management costs; and promotional allowances; but had minimal impact on revenues. For the years ended December 31, 2017 and 2016, the retail value of accommodations, food and beverage, hotel and other services furnished to our guests without charge was included in gross revenues, then deducted as promotional allowances in determining net revenues.

2018 compared to 2017

Consolidated revenues increased principally as a result of the Pinnacle Acquisition on October 15, 2018, which contributed $385.6 million to the year ended December 31, 2018; of which, $303.6 million was gaming revenues and $82.0 million was food, beverage, hotel and other revenues. In addition, consolidated revenues benefited from strong year-over-year performances at all of our Ohio properties, resulting in an increase of $18.5 million; and Prairie State Gaming, where revenues increased by $15.1 million; and a full year of operations of 1st Jackpot Casino Tunica and Resorts Casino Tunica, which were acquired on May 1, 2017 and resulted in an increase of $22.3 million.

The adoption of ASC 606 had the effect of decreasing gaming revenues and food, beverage, hotel and other revenues by $206.1 million and $69.4 million, respectively, and increasing reimbursable management costs by $46.8 million, of which $236.8 million related to promotional allowances, resulting in a net impact on consolidated revenues of an increase of $8.1 million. See the “Segment comparison of the years ended December 31, 2018, 2017 and 2016” section below for more detailed explanations of the fluctuations in revenues.

2017 compared to 2016

Consolidated revenues for the year ended December 31, 2017 increased principally as a result of the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica, which contributed $46.4 million, and Prairie State Gaming, which acquired four VGT route operators since the beginning of the fourth quarter 2016, which contributed $24.7 million. These increases were partially offset by a decrease at Hollywood Casino at Charles Town Races of $32.9 million due to increased competition from the Maryland market. See the “Segment comparison of the years ended December 31, 2018, 2017 and 2016” section below for more detailed explanations of the fluctuations in revenues.

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Operating expenses

The following table presents our consolidated operating expenses:

(dollars in millions)	For the year ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% Change 2018 vs. 2017	2017 vs. 2016
Operating expenses							
Gaming	$1,551.4	$1,365.0	$1,335.0	$186.4	$30.0	13.7 %	2.2 %
Food, beverage, hotel and other	439.3	421.8	406.9	17.5	14.9	4.1 %	3.7 %
General and administrative	618.9	514.5	462.3	104.4	52.2	20.3 %	11.3 %
Reimbursable management costs	57.3	26.1	16.0	31.2	10.1	119.5%	63.1 %
Depreciation and amortization	269.0	267.1	271.2	1.9	(4.1)	0.7 %	(1.5)%
Provision for loan loss and unfunded loan commitments to the JIVDC, net of recoveries, and impairment losses	17.9	107.8	—	(89.9)	107.8	N/M	N/C
Total operating expenses	$2,953.8	$2,702.3	$2,491.4	$251.5	$210.9	9.3 %	8.5 %

N/M - Not meaningful
N/C - Not calculable

Gaming expenses consist primarily of salaries and wages associated with our gaming operations and gaming taxes.

Food, beverage, hotel and other expenses consist principally of salaries and wages and costs of goods sold associated with our food, beverage, hotel, racing, and other operations. Gaming, food, beverage, hotel and other expenses for the year ended December 31, 2018 increased year over year primarily as a result of the Pinnacle Acquisition, which increased gaming expenses by $162.6 million and food, beverage, hotel and other expenses by $56.9 million. The adoption of ASC 606 had the effect of decreasing food, beverage, hotel and other expenses by $37.3 million. Gaming, food, beverage, hotel and other expenses increased for the year ended December 31, 2017, as compared to the prior year, as a result of the acquisitions of 1st Jackpot Casino Tunica, Resorts Casino Tunica and the VGT route operators by Prairie State Gaming.

General and administrative expenses include items such as compliance, facility maintenance, utilities, property and liability insurance, surveillance and security, and certain housekeeping services, as well as all expenses for administrative departments such as accounting, purchasing, human resources, legal and internal audit. General and administrative expenses also include lobbying expenses, gains and losses on disposal of assets, changes in the fair value of our contingent purchase price obligations, expense associated with cash-settled stock awards (including changes in fair value thereto) and rent expense associated with the Meadows Lease.

General and administrative expenses for the year ended December 31, 2018 increased year over year primarily as a result of an increase in pre-opening and acquisition costs of $85.3 million, which principally relates to severance and professional service fees incurred as a result of the Pinnacle Acquisition, and $62.3 million of general and administrative expenses associated with the acquired Pinnacle operations. These increases are partially offset by a $28.6 million decrease in the expense recognized on the Company's cash-settled stock awards, which is primarily the result of the decrease in the fair value of the awards year-over-year.

General and administrative expenses for the year ended December 31, 2017 increased year over year primarily due to higher cash-settled stock-based compensation charges of $23.0 million from increases in Penn's stock price during 2017 compared to 2016, higher bonus accrual expense of $3.5 million due to the Company's better overall performance against its budget, higher outside services and legal fees of $9.4 million due to development and acquisition costs and a full year of operations of Rocket Speed, which was acquired on August 1, 2016, partially offset by a $22.2 million benefit from a buy-out of the contingent purchase price for Rocket Speed.

Reimbursable management costs relate to operating costs related to Casino Rama, which is located in Ontario, Canada, and Hollywood Casino-Jamul San Diego, which is located on the Jamul Tribe's trust land in San Diego, California. Our management contract with Hollywood Casino-Jamul San Diego terminated in the second quarter 2018 and our management contract with Casino Rama terminated in the third quarter 2018. The increase for the year ended December 31, 2018, as compared to the prior year, is a result of the adoption of ASC 606 on January 1, 2018, which required the Company to record reimbursable management costs on the gross basis as opposed to the net basis. The impact with respect to our Casino Rama management contract resulted in the recognition of reimbursable management costs of $46.8 million for the year ended December 31, 2018.

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Depreciation and amortization for the year ended December 31, 2018 increased year over year due to the Pinnacle Acquisition, which contributed $38.6 million, partially offset by decreases at the majority of our properties due to assets becoming fully depreciated and a decrease in amortization expense at PIV. Depreciation and amortization for the year ended December 31, 2017 decreased year over year primarily due to decreases at the majority of our properties due to assets becoming fully depreciated, partially offset by the acquisitions of 1st Jackpot Casino and Resorts Casino Tunica, increased amortization from a full year of operations at Rocket Speed and the acquisitions of the assets of four small VGT route operators by Prairie State Gaming since the fourth quarter 2016.

Provision for loan loss and unfunded loan commitments to the Jamul Indian Village Development Corporation ("JIVDC"), net of recoveries, and impairment losses for the years ended December 31, 2018 and 2017 include a recovery of $17.0 million and a provision of $89.8 million, respectively. ***Impairment losses*** for the year ended December 31, 2018 primarily relates to an impairment on the property and equipment of our Resorts Casino Tunica facility of $34.3 million, principally relating to the real estate assets subject to the Penn Master Lease. Impairment losses for the year ended December 31, 2017 relates to a goodwill impairment charge of $18.0 million relating to Tropicana Las Vegas and Sanford-Orlando Kennel Club.

Other income (expenses)

The following table presents our consolidated other income (expenses):

(dollars in millions)	For the year ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% Change 2018 vs. 2017	2017 vs. 2016
Other income (expenses)							
Interest expense	$(539.4)	$(466.8)	$(459.2)	$(72.6)	$(7.6)	15.6 %	1.7 %
Interest income	$1.0	$3.6	$24.2	$(2.6)	$(20.6)	(72.2)%	(85.1)%
Income from unconsolidated affiliates	$22.3	$18.7	$14.3	$3.6	$4.4	19.3 %	30.8 %
Loss on early extinguishment of debt	$(21.0)	$(24.0)	$—	$3.0	$(24.0)	(12.5)%	N/C
Income tax benefit (expense)	$3.6	$498.5	$(11.3)	$(494.9)	$509.8	(99.3)%	N/M
Other	$(7.1)	$(2.3)	$(1.7)	$(4.8)	$(0.6)	208.7 %	35.3 %

N/C - Not calculable
N/M - Not meaningful

Interest expense increased primarily due to the Pinnacle Master Lease, which contributed $63.0 million to the year ended December 31, 2018. Interest expense associated with the Penn Master Lease also increased as a result of the inclusion of 1st Jackpot Casino Tunica and Resorts Casino Tunica into the lease beginning May 2017 and the incurrence of rent escalators. Lastly, interest expense incurred on long-term debt increased by $7.1 million, pertaining to the fact that the Company had more long-term debt outstanding during the year ended December 31, 2018 as compared to the prior year, which was primarily the result of financing the acquisition of Pinnacle.

Interest expense for the year ended December 31, 2017 increased as compared to the prior year primarily as a result of higher interest payments on the Penn Master Lease financing obligation due to the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica and the incurrence of rent escalators. In addition, interest expense incurred on long-term debt increased by $2.8 million due to the higher principal outstanding on the 5.625% Notes than the 5.875% Notes, partially offset by lower borrowings outstanding and lower interest rates on our Revolving Credit Facility, when comparing the year ended December 31, 2017 to the prior year. See the "Liquidity and Capital Resources" section below for the definitions of the 5.875% Notes, the 5.625% Notes and Revolving Credit Facility.

Interest income decreased for the years ended December 31, 2018 and 2017 as compared to the corresponding prior years due to lower interest accrued on the loan to the JIVDC as a result of its refinancing on October 20, 2016 and the purchase agreement entered into by the Company on May 25, 2018 to sell all of the Company's outstanding rights and obligations under the term loan C and the JIVDC commitments.

Income from unconsolidated affiliates relates principally to our joint venture in Kansas Entertainment. The increases for the years ended December 31, 2018 and 2017 as compared to the corresponding prior years were attributable to improved operating results of Hollywood Casino at Kansas Speedway.

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Loss on early extinguishment of debt for the year ended December 31, 2018 related to the debt financing transactions relating to the Pinnacle Acquisition and principal payments on the Term Loan B Facility (as defined in the "Liquidity and Capital Resources" section below); in both cases, the losses included the write-off of previously unamortized debt issuance costs. Loss on early extinguishment of debt for the year ended December 31, 2017 related to the Company's early redemption of its $300 million 5.875% Notes and was primarily caused by the premium paid by the Company to redeem the 5.875% Notes prior to maturity.

Income tax benefit (expense) was $3.6 million for the year ended December 31, 2018, compared to income tax benefit of $498.5 million in the prior year period. Our effective tax rate was (4.0)% for the year ended December 31, 2018, as compared to 1,990.6% for the year ended December 31, 2017. The Company's effective tax rate in the current year is lower than the federal statutory tax rate of 21% due to the effect of permanent items such as stock compensation and tax credits, as well as the decrease in our federal valuation allowance during the year attributable to the recognition of a capital loss carryforward that offset the capital gain realized from the Plainridge Park Casino Sale-Leaseback. The effective tax rates for both 2017 and 2018 are not correlated to the amount of our income or loss before income taxes due to the impact of the releasing the federal valuation allowance in 2017 and 2018 in the amount of $741.9 million and $18.3 million, respectively.

For the year ended December 31, 2017, we recorded a provisional amount for certain enactment-date effects of the Tax Cuts and Jobs Act (the "Tax Act") by applying the guidance in SAB 118, resulting in a net charge of $266.0 million included in the income tax provision within the Consolidated Statements of Operations consisting of three components: (i) a $261.3 million charge due to the revaluation of the net deferred tax assets in the U.S. based on the new lower federal income tax rate, (ii) a $2.6 million charge related to the one-time mandatory repatriation tax on previously deferred earnings from our wholly-owned Canadian subsidiary (which we will pay interest-free over 8 years) and (iii) a $2.1 million foreign withholding tax charge due to the new favorable U.S. treatment of foreign dividends whereby we have changed our indefinite reinvestment assertion. While we believed the $266.0 million net charge represented a reasonable estimate of the income tax effects of the Tax Act in our Consolidated Statements of Operations as of December 31, 2017, these amounts were considered provisional. As of December 31, 2018, the Company finalized its enactment date and measurement period adjustment from the Tax Act, resulting in an increase to the 2017 provisional amount of $1.2 million.

Our effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings, changes to our valuation allowance and the level of our tax credits. Certain of these and other factors, including our history and projections of pre-tax earnings, are considered in assessing our ability to realize our net deferred tax assets. For the year ended December 31, 2018, we released a partial valuation allowance on our capital loss carryforward that we subsequently recognized in the amount of $22.4 million from the Plainridge Park Casino Sale-Leaseback. The Company continues to maintain a valuation allowance of $89.5 million as of December 31, 2018 for federal capital loss carryforwards, as well as certain state filing groups, where it continues to be in a cumulative three-year pretax loss position.

Other includes miscellaneous expense and (income) items. The amount for the year ended December 31, 2018 principally relates to costs associated with the debt refinancing in connection with the Pinnacle Acquisition and foreign currency translation losses related to our Casino Rama management contract which was reclassified from accumulated other comprehensive loss upon termination of the contract. The amount for the year ended December 31, 2017 principally relates to costs associated with the January 2017 debt refinancing.

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Segment comparison of the years ended December 31, 2018, 2017 and 2016
Northeast Segment

(dollars in millions)	For the Year Ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% / bps Change 2018 vs. 2017 [a]	2017 vs. 2016
Revenues [a]:							
Gaming	$1,644.2	$1,583.9	$1,572.4	$60.3	$11.5	3.8 %	0.7 %
Food, beverage, hotel and other	194.6	223.2	220.4	(28.6)	2.8	(12.8)%	1.3 %
Management service and licensing fees	5.9	11.6	11.3	(5.7)	0.3	(49.1)%	2.7 %
Reimbursable management costs	46.8	—	—	46.8	—	N/C	N/C
	1,891.5	1,818.7	1,804.1	72.8	14.6	4.0 %	0.8 %
Less: Promotional allowances	—	(62.1)	(62.3)	62.1	0.2	(100.0)%	(0.3)%
Revenues	$1,891.5	$1,756.6	$1,741.8	$134.9	$14.8	7.7 %	0.8 %
Operating income	$514.3	$451.1	$437.8	$63.2	$13.3	14.0 %	3.0 %
Adjusted EBITDAR	$583.8	$549.3	$536.4	$34.5	$12.9	6.3 %	2.4 %
Operating income margin	27.2 %	25.7 %	25.1 %			150 bps	60 bps
Adjusted EBITDAR margin	30.9 %	31.3 %	30.8 %			(40) bps	50 bps

N/C - Not calculable
(a) See footnote (a) to the consolidated revenues table above.

2018 compared to 2017

The Northeast segment's revenues, operating income and Adjusted EBITDAR for the year ended December 31, 2018 benefited from the acquisition of Pinnacle in October 2018, which contributed a combined $99.1 million of revenues, $10.9 million of operating income and $17.6 million of Adjusted EBITDAR, from Ameristar East Chicago and Meadows Racetrack and Casino. Northeast segment operating results also benefited from strong year-over-year performances at all four of our Ohio properties, which all individually grew Adjusted EBITDAR margin and, collectively, increased revenue by $18.5 million and Adjusted EBITDAR by $16.7 million. Contraction in Northeast segment Adjusted EBITDAR margin was primarily due to the addition of Meadows Racetrack and Casino, where gaming taxes are unfavorable as compared to the majority of other jurisdictions included in this segment. Management services and licensing fees decreased due to the timing of cessation of the management services of Casino Rama, which ended during the third quarter 2018.

The adoption of ASC 606 had the effect of decreasing gaming revenues and food, beverage, hotel and other revenues by $54.8 million and $47.5 million, respectively, and increasing reimbursable management costs, which relate to Casino Rama, by $46.8 million, of which $70.7 million related to promotional allowances, resulting in a net impact on Northeast segment revenues of an increase of $15.2 million.

2017 compared to 2016

The Northeast segment's revenues, operating income and Adjusted EBITDAR increased primarily due to year-over-year improvements in operating results at all four of our Ohio properties, which together increased revenues by $39.9 million, and gaming volume increase at Plainridge Park Casino, offset by a decrease in gaming volumes at Hollywood Casino at Charles Town Races, principally caused by the opening of a new property in December 2016 within the Baltimore, Maryland market. Hollywood Casino Bangor's operating results were also negatively impacted by the increased competition, but to a lesser degree.

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South Segment

(dollars in millions)	For the Year Ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% / bps Change 2018 vs. 2017 [(a)]	2017 vs. 2016
Revenues [(a)]:							
Gaming	$302.9	$203.0	$166.5	$99.9	$36.5	49.2 %	21.9%
Food, beverage, hotel and other	91.5	52.1	45.2	39.4	6.9	75.6 %	15.3%
	394.4	255.1	211.7	139.3	43.4	54.6 %	20.5%
Less: Promotional allowances	—	(30.8)	(25.9)	30.8	(4.9)	(100.0)%	18.9%
Revenues	$394.4	$224.3	$185.8	$170.1	$38.5	75.8 %	20.7%
Operating income	$97.9	$51.5	$46.2	$46.4	$5.3	90.1 %	11.5%
Adjusted EBITDAR	$118.9	$62.6	$56.1	$56.3	$6.5	89.9 %	11.6%
Operating income margin	24.8 %	23.0 %	24.9 %			180 bps	(190) bps
Adjusted EBITDAR margin	30.1 %	27.9 %	30.2 %			220 bps	(230) bps

(a) See footnote (a) to the consolidated revenues table above.

Beginning in the first quarter 2019, the operating results of the South segment will include Margaritaville Resort Casino, which was acquired on January 1, 2019, and concluded to be part of the South segment by management.

2018 compared to 2017

The South segment's revenues, operating income, and Adjusted EBITDAR for the year ended December 31, 2018 benefited from the acquisition of Pinnacle in October 2018, which contributed a combined $151.6 million of revenues, $37.5 million of operating income and $45.8 million of Adjusted EBITDAR, from Ameristar Vicksburg, Boomtown Bossier City, Boomtown New Orleans, L'Auberge Baton Rouge and L'Auberge Lake Charles. In addition, as a result of the timing of the acquisitions of 1st Jackpot Casino and Resorts Casino Tunica, which occurred in May 2017, revenues, operating income and Adjusted EBITDAR had increases of $22.3 million $6.0 million and $9.0 million, respectively. South segment operating income was negatively impacted by a $2.0 million impairment on the property and equipment (not subject to the Penn Master Lease) used in the operations of Resorts Casino Tunica. Primarily as a result of operational efficiencies, South segment operating income margin and Adjusted EBITDAR margin expanded. The adoption of ASC 606 had the effect of decreasing gaming revenues and food, beverage, hotel and other revenues by $53.4 million and $2.1 million, of which $55.3 million related to promotional allowances, resulting in a net impact on South segment revenues of a decrease of $0.2 million.

2017 compared to 2016

The South segment's revenues, operating income, and Adjusted EBITDAR for the year ended December 31, 2017, benefited from the acquisitions of 1st Jackpot Casino and Resorts Casino Tunica in May 2017, which contributed a combined $46.4 million of revenues, $6.0 million of operating income and $8.6 million of Adjusted EBITDAR. The benefit from the acquisitions was partially offset by decreased gaming volume at Hollywood Casino Gulf Coast and Boomtown Biloxi, both of which were negatively impacted by Hurricane Nate in October 2017 and decreased gaming volume at Hollywood Casino Tunica.

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West Segment

(dollars in millions)	For the Year Ended December 31, 2018	2017	2016	$ Change 2018 vs. 2017	2017 vs. 2016	% / bps Change 2018 vs. 2017 (a)	2017 vs. 2016
Revenues (a):							
Gaming	$228.0	$219.7	$211.8	$8.3	$7.9	3.8 %	3.7 %
Food, beverage, hotel and other	199.4	177.4	171.8	22.0	5.6	12.4 %	3.3 %
Reimbursable management costs	10.5	26.1	16.0	(15.6)	10.1	(59.8)%	63.1 %
	437.9	423.2	399.6	14.7	23.6	3.5 %	5.9 %
Less: Promotional allowances	—	(42.8)	(38.8)	42.8	(4.0)	(100.0)%	10.3 %
Revenues	$437.9	$380.4	$360.8	$57.5	$19.6	15.1 %	5.4 %
Operating income (loss)	$106.5	$(57.3)	$46.4	$163.8	$(103.7)	N/M (b)	N/M (b)
Adjusted EBITDAR	$114.3	$72.7	$72.5	$41.6	$0.2	57.2 %	0.3 %
Operating income (loss) margin	24.3 %	(15.1)%	12.9 %			N/M (b)	N/M (b)
Adjusted EBITDAR margin	26.1 %	19.1 %	20.1 %			700 bps	(100) bps

N/M - Not meaningful

(a) See footnote (a) to the consolidated revenues table above.

(b) As a result of the recovery/provision of loan losses and unfunded loan commitments to the JIVDC as well as the impairment charges discussed below, the fluctuations in operating income (loss) and the associated margins are not comparable.

2018 compared to 2017

The West segment's revenues, operating income, and Adjusted EBITDAR for the year ended December 31, 2018 benefited from the acquisition of Pinnacle in October 2018, which contributed a combined $53.8 million of revenues, $18.5 million of operating income and $20.8 million of Adjusted EBITDAR, from Ameristar Black Hawk and the Jackpot Properties. The West segment operating results also benefited from strong year-over-year performance of Tropicana Las Vegas, which experienced gaming volume growth while achieving operational efficiencies. Adjusted EBITDAR margin of the West segment grew significantly, primarily as a result of the addition of Ameristar Black Hawk and the Jackpot Properties as well as Tropicana Las Vegas.

The adoption of ASC 606 had the effect of decreasing gaming revenues and food, beverage, hotel and other revenues by $52.1 million and $8.3 million, respectively, of which $57.4 million related to promotional allowances, resulting in a net impact on West segment revenues of a decrease of $3.0 million.

Reimbursable management costs decreased due to the cessation of the management services of Hollywood Casino-Jamul San Diego in May 2018. Operating income for the year ended December 31, 2018 benefited from a $17.0 million recovery of loan losses and unfunded loan commitments.

2017 compared to 2016

The West segment's revenues and Adjusted EBITDAR increased primarily as a result of gaming volume increases at Tropicana Las Vegas, M Resort and Zia Park, as the local economies showed year-over-year improvements. During the second quarter 2016, we refreshed the gaming floor at Tropicana Las Vegas with new slot machines and launched our Marquee Rewards player loyalty program at the property.

In addition, during the year ended December 31, 2017, we made various incremental food and beverage offerings at Tropicana Las Vegas, most notably, the July 2017 opening of celebrity chef, Robert Irvine's, first signature Las Vegas restaurant, the Robert Irvine Public House, which contributed to year-over-year increases in food and beverage revenues for the segment. In addition, reimbursable management costs increased due to the timing of the opening and commencement of management services of Hollywood Casino-Jamul San Diego, which started in October 2016. During the year ended December 31, 2017, we recorded provisions related to our investments and loans with the JIVDC of $89.8 million and a $14.8 million goodwill impairment charge pertaining to Tropicana Las Vegas, which resulted in an operating loss for the year.

West segment Adjusted EBITDAR margin was negatively impacted by higher expenses at Tropicana Las Vegas due to increased marketing expenses and a favorable litigation settlement in the corresponding prior year period.

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Midwest Segment

	For the Year Ended December 31,			$ Change		% / bps Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016	2018 vs. 2017 [a]	2017 vs. 2016
Revenues [a]:							
Gaming	$719.8	$685.4	$655.6	$34.4	$29.8	5.0 %	4.5 %
Food, beverage, hotel and other	103.9	96.8	96.3	7.1	0.5	7.3 %	0.5 %
	823.7	782.2	751.9	41.5	30.3	5.3 %	4.0 %
Less: Promotional allowances	—	(47.2)	(47.6)	47.2	0.4	(100.0)%	(0.8)%
Revenues	$823.7	$735.0	$704.3	$88.7	$30.7	12.1 %	4.4 %
Operating income	$233.5	$191.3	$182.9	$42.2	$8.4	22.1 %	4.6 %
Adjusted EBITDAR	$294.3	$249.7	$239.9	$44.6	$9.8	17.9 %	4.1 %
Operating income margin	28.3 %	26.0 %	26.0 %			230 bps	0 bps
Adjusted EBITDAR margin	35.7 %	34.0 %	34.1 %			170 bps	(10) bps

(a) See footnote (a) to the consolidated revenues table above.

2018 compared to 2017

The Midwest segment's revenues, operating income, and Adjusted EBITDAR for the year ended December 31, 2018 benefited from the acquisition of Pinnacle in October 2018, which contributed $81.1 million, $25.3 million and $28.8 million, respectively, from River City Casino and Ameristar Council Bluffs. In addition, the Midwest segment operating results benefited from strong year-over-year performances of Argosy Casino Riverside and Prairie State Gaming, where gaming volumes increased and revenues increased by $18.5 million collectively. Additionally, operational efficiencies at Hollywood Casino St. Louis helped contribute to the year-over-year increase in Midwest segment Adjusted EBITDAR. The expansion in operating income margin was largely driven by River City Casino and Ameristar Council Bluffs whereas the expansion in Adjusted EBITDAR margin was largely driven by Argosy Casino Riverside, Prairie State Gaming and Hollywood Casino St. Louis.

The adoption of ASC 606 had the effect of decreasing gaming revenues and food, beverage, hotel and other revenues by $45.8 million and $5.7 million, respectively, of which $52.7 million related to promotional allowances, resulting in a net impact on Midwest segment revenues of an increase of $1.2 million.

2017 compared to 2016

The Midwest segment's revenues, operating income, and Adjusted EBITDAR for the year ended December 31, 2017 benefited from the acquisition of the assets of four small VGT route operators in Illinois by Prairie State Gaming since the fourth quarter 2016 and a strong performance at Argosy Casino Riverside, partially offset by the performance of Argosy Casino Alton, where visitation was impeded by flooding in May 2017.

Other

Revenues and Adjusted EBITDAR of the Other category were $40.4 million and $(68.1) million, respectively, for the year ended December 31, 2018, representing decreases year-over-year of $11.3 million and $12.9 million, respectively, principally as a result of PIV operating results and an increase in corporate overhead costs, largely attributable to payroll and other general and administrative costs associated with Pinnacle.

Revenues and Adjusted EBITDAR of the Other category were $51.7 million and $(55.2) million, respectively, for the year ended December 31, 2017, representing increases year-over-year of $10.0 million and $12.6 million, respectively, principally as a result of the timing of the acquisition of Rocket Speed by PIV, which was in August 2016, and a decrease in corporate overhead costs, largely attributable to cost containment efforts, which resulted in lower payroll and other general and administrative costs.

Non-GAAP Financial Measures

Definition of Adjusted EBITDAR

We define Adjusted EBITDAR as earnings before interest income and expense, income taxes, depreciation and amortization, rent expense associated with triple net operating leases, stock compensation, debt extinguishment and financing charges, impairment charges, insurance recoveries and deductible charges, changes in the estimated fair value of our contingent purchase price obligations, gain or loss on disposal of assets, the difference between budget and actual expense for cash-settled stock-based awards, pre-opening and acquisition costs, and other income or expenses. Adjusted EBITDAR is also inclusive of income or loss from unconsolidated affiliates, with our share of non-operating items (such as depreciation and amortization) added back for our joint venture in Kansas Entertainment. Adjusted EBITDAR excludes payments associated with our Master Leases with GLPI as these leases are accounted for as financing obligations. As of December 31, 2018, the Company's only triple net operating lease, for purposes of this definition was the Meadows Lease. However, beginning with the first quarter 2019, we expect that the Margaritaville Lease with VICI will be included in this definition. We define Adjusted EBITDAR margin as Adjusted EBITDAR divided by consolidated revenues and Adjusted EBITDAR margin by segment as Adjusted EBITDAR for each segment divided by segment revenues.

In the fourth quarter 2018, in connection with the Pinnacle Acquisition, we began utilizing Adjusted EBITDAR instead of Adjusted EBITDA. The difference between Adjusted EBITDAR and Adjusted EBITDA is the exclusion of rent expense associated with the Meadows Lease.

The Company is required to adopt ASC Topic 842, Leases ("ASC 842"), effective January 1, 2019. Our Master Leases were accounted for as financing obligations under the previous lease accounting literature because they were failed sale leasebacks due to certain continuing involvement provisions. The adoption of ASC 842 requires us to determine the classification (operating or financing) of each component contained within each of our Master Leases with our REIT landlords which will impact the initial valuation of the right-of-use asset and corresponding lease liability at the January 1, 2019 adoption date as well as the subsequent expense recognition as either rent expense or interest expense within our Consolidated Statements of Operations. Because both interest expense and rent expense associated with leases with our REIT landlords are excluded from the definition of Adjusted EBITDAR, we do not expect the adoption of ASC 842 to materially impact Adjusted EBITDAR. Additionally, we expect that the Meadows Lease and the Margaritaville Lease will be classified as operating leases under ASC 842.

In the first quarter 2018, we changed the definition of Adjusted EBITDA to exclude pre-opening and acquisition costs and the variance between budget and actual expense for cash-settled stock-based awards, which are required to be re-measured at fair market value at the end of each reporting period. We decided to exclude pre-opening and acquisition costs to more closely align the Company's calculation of Adjusted EBITDA with our competitors. We decided to exclude both the favorable and unfavorable difference between the budgeted expense and actual expense for our cash-settled stock-based awards due to its non-operational nature. In connection with these changes, we have reclassified our prior period results, where applicable, to conform to the current period presentation.

Definition of Adjusted EBITDA, after Lease Payments

Adjusted EBITDA, after Lease Payments is defined as Adjusted EBITDAR less Lease Payments, which is defined as lease payments made to our REIT landlords under our triple net leases. As of December 31, 2018, the Company's only REIT landlord under our triple net leases, for purposes of this definition, was GLPI as it pertains to both the Master Leases and the Meadows Lease. However, beginning with the first quarter 2019, we expect that the Margaritaville Lease with VICI will be included in this definition. We do not expect the adoption of ASC 842 to materially impact Adjusted EBITDA, after Lease Payments.

Use of Non-GAAP Financial Measures

In addition to GAAP financial measures, Adjusted EBITDAR, Adjusted EBITDAR margin, and Adjusted EBITDA, after Lease Payments, are used by management as important measures of the Company's operating performance. Adjusted EBITDAR has economic substance because it is used by management as a performance measure to analyze the performance of our business, and is especially relevant in evaluating large, long-lived casino-hotel projects because it provides a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We also present Adjusted EBITDAR and

Adjusted EBITDAR margin because it is used by some investors and creditors as an indicator of the strength and performance of ongoing business operations, including our ability to service debt, and to fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value companies within our

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industry. In addition, other gaming companies also utilize Adjusted EBITDAR as a supplement to financial measures in accordance with GAAP. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their Adjusted EBITDAR calculations certain corporate expenses that do not relate to the management of specific casino properties. However, Adjusted EBITDAR is not a measure of performance or liquidity calculated in accordance with GAAP. Adjusted EBITDAR information is presented as a supplemental disclosure, as management believes that it is a commonly-used measure of performance in the gaming industry, is used in the valuation of gaming companies, and that it is considered by many to be a key indicator of the Company’s operating results. In addition to using Adjusted EBITDAR and Adjusted EBITDAR margin to measure the Company’s operating performance on a consolidated basis, management uses Adjusted EBITDAR and Adjusted EBITDAR margin as important measures of the operating performance of its segments, including the evaluation of operating personnel.

Adjusted EBITDAR should not be construed as an alternative to net income, as an indicator of the Company’s operating performance, as an alternative to cash flows from operating activities, as a measure of liquidity, or as any other measure of performance determined in accordance with GAAP. The Company has significant uses of cash flows, including capital expenditures, interest payments, lease payments under our Master Leases and the Meadows Lease, taxes and debt principal repayments, which are not reflected in Adjusted EBITDAR. It should also be noted that other gaming companies that report Adjusted EBITDAR information may calculate Adjusted EBITDAR in a different manner than the Company; and therefore, comparability may be limited.

Adjusted EBITDA, after Lease Payments is a measure we believe provides useful information to investors because it is an indicator of the performance of ongoing business operations after incorporating the cash flow impact of the Lease Payments to our REIT landlords. In addition, Adjusted EBITDA, after Lease Payments is one of the metrics that our management team is measured against for incentive-based compensation purposes.

Reconciliation of Non-GAAP Financial Measures to GAAP

The following table includes a reconciliation of net income, which is determined in accordance with GAAP, to Adjusted EBITDAR and Adjusted EBITDA, after Lease Payments, which are non-GAAP financial measures.

	For the year ended December 31,		
(in millions)	**2018**	**2017**	**2016**
Net income	$93.5	$473.4	$109.3
Income tax expense (benefit)	(3.6)	(498.5)	11.3
Loss on early extinguishment of debt	21.0	24.0	—
Income from unconsolidated affiliates	(22.3)	(18.7)	(14.3)
Interest income	(1.0)	(3.6)	(24.2)
Interest expense	539.4	466.8	459.2
Other expense	7.1	2.3	1.7
Operating income	634.1	445.7	543.0
Rent expense associated with triple net operating lease (1)	3.8	—	—
Charge for stock compensation (1)	12.0	7.8	6.9
Cash-settled stock award variance (1)(2)	(19.6)	23.4	(6.7)
Loss (gain) on disposal of assets (1)	3.2	0.2	(2.5)
Contingent purchase price (1)(3)	0.5	(6.8)	1.3
Pre-opening and acquisition costs (1)(4)	95.0	9.7	—
Depreciation and amortization (5)	269.0	267.1	271.2
Provision for loan loss and unfunded loan commitments to the JIVDC, net of recoveries, and impairment losses (5)	17.9	107.8	—
Insurance recoveries, net of deductible charges (1)	(0.1)	(0.3)	(0.7)
Income from unconsolidated affiliates (5)	22.3	18.7	14.3
Non-operating items for Kansas JV (6)	5.1	5.8	10.3
Adjusted EBITDAR (7)	1,043.2	879.1	837.1

Less: Lease Payments [8]	(537.4)	(455.4)	(442.3)
Adjusted EBITDA, after Lease Payments [7]	$505.8	$423.7	$394.8

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(1) These items are included in "General and administrative" within the Company's Consolidated Statements of Operations. See discussion above for explanations of any significant variances in these items.

(2) The favorable variance between our budgeted and actual expense recorded associated with our cash-settled stock awards for the year ended December 31, 2018, was the result of the Company's price of its common stock being lower during 2018 than 2017. The unfavorable variance between our budgeted and actual expense recorded associated with our cash-settled stock awards for the year ended December 31, 2017, was the result of the Company's price of its common stock being higher during 2017 than 2016.

(3) The variances are principally caused by changes in the fair value of the contingent consideration associated with Plainridge Park Casino and Rocket Speed, which are largely driven by the properties' actual and projected operating results.

(4) The variances are principally the result of costs incurred by the Company relating to the Pinnacle Acquisition.

(5) See discussion above for explanations of any significant variances in these items.

(6) Consists principally of depreciation and amortization associated with the operations of Hollywood Casino at Kansas Speedway.

(7) Adjusted EBITDAR and Adjusted EBITDA, after Lease Payments, increased for the year ended December 31, 2018, as compared to the prior year, principally due to the Pinnacle Acquisition, which contributed $113.0 million and $37.1 million, respectively.

(8) Lease Payments increased for the year ended December 31, 2018, as compared to the prior year, principally due to the Pinnacle Master Lease and the Meadows Lease. For more detailed information related to our annual rent payments made to GLPI under our Master Leases, refer to the "Liquidity and Capital Resources" section below.

LIQUIDITY AND CAPITAL RESOURCES

Historically and prospectively, our primary sources of liquidity and capital resources have been and will be cash flow from operations, borrowings from banks and proceeds from the issuance of debt and equity securities.

	For the year ended December 31,			$ Change		% Change	
(dollars in millions)	**2018**	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**	**2018 vs. 2017**	**2017 vs. 2016**
Net cash provided by operating activities	$352.8	$477.8	$408.0	$(125.0)	$69.8	(26.2)%	17.1 %
Net cash used in investing activities	$(1,423.1)	$(221.6)	$(79.3)	$(1,201.5)	$(142.3)	542.2 %	179.4 %
Net cash provided by (used in) financing activities	$1,272.1	$(207.0)	$(339.9)	$1,479.1	$132.9	N/M	(39.1)%

N/M - Not meaningful

Operating Cash Flow

The decrease in net cash provided by operating activities of $125.0 million for the year ended December 31, 2018, compared to the prior year, was primarily due to an increase in cash paid to suppliers and vendors of $346.6 million and an increase in cash paid to employees of $68.4 million, driven primarily by the Pinnacle Acquisition. Additionally, the decrease in net cash provided by operating activities was impacted by an increase in interest payments made on the Master Lease financing obligations of $66.1 million, associated largely with the Pinnacle Master Lease, and an increase in interest payments made on long-term debt of $11.5 million, primarily due to the debt refinancing in October 2018, which increased our total long-term debt, and an increase in income tax paid of $67.5 million. The decreases were partially offset by an increase in cash receipts from customers of $440.0 million, driven primarily by the Pinnacle Acquisition.

The increase in net cash provided by operating activities of $69.8 million for the year ended December 31, 2017, compared to the prior year, was primarily due to an increase in cash receipts from customers of $109.2 million; the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica on May 1, 2017, Rocket Speed on August 1, 2016, and four small acquisitions by Prairie State Gaming since the fourth quarter 2016; and an increase in income tax refunds of $32.1 million, offset by an increase in cash paid to suppliers and vendors of $37.6 million, primarily due to the acquisitions noted above, a reduction of $23.0 million in interest income collections resulting from the refinancing of the Jamul loan in October 2016, cash payments for the early extinguishment of debt of $18.0 million, and an increase in cash paid to employees of $15.5 million.

Investing Cash Flow

The increase in net cash used in investing activities of $1,201.5 million for the year ended December 31, 2018, compared to the prior year, was primarily due to the acquisition of Pinnacle of $1,945.2 million, offset partially by the cash received for the sale of the Divested Properties of $661.7 million. Additionally, the increase in net cash used in investing activities was impacted by the purchases of Category 4 gaming licenses in York and Berks County, Pennsylvania for $57.6 million, and the purchase of real money iGaming and sports betting licenses in Pennsylvania for $20.0 million.

The increase in net cash used in investing activities of $142.3 million for the year ended December 31, 2017, compared to the prior year, was primarily due to the $273.9 million received from the refinancing of loans to the JIVDC in the prior year, cash payments of $42.5 million primarily related to the acquisition of 1st Jackpot Casino Tunica and Resorts Casino Tunica and decreased proceeds related to the sale of assets held for sale of $17.2 million primarily from the sale of Rosecroft Raceway in

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2016. The increases were partially offset by a $183.3 million decrease in the loan to the JIVDC and $8.2 million of principal and interest collections applied against the nonaccrual loan to the JIVDC.

Capital Expenditures

Capital expenditures are accounted for as either project capital or maintenance (replacement) capital expenditures. Project capital expenditures are for fixed asset additions that expand an existing facility or create a new facility. Maintenance capital expenditures are expenditures to replace existing fixed assets with a useful life greater than one year that are obsolete, worn out or no longer cost effective to repair.

The following table summarizes our project capital expenditures by segment for the years ended December 31, 2018, 2017 and 2016:

	For the year ended December 31,		
(in millions)	**2018**	**2017**	**2016**
Northeast	$0.1	$0.3	$5.3
West	2.5	24.8	13.4
Other	0.3	—	—
Total	$2.9	$25.1	$18.7

During the year ended December 31, 2017, we made enhancements to Tropicana Las Vegas, including adding a celebrity chef restaurant, the Robert Irvine Public House, which opened on July 27, 2017. During the year ended December 31, 2016, we reconfigured the gaming floor with updated slot machines, altered game placements and refined the table game mix at Tropicana Las Vegas. Additionally, in April 2016, we integrated the property into our Marquee Rewards player loyalty program, enabling our regional gaming customers to redeem their loyalty reward points at the facility.

During the years ended December 31, 2018, 2017 and 2016, we also spent $89.7 million, $74.2 million, and $78.5 million, respectively, on maintenance capital expenditures, including slot machines and slot machine equipment. During the year ended December 31, 2018, maintenance capital expenditures increased year over year partially due to the Pinnacle Acquisition, which added twelve gaming properties.

Cash provided by operating activities as well as cash available under our Revolving Credit Facility funded our capital projects and maintenance capital expenditures for the years ended December 31, 2018, 2017 and 2016.

The following table summarizes our expected capital expenditures for the year ending December 31, 2019 by segment:

(in millions)	**Project**	**Maintenance**
Northeast [1]	$ 36.5	$ 57.4
South	—	35.2
West	—	29.3
Midwest	—	30.3
Other	—	36.2
Total	$ 36.5	$ 188.4

(1) Project capital expenditures includes $15.0 million for Hollywood Casino York and $21.5 million for Hollywood Casino Morgantown, which we currently expect to both be part of the Northeast segment.

The development of Hollywood Casino York, our first Category 4 satellite casino, which will be located in the York Galleria Mall in Springettsbury Township will represent an overall capital investment of approximately $120 million inclusive of the gaming licenses. Hollywood Casino Morgantown, our second Category 4 satellite casino, will be built on a vacant 36-acre site in Caernarvon Township with a capital investment of approximately $111 million inclusive of the gaming licenses. We anticipate that both of these development projects will be complete by the end of 2020.

Financing Cash Flow

Net cash provided by financing activities was $1,272.1 million for the year ended December 31, 2018, and consisted of higher net proceeds from our long-term debt from the October 2018 debt refinancing, which increased by $308.6 million when compared to the prior year period. Additionally, the repayments of our long-term debt decreased by

$1,003.4 million in the

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current year. The net cash provided by financing activities for year ended December 31, 2018 also included $250.0 million in cash received from the Plainridge Park Casino Sale-Leaseback. The increases in cash provided by financing activities for the year ended December 31, 2018, were offset partially by a $9.6 million increase in principal payments on the financial obligations with GLPI, principally related to the assumption of the Pinnacle Master Lease, and a $25.2 million increase in payments relating to the repurchase of common stock, as compared to the prior year.

Net cash used in financing activities was $207.0 million for the year ended December 31, 2017, and when compared to the prior year period, consisted of higher net proceeds from our long-term debt from the January 2017 debt refinancing, which increased by $1,290.0 million, offset by higher repayments of long-term debt, which increased by $1,167.3 million. Additionally, we received $82.6 million from GLPI to finance the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica. These were partially offset by payments of $24.8 million relating to the repurchase of common stock, the buy-out of the contingent purchase price with Rocket Speed for $17.8 million, and the repayment of the corporate airplane loan for $20.8 million.

Senior Secured Credit Facilities

As of December 31, 2018, the Company's Senior Secured Credit Facilities (as defined below) had a gross outstanding balance of $1,948.4 million, consisting of a $707.7 million Term Loan A Facility and a $1,128.7 million Term Loan B-1 Facility (as such terms are defined below), and a Revolving Credit Facility, which had $112.0 million drawn as of December 31, 2018.

Additionally, as of December 31, 2018 and 2017, the Company had conditional obligations under letters of credit issued pursuant to the Senior Secured Credit Facilities with face amounts aggregating $30.0 million and $22.1 million, respectively, resulting in $558.0 million and $677.9 million of available borrowing capacity under the Revolving Credit Facility, respectively.

On October 30, 2013, the Company entered into a credit agreement (the "2013 Credit Agreement") providing for: (i) a five-year $500 million revolving credit facility (the "2013 Revolving Credit Facility"), (ii) a five-year $500 million term loan A facility (the "2013 Term Loan A Facility") and (iii) a seven-year $250 million term loan B facility (the "2013 Term Loan B Facility" and collectively with the 2013 Revolving Credit Facility and the 2013 Term Loan A Facility, the "2013 Senior Secured Credit Facilities"). The 2013 Term Loan A Facility was priced at LIBOR plus a spread (ranging from 1.25% to 2.75%) based on the Company's Consolidated Total Net Leverage Ratio (as defined in the 2013 Credit Agreement). The 2013 Term Loan B Facility was priced at LIBOR plus 2.50%, with a 0.75% LIBOR floor.

On April 28, 2015, the Company entered into an agreement to amend its 2013 Credit Agreement (the "Amended 2013 Credit Agreement"). In August 2015, the Amended 2013 Credit Agreement went into effect, which increased the capacity under the 2013 Revolving Credit Facility to $633.2 million and increased the 2013 Term Loan A Facility to $646.7 million. The Amended 2013 Credit Agreement did not impact the 2013 Term Loan B Facility.

On January 19, 2017, the Company entered into an agreement to amend and restate its Amended 2013 Credit Agreement (the "2017 Credit Agreement"), which provided for: (i) a five-year $700 million revolving credit facility (the "Revolving Credit Facility"), a five-year $300 million term loan A facility (the "Term Loan A Facility"), and a seven-year $500 million Term Loan B facility (the "Term Loan B Facility" and collectively with the Revolving Credit Facility and the Term Loan A Facility, the "Senior Secured Credit Facilities").

On October 15, 2018, in connection with the Pinnacle Acquisition, the Company entered into an incremental joinder agreement (the "Incremental Joinder"), which amended the 2017 Credit Agreement (the "Amended 2017 Credit Agreement"). The Incremental Joinder provided for an additional $430.2 million of incremental loans having the same terms as the existing Term Loan A Facility, with the exception of extending the maturity date, and an additional $1,128.8 million of loans as a new tranche having new terms (the "Term Loan B-1 Facility"). The proceeds resulting from the Incremental Joinder were used; together with cash on hand and proceeds received from (i) newly-issued shares of the Company's common stock, (ii) the sale of the Divested Properties to Boyd, (iii) the Plainridge Park Casino Sale-Leaseback, and (iv) the sale of the real estate assets associated with Belterra Park to GLPI; to (a) acquire all of the issued and outstanding equity interests of Pinnacle, (b) repay in full Pinnacle's existing senior secured credit facilities at the time of the acquisition, (c) redeem, repurchase, defease or satisfy and discharge in full Pinnacle's outstanding 5.625% senior notes due 2024, (d) repay in full the Company's outstanding borrowings under its Term

Loan B Facility at the time of the acquisition, and (e) pay fees, costs and expenses associated with the foregoing. With the exception of extending the maturity date, the Incremental Joinder did not impact the Revolving Credit Facility.

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The final maturity dates for the Term Loan A Facility and Term Loan B-1 Facility are October 19, 2023 and October 15, 2025, respectively. The applicable margin for the Term Loan A Facility ranges from 1.25% to 3.00% per annum for LIBOR loans and 0.25% to 2.00% per annum for base rate loans, in each case depending on the Consolidated Total Net Leverage Ratio (as defined in the Amended 2017 Credit Agreement) as of the most recent fiscal quarter. The applicable margin for the Term Loan B-1 Facility is 2.25% per annum for LIBOR loans and 1.25% per annum for base rate loans. The Term Loan B-1 Facility is subject to a LIBOR "floor" of 0.75%. Prior to extinguishment, the applicable margin for the Term Loan B Facility was 2.50% per annum for LIBOR loans and 1.50% per annum for base rate loans. In addition, we pay a commitment fee on the unused portion of the commitments under the Revolving Credit Facility at a rate that ranges from 0.20% to 0.50% per annum, depending on the Consolidated Total Net Leverage Ratio as of the most recent fiscal quarter.

The payment and performance of obligations under the Senior Secured Credit Facilities are guaranteed by a lien on and security interest in substantially all of the assets (other than excluded property such as gaming licenses) of the Company and its subsidiaries.

5.625% Senior Unsecured Notes

On January 19, 2017, the Company completed an offering of $400 million aggregate principal amount of 5.625% senior unsecured notes that mature on January 15, 2027 (the "5.625% Notes") at a price of par. Interest on the 5.625% Notes is payable on January 15th and July 15th of each year. The 5.625% Notes are not guaranteed by any of the Company's subsidiaries except in the event that the Company in the future issues certain subsidiary-guaranteed debt securities. The Company may redeem the 5.625% Notes at any time on or after January 15, 2022, at the declining redemption premiums set forth in the indenture governing the 5.625% Notes, and, prior to January 15, 2022, at a "make-whole" redemption premium set forth in the indenture governing the 5.625% Notes. In addition, prior to January 15, 2020, the Company may redeem the 5.625% Notes with an amount equal to the net proceeds from one or more equity offerings, at a redemption price equal to 105.625% of the principal amount of the 5.625% Notes redeemed, together with accrued and unpaid interest to, but not including, the redemption date, so long as at least 60% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and such redemption occurs within 180 days of closing of the related equity offering.

The Company used a portion of the proceeds from the issuance of the 5.625% Notes to retire all of its $300 million aggregate principal amount of its 5.875% senior subordinated notes due 2021 and, along with loans funded under the 2017 Credit Agreement, repay amounts outstanding under its Amended 2013 Credit Agreement, including to fund related transaction fees and expenses. The remaining proceeds from the issuance of the 5.625% Notes were used for general corporate purposes.

Master Lease Financing Obligations

The majority of the gaming facilities used in the Company's operations are subject to triple net master leases; the most significant of which are the Penn Master Lease and the Pinnacle Master Lease. The Company's Master Leases are accounted for as financing obligations rather than as leases for accounting purposes. Under triple net master leases, in addition to lease payments for the real estate assets (i.e. land and buildings), the Company is required to pay the following, among other things: (1) all facility maintenance; (2) all insurance required in connection with the leased properties and the business conducted on the leased properties; (3) taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); and (4) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Penn Master Lease

Pursuant to a triple net master lease with GLPI (the "Penn Master Lease"), which became effective November 1, 2013, the Company leases real estate assets associated with 20 of the gaming facilities used in its operations. The Penn Master Lease has an initial term of 15 years with four subsequent, five-year renewal periods on the same terms and conditions, exercisable at the Company's option.

The payment structure under the Penn Master Lease includes a fixed component, a portion of which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Penn Master Lease) of 1.8:1, and a component that is based on the performance of the facilities, which is prospectively adjusted (i) every five years by an amount equal to 4% of the average change in net revenues of all facilities under the Penn Master

Lease compared to a contractual baseline (other than Hollywood Casino Columbus and Hollywood Casino Toledo) during the preceding five years ("Penn Percentage Rent") and (ii) monthly by an amount equal to 20% of the net revenues of Hollywood Casino Columbus and Hollywood Casino Toledo in excess of a contractual baseline.

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In April 2014, we entered into an amendment to the Penn Master Lease in order to revise certain provisions relating to our Sioux City property. In accordance with that amendment, upon the cessation of gaming operations at Argosy Casino Sioux City on July 30, 2014, due to the termination of its gaming license, the annual payment to GLPI was reduced by $6.2 million. In addition, with the openings of Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course in September 2014, our annual payment increased by $19 million, which approximated 10% of the real estate construction costs paid for by GLPI related to these facilities.

In connection with the acquisitions of 1st Jackpot Casino Tunica and Resorts Casino Tunica in May 2017, the Company's Penn Master Lease financing obligation increased by $82.6 million, which was the price paid by GLPI for the casinos' underlying real estate assets. As a result of the addition of these two properties to the Penn Master Lease, the annual rent payment increased by $9.0 million.

The Company has incurred annual escalators under the Penn Master Lease, which resulted in increases to the Company's annual payment of $5.4 million, $2.4 million and $4.5 million commencing on November 1, 2018, 2017 and 2016, respectively. Additionally, effective November 1, 2018, the Penn Percentage Rent reset resulted in an annual rent reduction of $11.3 million, which will be in effect until the next Penn Percentage Rent reset, occurring on November 1, 2023.

Total lease payments under the Penn Master Lease were as follows:

	For the year ended December 31,		
(in thousands)	**2018**	**2017**	**2016**
Reduction of financing obligation	$60,061	$57,859	$50,548
Interest expense attributable to financing obligation	401,483	397,580	391,738
Total lease payments under the Penn Master Lease	$461,544	$455,439	$442,286

Pinnacle Master Lease

In connection with the Pinnacle Acquisition, the Company assumed a triple net master lease with GLPI, originally effective April 28, 2016 ("Pinnacle Master Lease"). Concurrent with the closing of the Pinnacle Acquisition on October 15, 2018, the Company entered into an amendment to the Pinnacle Master Lease to, among other things, (i) remove Ameristar Casino Resort St. Charles, Ameristar Casino Hotel Kansas City and Belterra Casino Resort, which were sold to Boyd, and (ii) add Plainridge Park Casino, whose real estate assets were sold to GLPI and concurrently leased back to the Company for a fixed annual rent of $25.0 million. Further, the rent payment under the Pinnacle Master Lease was increased by a fixed annual amount of $13.9 million to adjust the rent to reflect current market conditions. Reflecting this amendment, the Company leases real estate assets associated with twelve of the gaming facilities used in the Company's operations from GLPI.

Upon assumption of the Pinnacle Master Lease, as amended, there were 7.5 years remaining of the initial 10-year term, with five subsequent, five-year renewal periods exercisable at the Company's option. The payment structure under the Pinnacle Master Lease includes a fixed component, which is subject to an annual escalator of up to 2%, depending on the Adjusted Revenue to Rent Ratio (as defined in the Pinnacle Master Lease) of 1.8:1, and a component that is based on the performance of the facilities, which is prospectively adjusted every two years by an amount equal to 4% of the average change in net revenues of all facilities under the Pinnacle Master Lease compared to a contractual baseline during the preceding two years ("Pinnacle Percentage Rent"). The next Pinnacle Percentage Rent reset will occur effective May 1, 2020.

Total lease payments under the Pinnacle Master Lease were as follows:

(in thousands)	**For the Year Ended December 31, 2018**
Reduction of financing obligation	$ 7,351
Interest expense attributable to financing obligation	62,993
Total lease payments under the Pinnacle Master Lease [(1)]	$ 70,344

(1) Includes $13.6 million pertaining to the period from October 15, 2018 through October 31, 2018, which was prepaid by Pinnacle.

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Other Long-Term Obligations

Ohio Relocation Fees

As of December 31, 2018 and 2017, other long-term obligations included $91.3 million and $105.4 million, respectively, related to the relocation fees for Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course.

In June 2013, the Company finalized the terms of its memorandum of understanding with the State of Ohio, which included an agreement by the Company to pay a relocation fee in return for being able to relocate its existing racetracks in Toledo and Grove City to Dayton and Mahoning Valley, respectively. Upon opening of these two racinos in Ohio in the third quarter 2014, the relocation fee for each new racino was recorded at the present value of the contractual obligation, which was calculated to be $75.0 million based on the 5.0% discount rate included in the agreement. The relocation fee for each facility is payable as follows: $7.5 million upon the opening of the facility and eighteen semi-annual payments of $4.8 million beginning one year from the commencement of operations.

Event Center

As of December 31, 2018 and 2017, other long-term obligations included $13.2 million and $13.8 million, respectively, related to the repayment obligation of a hotel and event center located near Hollywood Casino Lawrenceburg.

The City of Lawrenceburg Department of Redevelopment completed construction of a hotel and event center located less than a mile away from Hollywood Casino Lawrenceburg. Effective in January 2015, by contractual agreement, a repayment obligation for the hotel and event center was assumed by a wholly-owned subsidiary of the Company in the amount of $15.3 million, which was financed through a loan with the City of Lawrenceburg Department of Redevelopment, in exchange for conveyance of the property. The Company is obligated to make annual payments on the loan of $1.0 million for 20 years beginning January 2016.

Corporate Airplane Loan

On September 30, 2016, the Company acquired a previously-leased corporate airplane that was accounted for as a capital lease, which was financed through an amortizing loan at a fixed interest rate of 5.22% for a term of five years with monthly payments of $0.2 million and a balloon payment of $12.6 million at the end of the loan term. We repaid the loan in full on January 19, 2017.

Share Repurchase Programs

On February 3, 2017, the Company announced a share repurchase program pursuant to which the Board of Directors authorized to repurchase up to $100 million of the Company’s common stock, which expired on February 1, 2019. During the years ended December 31, 2018 and 2017, the Company repurchased 2,299,498 and 1,264,149 shares, respectively, of its common stock in open market transactions for $50.0 million at an average price of $21.74 per share and $24.8 million at an average price of $19.59 per share, respectively.

On January 9, 2019, the Company announced a new share repurchase program pursuant to which the Board of Directors authorized to repurchase up to $200 million of the Company’s common stock. The new share repurchase program covers an authorization period of two years, expiring on December 31, 2020.

Covenants

The Company’s Senior Secured Credit Facilities and 5.625% Notes require us, among other obligations, to maintain specified financial ratios and to satisfy certain financial tests, including the Maximum Consolidated Total Net Leverage Ratio, Maximum Consolidated Senior Secured Net Leverage Ratio and Minimum Interest Coverage Ratio (as such terms are defined in our Amended 2017 Credit Agreement) as well as the Fixed Charge Coverage Ratio (as defined in the indenture governing our 5.625% Notes. In addition, the Company’s Senior Secured Credit Facilities and 5.625% Notes restrict, among other things, its ability to incur additional indebtedness, incur guarantee obligations, amend debt instruments, pay dividends, create liens on assets, make investments, engage in mergers or consolidations, and otherwise restrict corporate activities. As of December 31, 2018, the Company was in compliance with all required financial covenants.

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Outlook

Based on our current level of operations, we believe that cash generated from operations and cash on hand, together with amounts available under our Senior Secured Credit Facilities, will be adequate to meet our anticipated obligations under our Master Leases, debt service requirements, capital expenditures and working capital needs for the foreseeable future. However, we cannot be certain that our business will generate sufficient cash flow from operations, that the U.S. economy will continue to grow in 2019, that our anticipated earnings projections will be realized, that we will achieve the synergies in connection with the Pinnacle Acquisition, or that future borrowings will be available under our Senior Secured Credit Facilities or otherwise will be available in the credit markets to enable us to service our indebtedness or to make anticipated capital expenditures. In addition, we expect a majority of our future growth to come from acquisitions of gaming properties at reasonable valuations, greenfield projects, jurisdictional expansions and property expansion in under-penetrated markets. If we consummate significant acquisitions in the future or undertake any significant property expansions, our cash requirements may increase significantly and we may need to make additional borrowings or complete equity or debt financings to meet these requirements. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors—Risks Related to Our Capital Structure" of this Annual Report on Form 10-K for a discussion of the risks related to our capital structure.

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage to pursue opportunities in the marketplace and in an effort to maximize our enterprise value for our shareholders. We expect to meet our debt obligations as they come due through internally generated funds from operations and/or refinancing them through the debt or equity markets prior to their maturity.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Contractual Cash Obligations

As of December 31, 2018, there was approximately $558.0 million available for borrowing under our Revolving Credit Facilities. The following table presents our contractual cash obligations at December 31, 2018:

		Payments Due By Period			
(in millions)	**Total**	**2019**	**2020-2021**	**2022-2023**	**2024 and After**
Senior Secured Credit Facilities					
Principal	$1,948.4	$46.7	$ 111.0	$ 718.4	$1,072.3
Interest [(1)]	516.2	94.9	174.0	154.5	92.8
5.625% Notes					
Principal	400.0	—	—	—	400.0
Interest	189.1	22.2	44.5	44.5	77.9
Purchase obligations	97.2	64.9	26.7	5.6	—
Capital expenditure commitments [(2)]	9.4	9.4	—	—	—
Capital leases	0.4	—	0.3	0.1	—
Financing obligations [(3)]	20,024.4	676.6	1,300.3	1,289.7	16,757.8
Operating leases	446.0	43.9	71.0	58.6	272.5
Ohio Payments [(4)]	155.7	33.2	62.4	50.5	9.6
Other liabilities reflected within the Company's Consolidated Balance Sheets [(5)]	51.2	40.9	1.7	0.6	8.0
Total	$23,838.0	$1,032.7	$ 1,791.9	$ 2,322.5	$18,690.9

(1) The interest rates associated with the variable rate components of our Senior Secured Credit Facilities are estimated, based on the forward LIBOR curves plus the current spread based on our current levels of indebtedness over LIBOR as of December 31, 2018. The contractual amounts to be paid on our variable rate obligations are affected by changes in market interest rates and changes in our spreads which are based on our leverage ratios. Future changes in such ratios will impact the contractual amounts to be paid.

(2) The Company anticipates spending $224.9 million for future capital expenditures over the next year, of which the Company has been contractually committed to spend $9.4 million as of December 31, 2018.

(3) Reflects the undiscounted future minimum lease payments to GLPI over the terms of the Master Leases, including renewal options. The amounts above exclude contingent payments. See Note 10, "Master Lease Financing Obligations and Lease Obligations" in the notes to our Consolidated Financial Statements for further

discussion.

(4) The Company agreed to pay $110 million (of which $48.0 million remains to be paid) to the State of Ohio over ten years in return for certain clarifications from the State of Ohio with respect to various financial matters and limits on competition within the ten-year time period. This amount

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also includes the remaining portion of the relocation fees to be paid associated with our two facilities in Dayton and Mahoning Valley, Ohio. See Note 9, "Long-term Debt" in the notes to our Consolidated Financial Statements for more information.

(5) Represents liabilities associated with reward programs that can be redeemed for cash, free play or services and other long-term obligations. Does not include any liability for unrecognized tax benefits of $30.4 million, as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority. Additionally, it does not include an estimate of the payments associated with our contingent purchase price obligations of $19.0 million as it is not a fixed obligation.

Other Commercial Commitments

The following table presents our material commercial commitments as of December 31, 2018 for the following future periods:

	Payments Due By Period				
(in millions)	**Total**	**2019**	**2020-2021**	**2022-2023**	**2024 and After**
Letters of credit [(1)]	$30.0	$30.0	$ —	$ —	$ —
Total	$30.0	$30.0	$ —	$ —	$ —

(1) The available balance under our Revolving Credit Facilities is reduced by outstanding letters of credit.

CRITICAL ACCOUNTING ESTIMATES

The Consolidated Financial Statements were prepared in accordance with GAAP. We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our Consolidated Financial Statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, goodwill and other intangible assets, income taxes, loans to the JIVDC, and the application of business combination accounting as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and/or complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our Consolidated Financial Statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

The development and selection of the critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors.

Long-lived assets

As of December 31, 2018, the Company had a net property and equipment balance of $6,868.8 million within its Consolidated Balance Sheet, representing 62.7% of total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are determined based on the nature of the assets as well as our current operating strategy. We review the carrying amount of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on undiscounted estimated future cash flows expected to result from its use and eventual disposition. The factors considered by us in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. For purposes of recognizing and measuring impairment in accordance with ASC 360, "Property, Plant, and Equipment," assets are grouped at the individual property level representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. In assessing the recoverability of the carrying amount of property and equipment, we must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Goodwill and other intangible assets

As of December 31, 2018, the Company had $1,228.4 million in goodwill and $1,856.9 million in other intangible assets within its Consolidated Balance Sheet, representing 11.2% and 16.9% of total assets, respectively, resulting from the Company's acquisition of businesses and payments for gaming licenses. These assets require significant management estimates and judgment pertaining to: (i) the valuation in connection with the initial purchase price allocation; and (ii) the ongoing evaluation for impairment.

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In connection with the Company’s acquisitions, valuations are completed to determine the allocation of the purchase price. The factors considered in the valuations include data gathered as a result of the Company’s due diligence in connection with the acquisitions, projections for future operations, and data obtained from third-party valuation specialists as deemed appropriate. Goodwill represents the future economic benefits of a business combination measured as the excess purchase price over the fair market value of net assets acquired. Goodwill is tested annually, or more frequently if indicators of impairment exist. An income approach, in which a discounted cash flow model is utilized and a market-based approach utilizing guideline public company (“GPC”) multiples of adjusted EBITDA from the Company’s peer group is utilized to estimate the fair market value of the Company’s reporting units.

For the quantitative goodwill impairment test, the current fair value of each reporting unit is estimated using the combination of a discounted cash flow model and a GPC multiples approach which is then compared to the carrying amount of each reporting unit. The Company adjusts the carrying amount of each reporting unit that utilizes property that is subject to the Master Lease by an allocation of a pro-rata portion of the GLPI financing obligation based on the reporting unit’s estimated fair value as a percentage of the aggregate estimated fair value of all reporting units that utilize property that is subject to the Master Lease.

The Company compares the aggregate weighted average fair value to the carrying amount of its reporting units. If the carrying amount of the reporting unit exceeds the aggregate weighted average fair value, an impairment is recorded equal to the amount of the excess not to exceed the amount of goodwill allocated to the reporting unit.

In accordance with ASC 350, “Intangibles Goodwill and Other,” the Company considers its gaming licenses and certain other intangible assets as indefinite-lived intangible assets that do not require amortization based on the Company’s future expectations to operate its gaming facilities indefinitely (notwithstanding our experience in 2014 in Iowa which the Company concluded was an isolated incident and the first time in the Company’s history a gaming regulator has taken an action which could cause it to lose its gaming license) as well as its historical experience in renewing these intangible assets at minimal cost with various state commissions. Rather, these intangible assets are tested annually for impairment, or more frequently if indicators of impairment exist, by comparing the fair value of the recorded assets to their carrying amount. If the carrying amounts of the indefinite life intangible assets exceed their fair value, an impairment loss is recognized. The Company completes its testing of its intangible assets prior to assessing the realizability of its goodwill.

The Company assessed the fair value of its indefinite-lived intangible assets (which are primarily gaming licenses) using the Greenfield Method under the income approach. The Greenfield Method estimates the fair value of the gaming license using a discounted cash flow model assuming the Company built a casino with similar utility to that of the existing facility. The method assumes a theoretical start-up company going into business without any assets other than the intangible asset being valued. As such, the value of the gaming license is a function of the following items:

- Projected revenues and operating cash flows (including an allocation of the Company’s projected financing payments to its reporting units consistent with how the GLPI financing obligation is allocated);
- Theoretical construction costs and duration;
- Pre-opening expenses; and
- Discounting that reflects the level of risk associated with receiving future cash flows attributable to the license.

The evaluation of goodwill and indefinite-lived intangible assets requires the use of estimates about future operating results of each reporting unit to determine the estimated fair value of the reporting unit and the indefinite lived intangible assets. The Company must make various assumptions and estimates in performing its impairment testing. The implied fair value includes estimates of future cash flows (including an allocation of the Company’s projected financing obligation to its reporting units) that are based on reasonable and supportable assumptions which represent the Company’s best estimates of the cash flows expected to result from the use of the assets including their eventual disposition. Changes in estimates, increases in the Company’s cost of capital, reductions in transaction multiples, changes in operating and capital expenditure assumptions or application of alternative assumptions and definitions could produce significantly different results. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the Company’s estimates. If the Company’s ongoing estimates of future cash flows are not met, the Company may have to record additional impairment charges in future accounting periods. The

Company's estimates of cash flows are based on the current regulatory and economic climates, recent operating information and budgets of the various properties where it conducts operations. These estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, or other events affecting the Company's properties.

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Forecasted cash flows (based on the Company's annual operating plan as determined in the fourth quarter) can be significantly impacted by the local economy in which its reporting units operate. For example, increases in unemployment rates can result in decreased customer visitations and/or lower customer spend per visit. In addition, the impact of new legislation which approves gaming in nearby jurisdictions or further expands gaming in jurisdictions where the Company's reporting units currently operate can result in opportunities for the Company to expand its operations. However, it also has the impact of increasing competition for the Company's established properties which generally will have a negative effect on those locations' profitability once competitors become established as a certain level of cannibalization occurs absent an overall increase in customer visitations. Additionally, increases in gaming taxes approved by state regulatory bodies can negatively impact forecasted cash flows.

Assumptions and estimates about future cash flow levels and multiples by individual reporting units are complex and subjective. They are sensitive to changes in underlying assumptions and can be affected by a variety of factors, including external factors, such as industry, geopolitical and economic trends, and internal factors, such as changes in the Company's business strategy, which may reallocate capital and resources to different or new opportunities which management believes will enhance its overall value but may be to the detriment of an individual reporting unit.

Consistent with prior years, the Company's annual goodwill and other indefinite-lived intangible assets impairment test is performed on October 1st of each year and we believe at this time all of our reporting units with goodwill and other intangible assets are at risk to have impairment charges in future periods regardless of the margin by which the current fair value of our reporting units exceed their carrying amount and that such margin cannot and should not be relied upon to predict which properties are most at risk for future impairment charges. This is because the revenue and earnings streams in our industry can vary significantly based on various circumstances, which in many cases are outside of the Company's control, and as such are extremely difficult to predict and quantify. We have disclosed several of these circumstances in the "Risk Factors" section of this Annual Report on Form 10-K. For instance, changes in legislation that approves gaming in nearby jurisdictions, further expansion of gaming in jurisdictions where we currently operate, new state legislation that requires the implementation of smoking restrictions at our casinos or any other events outside of our control that make the customer experience less desirable.

Once an impairment of goodwill or other intangible asset has been recorded, it cannot be reversed. Because the Company's goodwill and other indefinite-lived intangible assets are not amortized, there may be volatility in reported net income because impairment losses, if any, are likely to occur irregularly and in varying amounts. Intangible assets that have a definite life are amortized on a straight-line basis over their estimated useful lives or related service contract. The Company reviews the carrying amount of its amortizing intangible assets for possible impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of the amortizing intangible assets exceed their fair value, an impairment loss is recognized.

The Company's remaining goodwill by reporting unit as of December 31, 2018 was as follows (in thousands):

Reporting Unit	**Goodwill**
Hollywood Casino St. Louis	$211,883
Hollywood Casino Aurora	210,007
Argosy Casino Riverside	161,232
Zia Park Casino	144,459
Hollywood Casino Lawrenceburg	68,189
Penn Interactive Ventures	67,797
Hollywood Casino Tunica	48,142
1st Jackpot and Resorts	36,529
Prairie State Gaming	34,185
Ameristar Black Hawk	33,731
Ameristar Council Bluffs	31,400
Boomtown Biloxi	24,565
Hollywood Gaming at Dayton Raceway	18,239
Ameristar Vicksburg	16,900
L'Auberge Lake Charles	13,000
Argosy Casino Alton	11,863
River City Casino	9,600
Cactus Petes and Horseshu	8,900
Ameristar East Chicago	8,800
Hollywood Casino at Charles Town Races	8,654
Meadows Racetrack and Casino	7,400
M Resort	6,700
Plainridge Park Casino	6,252
Hollywood Casino Columbus	6,200
Hollywood Casino at Penn National Race Course	6,097
Hollywood Casino Toledo	5,800
Hollywood Casino Joliet	4,600
Boomtown New Orleans	4,400
L'Auberge Baton Rouge	3,100
Hollywood Casino Bangor	3,000
Hollywood Casino Gulf Coast	2,700
Hollywood Gaming at Mahoning Valley Race Course	2,200
Boomtown Bossier City	1,300
Sanford-Orlando Kennel Club	598
Total	$1,228,422

Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the prevailing enacted tax rates that will be in effect when these differences are settled or realized. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The realizability of the net deferred tax assets is evaluated quarterly by assessing the valuation allowance and by adjusting the amount of the allowance, if necessary. We consider all available positive and negative evidence including projected future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The evaluation of both positive and negative evidence is a requirement pursuant to ASC 740 in determining more-likely-than-not the net deferred tax assets will be realized. In the event the Company determines that the deferred income tax assets would be realized in the future in excess of their net recorded amount,

an adjustment to the valuation allowance would be recorded, which would reduce the provision for income taxes.
On November 1, 2013, as a result of the failed spin-off leaseback, the Company recorded a financing obligation of $3.5 billion pertaining to the leased real estate assets, which had a carrying amount of $2.0 billion, resulting in a substantial increase to our net deferred tax assets of $599.9 million. ASC 740 suggests that additional scrutiny should be given to deferred tax assets of an entity with cumulative pre-tax losses during the most recent three years. Positive evidence of sufficient quantity and

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quality is required to overcome such significant negative evidence to conclude that a valuation allowance is not warranted. During the third quarter 2017, the Company determined that a valuation allowance was no longer required against its federal net deferred tax assets for the portion that was expected to be realized due to the positive evidence outweighing the negative evidence (thereby, allowing the Company to achieve the "more-likely-than-not" realization standard). As such, the Company released $741.9 million of its total valuation allowance during the year ended December 31, 2017.

Application of Business Combination Accounting

We allocate the business combination purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill.

Accounting for business combinations required our management to make significant estimates and assumptions, including our estimate of intangible assets, such as gaming licenses, trade names and loyalty programs. Although we believe the assumptions and estimates made have been reasonable and appropriate, they are inherently uncertain. For our gaming license valuation, our properties estimated future cash flows were the primary assumption in the respective intangible valuations. Cash flow estimates included assumptions regarding factors such as recent and budgeted operating performance, net win per unit (revenue), patron visits and growth percentages. The growth percentages were developed considering general macroeconomic conditions as well as competitive impacts from current and anticipated competition through a review of customer market data, operating margins, and current regulatory, social and economic climates. The most significant of the assumptions used in the valuations included: (1) revenue growth/decline percentages; (2) discount rates; (3) effective income tax rates; (4) future terminal values; and (5) capital expenditure assumptions. These assumptions were developed for each acquired property based on historical trends in the current competitive markets in which they operate, and projections of future performance and competition. The primary assumptions with respect to our tradenames and customer relationships were selecting the appropriate royalty rates and cost estimates for replacement cost analyses.

In addition, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the business combination date. We re-evaluate these items quarterly based upon facts and circumstances that existed as of the business combination date with any measurement period adjustments being recognized in the reporting period in which the adjustment amount is determined and offset against goodwill. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect our provision for income taxes within our Consolidated Statements of Operations and could have material impact on our results of operations and financial position.

Loan and unfunded loan commitments to the JIVDC

During the year ended December 31, 2017, we recorded a provision for loan loss and reserves for unfunded loan commitments to the JIVDC of $89.8 million within our Consolidated Statements of Operations. Our loan was impaired and as such the value was estimated based on the present value of expected future cash flows of the facility discounted at the loan's original effective interest rate in accordance with ASC 310, "Receivables." The estimate used subjective assumptions such as, but not limited to, projected future earnings of the facility and potential proceeds, which could have been realized upon termination of our relationship with the Jamul Tribe. As of December 31, 2017, our loan to the JIVDC had a carrying amount of $20.9 million and an estimated fair value of $16.5 million.

On May 25, 2018, the Company entered into a purchase agreement (the "Purchase Agreement") with the senior lender under the credit facility for the gaming facility to sell them all of the Company's outstanding rights and obligations under the term loan C and the JIVDC commitments. Pursuant to the Purchase Agreement and related agreements, the Company received cash proceeds of $15.2 million from the sale and was relieved of all rights and obligations with respect to the JIVDC. The sale of the loan resulted in a recovery of loan losses and unfunded loan commitments of $17.0 million for the year ended December 31, 2018.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information with respect to new accounting pronouncements and the impact of these pronouncements on our Consolidated Financial Statements, see Note 4, "New Accounting Pronouncements," in the notes to our Consolidated

Financial Statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The table below provides information as of December 31, 2018 about our long-term debt obligations that are sensitive to changes in interest rates. The table presents the notional amounts maturing during the year and the related weighted-average interest rates by maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged by maturity date and the weighted-average interest rates are based on the implied forward LIBOR as of December 31, 2018.

(dollars in thousands)	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**	**Fair Value**
Fixed rate	$—	$—	$—	$—	$—	$400,000	$400,000	$360,000
Average interest rate						5.625 %		
Variable rate	$46,671	$46,671	$64,363	$82,055	$636,351	$1,072,313	$1,948,424	$1,886,333
Average interest rate [1]	4.85 %	4.6 %	4.61 %	4.62 %	4.64 %	4.92 %		

(1) Estimated rate, reflective of forward LIBOR plus the spread over LIBOR applicable to variable-rate borrowing.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Penn National Gaming, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Penn National Gaming, Inc. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity (deficit), and cash flows for each of the two years ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2019 expressed an unqualified opinion on the Company’s internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, effective January 1, 2018, the Company adopted FASB Accounting Standards Update 2014-09, *Revenue From Contracts With Customers*, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
February 28, 2019

We have served as the Company’s auditor since 2017.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors of and Shareholders of
Penn National Gaming, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of operations, comprehensive income, changes in stockholders' deficit and cash flows for the year ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Penn National Gaming, Inc. and Subsidiaries for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Penn National Gaming, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 24, 2017, except for the classification adjustments to the Consolidated Statements of Cash Flows related to the adoption of Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, described in Note 4, as to which the date is March 1, 2018, the classification adjustments to the Consolidated Statements of Cash Flows related to the adoption of Accounting Standards Update No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash, described in Note 4, as to which the date is February 28, 2019 and the classification adjustments to reportable segment information included in the Notes to the Consolidated Financial Statements, described in Note 15, as to which the date is February 28, 2019.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2018	2017
Assets		
Current assets		
Cash and cash equivalents	$479,598	$277,953
Receivables, net of allowance for doubtful accounts of $3,161 and $2,983	106,837	62,805
Prepaid expenses	62,971	43,780
Other current assets	28,252	16,494
Total current assets	677,658	401,032
Property and equipment, net	6,868,768	2,756,669
Other assets		
Investment in and advances to unconsolidated affiliates	128,488	148,912
Goodwill	1,228,422	1,008,097
Other intangible assets, net	1,856,868	422,606
Deferred income taxes	80,612	390,943
Loan to the JIVDC, net of allowance for loan losses of $0 and $64,052	—	20,900
Other assets	120,196	85,653
Total other assets	3,414,586	2,077,111
Total assets	$10,961,012	$5,234,812
Liabilities		
Current liabilities		
Accounts payable	$30,551	$26,048
Accrued expenses	204,656	125,688
Accrued interest	15,793	13,528
Accrued salaries and wages	139,159	111,252
Gaming, pari-mutuel, property, and other taxes	105,767	69,645
Current maturities of long-term debt	62,140	35,612
Current portion of financing obligations	67,777	56,248
Other current liabilities	112,593	91,988
Total current liabilities	738,436	530,009
Long-term debt, net of current maturities and debt issuance costs	2,350,088	1,214,625
Long-term financing obligations, net of current portion	7,080,638	3,482,573
Noncurrent tax liabilities	32,360	34,099
Other noncurrent liabilities	28,269	46,652
Total liabilities	10,229,791	5,307,958
Commitments and contingencies (Note 11)		
Stockholders' equity (deficit)		
Series B Preferred stock ($0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding)	—	—
Series C Preferred stock ($0.01 par value, 18,500 shares authorized, no shares issued and outstanding)	—	—
Common stock ($0.01 par value, 200,000,000 shares authorized, 118,855,201 and 93,392,635 shares issued, and 116,687,808 and 91,225,242 shares outstanding)	1,188	933
Treasury stock, at cost, (2,167,393 shares held in both periods)	(28,414)	(28,414)
Additional paid-in capital	1,726,401	1,007,606
Accumulated deficit	(967,949)	(1,051,818)
Accumulated other comprehensive loss	—	(1,453)
Total Penn National Gaming, Inc. stockholders' equity (deficit)	731,226	(73,146)

Non-controlling interest	(5)	—
Total stockholders' equity (deficit)	731,221	(73,146)
Total liabilities and stockholders' equity (deficit)	$10,961,012	$5,234,812

See accompanying notes to the Consolidated Financial Statements.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
(in thousands, except per share data)	**2018**	**2017**	**2016**
Revenues			
Gaming	$2,894,861	$2,692,021	$2,606,262
Food, beverage, hotel and other	629,733	601,731	575,434
Management service and license fees	6,043	11,654	11,348
Reimbursable management costs	57,281	26,060	15,997
	3,587,918	3,331,466	3,209,041
Less: Promotional allowance	—	(183,496)	(174,661)
Revenues	3,587,918	3,147,970	3,034,380
Operating expenses			
Gaming	1,551,430	1,364,989	1,334,980
Food, beverage, hotel and other	439,253	421,848	406,871
General and administrative	618,951	514,487	462,302
Reimbursable management costs	57,281	26,060	15,997
Depreciation and amortization	268,990	267,062	271,214
Provision for loan loss and unfunded loan commitments to the JIVDC, net of recoveries, and impairment losses	17,921	107,810	—
Total operating expenses	2,953,826	2,702,256	2,491,364
Operating income	634,092	445,714	543,016
Other income (expenses)			
Interest expense	(539,417)	(466,761)	(459,243)
Interest income	1,005	3,552	24,186
Income from unconsolidated affiliates	22,326	18,671	14,337
Loss on early extinguishment of debt	(20,964)	(23,963)	—
Other	(7,121)	(2,257)	(1,679)
Total other expenses	(544,171)	(470,758)	(422,399)
Income (loss) before income taxes	89,921	(25,044)	120,617
Income tax benefit (expense)	3,593	498,507	(11,307)
Net income	93,514	473,463	109,310
Less: Net loss attributable to non-controlling interest	5	—	—
Net income attributable to Penn National Gaming, Inc.	$93,519	$473,463	$109,310
Earnings per common share			
Basic earnings per common share	$0.96	$5.21	$1.21
Diluted earnings per common share	$0.93	$5.07	$1.19
Weighted average basic shares outstanding	97,105	90,854	82,929
Weighted average diluted shares outstanding	100,338	93,378	91,407

See accompanying notes to the Consolidated Financial Statements.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
(in thousands)	**2018**	**2017**	**2016**
Net income	$93,514	$473,463	$109,310
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment during the period	—	3,223	(122)
Other comprehensive income (loss)	—	3,223	(122)
Total comprehensive income	93,514	476,686	109,188
Less: Comprehensive loss attributable to non-controlling interest	5	—	—
Comprehensive income attributable to Penn National Gaming, Inc.	$93,519	$476,686	$109,188

See accompanying notes to the Consolidated Financial Statements.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock								
(in thousands)	Shares	Amount	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Penn Stockholders' Equity (Deficit)	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
Balance as of January 1, 2016	8,624	$ —	80,889,275	$ 830	$ (28,414)	$ 988,686	$ (1,634,591)	$ (4,554)	$ (678,043)	$ —	$ (678,043)
Share-based compensation arrangements, net of tax benefits of $6,896	—	—	1,609,033	16	—	25,519	—	—	25,535	—	25,535
Foreign currency translation adjustment	—	—	—	—	—	—	—	(122)	(122)	—	(122)
Conversion of Series C Preferred Stock	(8,624)		8,624,000	86		(86)	—		—	—	—
Net income	—	—	—	—	—	—	109,310	—	109,310	—	109,310
Balance as of December 31, 2016	—	—	91,122,308	932	(28,414)	1,014,119	(1,525,281)	(4,676)	(543,320)	—	(543,320)
Share-based compensation arrangements	—	—	1,367,083	14	—	18,270	—	—	18,284	—	18,284
Foreign currency translation adjustment	—	—	—	—	—	—	—	3,223	3,223	—	3,223
Share repurchases	—	—	(1,264,149)	(13)	—	(24,783)	—	—	(24,796)	—	(24,796)
Net income	—	—	—	—	—	—	473,463	—	473,463	—	473,463
Balance as of December 31, 2017	—	—	91,225,242	933	(28,414)	1,007,606	(1,051,818)	(1,453)	(73,146)	—	(73,146)
Share-based compensation arrangements	—	—	1,466,625	15	—	19,398	—	—	19,413	—	19,413
Acquisition of Pinnacle	—	—	26,295,439	263	—	749,420	—	—	749,683	—	749,683
Reclassification to earnings upon termination of Casino Rama management contract	—	—	—	—	—	—	—	1,453	1,453	—	1,453
Cumulative-effect adjustment upon adoption of ASC 606	—	—	—	—	—	—	(9,650)	—	(9,650)	—	(9,650)
Share repurchases	—	—	(2,299,498)	(23)	—	(50,023)	—	—	(50,046)	—	(50,046)
Net income (loss)	—	—	—	—	—	—	93,519	—	93,519	(5)	93,514
Balance as of December 31, 2018	—	$ —	116,687,808	$ 1,188	$ (28,414)	$ 1,726,401	$ (967,949)	$ —	$ 731,226	$ (5)	$ 731,221

See accompanying notes to the Consolidated Financial Statements.

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PENN NATIONAL GAMING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
(in thousands)	**2018**	**2017**	**2016**
Operating activities			
Net income	$ 93,514		