
2019 ANNUAL REPORT

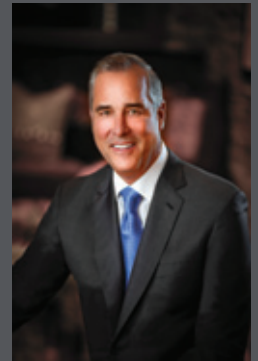


GOLDEN™

ENTERTAINMENT

Dear Fellow Shareholders,

As I write this letter reflecting back on 2019, I want to first extend my sympathies to those directly affected by COVID-19 and our appreciation to the first responders, healthcare providers and other essential workers that are keeping our communities safe and healthy. The pandemic is obviously having a profoundly negative impact on a macro level, and more specifically, to our hospitality industry. As a result, we have been focused on supporting our team members and emerging from this challenge prepared to address the business environment ahead.



In review of 2019, we completed several milestones including the completion of our major renovations at The STRAT. We concluded over \$100 million of investment in the property which resulted in approximately 600 new guest rooms, an updated SkyPod experience, a renovated casino floor, front desk, concierge desk and mobile check-in area, two new lounges, a new state-of-the-art sports book, the PT's Wings and Sports venue, a remodeled experience and new menu program at our award winning Top of the World Restaurant, and finally, revisions to the exterior lighting and landscaping. These significant updates have been well received and allowed us to deliver an overall elevated experience to our guests.

In Laughlin, we completed the acquisition of the Edgewater, Colorado Belle and the Laughlin Event Center. With the acquisition of these assets we have increased our overall footprint in the Laughlin market, providing various synergies and additional economies of scale. In addition, we were able to create new cross-marketing opportunities and leveraged the Laughlin Entertainment Center to drive visitation from our other properties and distributed gaming business.

In 2019 we also completed the launch of True Rewards, our one-card loyalty program connecting our 10 casinos, 66 taverns and 68 supermarket locations, giving the program over 140 locations where our patrons can earn and redeem rewards. This innovative loyalty program allows us to effectively cross-market all of our assets to our members while creating efficiencies through a single loyalty program that encompasses both our casino resorts and distributed gaming locations.

While 2019 was a year of progress and accomplishment, there is a tremendous amount of uncertainty as we move further into 2020. However, we are positioned and prepared to operate more efficiently than we ever have once our properties are reopened. On behalf of the entire Golden Entertainment team, thank you for your confidence and continued support.

A handwritten signature in blue ink that reads "Blake L. Sartini". The signature is fluid and cursive, with a long horizontal line extending from the end.

Blake L. Sartini
Chairman and Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from _____ to _____

Commission File No. 000-24993

GOLDEN ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Minnesota

41-1913991

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

6595 S Jones Boulevard - Las Vegas, Nevada 89118

(Address of principal executive offices)

(702) 893-7777

(Registrant's telephone number, including area code)

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

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 No

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 No

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth Company | <input type="checkbox"/> | | |

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

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

Based upon the last sale price of the registrant's common stock, \$0.01 par value, as reported on the Nasdaq Global Market on June 28, 2019 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the common stock held by non-affiliates of the registrant as of such date was \$258,957,566. For purposes of these computations only, all of the Registrant's executive officers and directors and entities affiliated with them have been deemed to be affiliates.

As of March 10, 2020, 27,914,593 shares of the registrant's common stock, \$0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2020 annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after the registrant's year ended December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

GOLDEN ENTERTAINMENT, INC.
ANNUAL REPORT ON FORM 10-K
INDEX

| | <u>Page</u> |
|---|-------------|
| PART I | |
| ITEM 1. BUSINESS | 2 |
| ITEM 1A. RISK FACTORS | 10 |
| ITEM 1B. UNRESOLVED STAFF COMMENTS | 23 |
| ITEM 2. PROPERTIES | 24 |
| ITEM 3. LEGAL PROCEEDINGS | 25 |
| ITEM 4. MINE SAFETY DISCLOSURES | 25 |
| PART II | |
| ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES | 26 |
| ITEM 6. SELECTED FINANCIAL DATA | 27 |
| ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 29 |
| ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 43 |
| ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA | 44 |
| ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE | 90 |
| ITEM 9A. CONTROLS AND PROCEDURES | 90 |
| ITEM 9B. OTHER INFORMATION | 91 |
| PART III | |
| ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE | 91 |
| ITEM 11. EXECUTIVE COMPENSATION | 91 |
| ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS | 91 |
| ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE | 92 |
| ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES | 92 |
| PART IV | |
| ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES | 93 |
| ITEM 16. FORM 10-K SUMMARY | 97 |
| SIGNATURES | 98 |

[THIS PAGE INTENTIONALLY LEFT BLANK]

PART I

As used in this Annual Report on Form 10-K, unless the context suggests otherwise, the terms “Golden,” “we,” “our” and “us” refer to Golden Entertainment, Inc. and its subsidiaries.

Forward-Looking Statements

This Annual Report on Form 10-K, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements can generally be identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “plan,” “project,” “seek,” “should,” “think,” “will,” “would” and similar expressions. In addition, forward-looking statements include statements regarding cost savings, synergies, growth opportunities and other financial and operating benefits of our casino and other acquisitions; our strategies, objectives, business opportunities and plans for future expansion, developments or acquisitions; anticipated future growth and trends in our business or key markets; projections of future financial condition, operating results, income, capital expenditures, costs or other financial items; anticipated regulatory and legislative changes; and other characterizations of future events or circumstances as well as other statements that are not statements of historical fact. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. These forward-looking statements are subject to assumptions, risks and uncertainties that may change at any time, and readers are therefore cautioned that actual results could differ materially from those expressed in any forward-looking statements. Factors that could cause our actual results to differ materially include: our ability to realize the anticipated cost savings, synergies and other benefits of our casino and other acquisitions, including the casinos we recently acquired in Las Vegas and Laughlin, Nevada, and integration risks relating to such transactions; changes in national, regional and local economic and market conditions; legislative and regulatory matters (including the cost of compliance or failure to comply with applicable laws and regulations); increases in gaming taxes and fees in the jurisdictions in which we operate; litigation; increased competition; our ability to renew our distributed gaming contracts; reliance on key personnel (including our Chief Executive Officer, President and Chief Financial Officer, and Chief Operating Officer); the level of our indebtedness and our ability to comply with covenants in our debt instruments; terrorist incidents; natural disasters; severe weather conditions (including weather or road conditions that limit access to our properties); the effects of environmental and structural building conditions; the effects of disruptions to our information technology and other systems and infrastructure; factors affecting the gaming, entertainment and hospitality industries generally; the impact of coronavirus (COVID-19) on our business; and other factors identified under the heading “Risk Factors” in Part I, Item 1A of this report, or appearing elsewhere in this report and in our other filings with the Securities and Exchange Commission (“SEC”). Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the filing date of this report. We undertake no obligation to revise or update any forward-looking statements for any reason.

ITEM 1. BUSINESS

Corporate Information

We were incorporated in Minnesota in 1998 under the name of GCI Lakes, Inc., which name was subsequently changed to Lakes Gaming, Inc. in August 1998, to Lakes Entertainment, Inc. in June 2002 and to Golden Entertainment, Inc. in July 2015. Our shares began trading publicly in January 1999. The mailing address of our headquarters is 6595 S Jones Boulevard, Las Vegas, Nevada 89118, and our telephone number at that location is (702) 893-7777.

Business Overview

We own and operate a diversified entertainment platform, consisting of a portfolio of gaming assets that focus on resort casino operations and distributed gaming (including gaming in our branded taverns).

We conduct our business through two reportable operating segments: Casinos and Distributed Gaming. In our Casinos segment, we own and operate ten resort casinos: nine in Nevada and one in Maryland. Four of our Nevada resort casino properties were added in October 2017 as a result of our acquisition of American Casino & Entertainment Properties LLC (“American”), and in January 2019 we acquired two additional resort casino properties in Laughlin, Nevada, as further described below. Our Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana, and the operation of branded taverns targeting local patrons located primarily in the greater Las Vegas, Nevada metropolitan area.

On April 25, 2019, we issued \$375 million of 7.625% Senior Notes due 2026 (the “2026 Notes”) in a private placement to institutional buyers at face value. The 2026 Notes bear interest at 7.625%, payable semi-annually on April 15th and October 15th of each year. The net proceeds of the 2026 Notes were used to (i) repay our former \$200 million second lien term loan (the “Second Lien Term Loan”), (ii) repay outstanding borrowings under our revolving credit facility under our senior secured credit facility with JPMorgan Chase Bank, N.A. (as administrative agent and collateral agent), the lenders party thereto and the other entities party thereto (the “Credit Facility”), (iii) repay \$18 million of the outstanding term loan indebtedness under our Credit Facility, and (iv) pay accrued interest, fees and expenses related to each of the foregoing. See Note 8, *Debt*, in the accompanying consolidated financial statements for additional information.

Acquisitions

On January 14, 2019, we completed the acquisition of Edgewater Gaming, LLC and Colorado Belle Gaming, LLC (the “Laughlin Entities”) from Marnell Gaming, LLC (“Marnell”) for \$156.2 million in cash (after giving effect to the post-closing adjustment provisions in the purchase agreement) and the issuance by us of 911,002 shares of our common stock to certain assignees of Marnell (the “Laughlin Acquisition”). The Laughlin Acquisition added two resort casino properties in Laughlin, Nevada to our casino portfolio: the Edgewater Hotel & Casino Resort and the Colorado Belle Hotel & Casino Resort, which increase our scale and presence in the Southern Nevada market. The results of operations of the Laughlin Entities are included in our results subsequent to the acquisition date.

On October 20, 2017, we completed the acquisition of all of the outstanding equity interests of American (the “American Acquisition”) for \$787.6 million in cash (after giving effect to post-closing adjustments) and the issuance by us of approximately 4.0 million shares of our common stock to a former American equity holder. The American Acquisition added four Nevada resort casino properties to our casino portfolio, including The STRAT Hotel, Casino & SkyPod in Las Vegas. These additional resort casino properties expanded and strengthened our presence in Nevada and the Las Vegas locals market, significantly increased our operational scale and provided us with an iconic Las Vegas Strip destination property. The results of operations of American have been included in our results subsequent to that date.

See Note 4, *Acquisitions*, in the accompanying consolidated financial statements for additional information regarding each of these acquisitions.

Casinos

We own and operate ten resort casino properties in Nevada and Maryland. The following table sets forth certain information regarding our properties as of December 31, 2019:

| | Location | Slot Machines | Table Games | Hotel Rooms | Race and Sport Book | Bingo (seats) |
|---|----------------|---------------|-------------|--------------|---------------------|---------------|
| Nevada Casinos | | | | | | |
| The STRAT Hotel, Casino & SkyPod ("The Strat") | Las Vegas, NV | 741 | 44 | 2,429 | 1 | - |
| Arizona Charlie's Decatur | Las Vegas, NV | 1,013 | 10 | 259 | 1 | approx. 400 |
| Arizona Charlie's Boulder | Las Vegas, NV | 824 | - | 303 | 1 | approx. 400 |
| Aquarius Casino Report ("Aquarius") | Laughlin, NV | 1,172 | 33 | 1,906 | 1 | - |
| Edgewater Hotel & Casino Resort ("Edgewater") | Laughlin, NV | 703 | 20 | 1,052 | 1 | - |
| Colorado Belle Hotel & Casino Report ("Colorado Belle") | Laughlin, NV | 669 | 16 | 1,102 | 1 | - |
| Pahrump Nugget Hotel Casino ("Pahrump Nugget") | Pahrump, NV | 402 | 9 | 69 | 1 | approx. 200 |
| Gold Town Casino | Pahrump, NV | 226 | - | - | - | - |
| Lakeside Casino & RV Park | Pahrump, NV | 168 | - | - | - | approx. 100 |
| Maryland Casino | | | | | | |
| Rocky Gap Casino Resort ("Rocky Gap") | Flintstone, MD | 665 | 18 | 198 | - | - |
| Totals | | <u>6,583</u> | <u>150</u> | <u>7,318</u> | <u>7</u> | |

- The Strat*: The Strat is our premier casino property, located on Las Vegas Blvd on the north end of the Las Vegas Strip. The Strat comprises the iconic SkyPod, a casino, a hotel and a retail center. As of December 31, 2019, in addition to hotel rooms and gaming in an 80,000 square foot casino, The Strat featured nine restaurants, two rooftop pools, a fitness center, retail shops and entertainment facilities. As of December 31, 2019, all of the significant renovations planned for The Strat were substantially completed, and we had invested a total of approximately \$90 million in such renovations. An additional \$20 million is anticipated to be spent in the first quarter of 2020 related to renovations primarily completed in 2019, bringing the total renovation cost to approximately \$110 million. Upgrades that have been made to the property encompass room and suite renovations, a new lounge and sports book, renovations to the SkyPod, a remodeled gift shop and food and beverage outlets, improvements to the SkyJump experience, renovations to the Top of the World Restaurant and updated exterior lighting and landscaping surrounding the property.
- Arizona Charlie's casinos*: Our Arizona Charlie's Decatur and Arizona Charlie's Boulder casino properties primarily serve local Las Vegas patrons, and provide an alternative experience to the Las Vegas Strip. Arizona Charlie's Decatur casino is located four miles west of the Las Vegas Strip in the heavily populated west Las Vegas area, and is easily accessible from US Route 95, a major highway in Las Vegas. Arizona Charlie's Boulder casino is located on Boulder Highway, in an established retail and residential neighborhood in the eastern metropolitan area of Las Vegas. The property is easily accessible from I-515, the primary east/west highway in Las Vegas. As of December 31, 2019, in addition to hotel rooms, gaming and bingo facilities, Arizona Charlie's Decatur casino offered five restaurants and Arizona Charlie's Boulder casino offered four restaurants and an RV park with approximately 220 RV hook-up sites.

- *Laughlin casinos*: We own and operate three casinos in Laughlin, Nevada, which is located approximately 90 miles from Las Vegas on the western riverbank of the Colorado River. Our Laughlin casinos are situated on 56 adjacent acres along the heart of the Laughlin Riverwalk and cater primarily to patrons traveling from Arizona and Southern California, as well as customers from Nevada seeking an alternative to the Las Vegas experience. As of December 31, 2019, in addition to hotel rooms and gaming, the Aquarius had eight restaurants, the Colorado Belle featured three restaurants, and the Edgewater featured six restaurants and dedicated entertainment venues, including the Laughlin Event Center. The Laughlin Event Center, which is situated within walking distance from the Edgewater and in close proximity to our other Laughlin properties, is an outdoor arena that can seat up to approximately 12,000 guests and hosts various entertainment programs throughout the year, such as concerts, festivals, bull riding, rodeo, off-road racing and extreme sports events.
- *Pahrump casinos*: We own and operate three casinos in Pahrump, Nevada, which is located approximately 60 miles from Las Vegas and is a gateway to Death Valley National Park. As of December 31, 2019, in addition to hotel rooms, gaming and bingo facilities at our Pahrump casino properties, Pahrump Nugget offered a bowling center and our Lakeside Casino & RV Park offered approximately 160 RV hook-up sites.
- *Rocky Gap*: Rocky Gap is situated on approximately 270 acres in the Rocky Gap State Park in Maryland, which we lease from the Maryland Department of Natural Resources (the “Maryland DNR”) under a 40-year ground lease expiring in 2052 (plus a 20-year option renewal). As of December 31, 2019, in addition to hotel rooms and gaming, Rocky Gap offered three restaurants, a spa and the only Jack Nicklaus signature golf course in Maryland. Rocky Gap is a AAA Four Diamond Award® winning resort and includes an event and conference center.

Distributed Gaming

Our Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana. We place our slots and amusement devices in locations where we believe they will receive maximum customer traffic, generally near a store’s entrance. In addition, we own and operate branded taverns with slots, which target local patrons, primarily in the greater Las Vegas, Nevada metropolitan area. As of December 31, 2019, our distributed gaming operations comprised approximately 10,900 slots in over 1,000 locations. In August 2017, we were licensed as a video gaming terminal operator in Illinois, providing for potential expansion into a new jurisdiction, and in October 2018 we received a conditional license to operate in Pennsylvania.

Nevada law limits distributed gaming operations (also known as “restricted gaming” operations) to certain types of non-casino locations, including grocery stores, drug stores, convenience stores, restaurants, bars, taverns and liquor stores, where gaming is incidental to the primary business being conducted at the location and games are generally limited to 15 or fewer slots and no other forms of gaming activity. The gaming area in these business locations is typically small, and in many instances, segregated from the primary business area, including the use of alcoves in grocery stores and drug stores and installation of slots into the physical bar (also known as “bar top” slots) in bars and taverns. Such segregation provides greater oversight and supervision of the slots. Under Montana law, distributed gaming operations are limited to business locations licensed to sell alcoholic beverages for on-premises consumption only, with such locations generally restricted to offering a maximum of 20 slots.

In Nevada, we generally enter into three types of slot placement contracts as part of our distributed gaming business: space agreements, revenue share agreements and participation agreements. Under space agreements, we pay a fixed monthly rental for the right to install, maintain and operate our slots. Under revenue share agreements, we pay a percentage of the gaming revenue generated from our slots, rather than a fixed monthly rental fee. With regard to both space agreements and revenue share agreements, we hold the applicable gaming license to conduct gaming at the location (although revenue share locations are required to obtain separate regulatory approval to receive a percentage of the gaming revenue). Under participation agreements, the business location holds the applicable gaming license and retains a percentage of the gaming revenue generated from our slots. In Montana, our slot and amusement device placement contracts are all participation agreements.

Our branded taverns offer a casual, upscale environment catering to local patrons offering superior food, craft beer and other alcoholic beverages, and typically include 15 onsite slots. As of December 31, 2019, we owned and operated 66 branded taverns, which offered a total of over 1,000 onsite slots. We continue to look for opportunistic and accretive opportunities to pursue additional tavern openings and acquisitions. Most of our taverns are located in the greater Las Vegas, Nevada metropolitan area and cater to local patrons seeking more convenient entertainment establishments than traditional casino properties. Our tavern patrons are typically younger than traditional casino customers, which diversifies our customer demographic. Our tavern brands include PT's Gold, PT's Pub, Sierra Gold, Sean Patrick's, PT's Place, PT's Ranch, Sierra Junction and SG Bar.

Sales and Marketing

Casinos

We market our Nevada resort casino properties to both the locals market and tourist traffic, targeting the value-driven customer. We seek to attract local residents to our Nevada casinos through promotions geared towards enhancing local play, including dining offerings at our casino restaurants and promotions of our bowling and bingo amenities. Promotional programs for out-of-market patrons focus primarily on The Strat casino property (with almost 600 newly renovated rooms, new and refreshed food and beverage outlets, and the iconic SkyPod), and our award-winning recreational vehicle park surrounding a lake at the Lakeside Casino & RV Park.

Rocky Gap is located in western Maryland in close proximity to the affluent and heavily populated metropolitan areas of Pittsburgh, Pennsylvania, Baltimore, Maryland and Washington, D.C., as well as two major interstate freeways. Rocky Gap serves as a premier destination for both local and out-of-market patrons. Our marketing efforts for Rocky Gap are primarily focused on attracting patrons through local and regional campaigns promoting both the amenities of Rocky Gap and the vast array of outdoor activities available in the Rocky Gap State Park.

Our casino sales and marketing efforts also include our new consolidated loyalty program, True Rewards™, designed to encourage repeat business at our resort casino properties, as discussed below.

Distributed Gaming

We conduct our operations in our Distributed Gaming segment in Nevada and Montana. Our Distributed Gaming customer base is comprised of the third party distributed gaming customers with whom we enter into slot and amusement device placement contracts for the installation, maintenance and operation of slots and amusement devices at non-casino locations, the primarily local patrons that use our slots and amusement devices in such locations and the primarily local patrons of our branded taverns. We seek to place our slots and amusement devices in strategic, high-traffic areas, including in our branded taverns, and the majority of our marketing efforts are focused on maximizing profitability from a high-frequency, convenience-driven customer base.

Brand equity is also leveraged in our taverns through the number of our branded tavern locations located throughout the greater Las Vegas, Nevada metropolitan area. Our advertising initiatives include both traditional and non-traditional channels such as direct mail, email, radio, print, television, social media, search engine optimization and static/dynamic billboards.

Our Distributed Gaming sales and marketing efforts also include our True Rewards loyalty program, which is designed to encourage repeat business at our branded taverns and at slots located at participating supermarkets, as discussed below.

True Rewards Loyalty Program

Our marketing efforts also seek to capitalize on repeat visitation through the use of our True Rewards loyalty program. We offer our True Rewards loyalty program at all ten of our resort casino properties, as well as at all of our branded taverns and at participating supermarkets. Members of our True Rewards loyalty program may earn points based on gaming activity and amounts spent on rooms, food, beverage and resort activities at our resort casino properties, and on play and amounts spent on the purchase of food and beverages at our branded taverns and other participating Distributed Gaming locations. Loyalty points are redeemable for complimentary slot play, food, beverages, grocery gift cards and hotel rooms, among other items. All points earned in the loyalty program roll up into a single account balance which is redeemable enterprise-wide at participating locations.

Our rewards technology is designed to track customer behavior indicators such as visitation, customer spend and customer engagement. As of December 31, 2019, we had approximately 800,000 active players in our marketing database, providing us with an avenue to drive customer engagement and cross-marketing opportunities across our resort casino and distributed gaming platform.

Intellectual Property

We pursue registration of our important trademarks and service marks in the states where we do business and with the United States Patent and Trademark Office. We have registered and/or have pending as trademarks with the United States Patent and Trademark Office, among other trademarks and service marks, “Golden Entertainment” and “Golden Gaming,” as well as various names, brands and logos relating to our resort casino properties, customer loyalty programs and branded taverns. In addition, we have also registered or applied to register numerous other trademarks in various jurisdictions in the United States in connection with our properties, facilities and development projects. We also hold a patent in the United States related to player tracking systems.

Competition

The resort casino and distributed gaming industries are highly competitive. Our resort casino business competes with numerous casinos and casino-hotels of varying quality and size in our markets. We also compete with other non-gaming resorts and vacation destinations, and with various other casino and other entertainment businesses. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. Many of our regional and national competitors have greater brand recognition and significantly greater resources than we have. Their greater resources may also provide them with the ability to expand operations in the future.

Furthermore, several states are currently considering legalizing casino gaming in designated areas, and Native American tribes may develop or expand gaming properties in markets located more closely to our customer base (particularly Native American casinos located in California). The expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers, including legalized casino gaming in neighboring states and on Native American land, could have a significant adverse effect on our business, financial condition, results of operations and prospects.

With respect to our distributed gaming businesses, we face direct competition from others involved in the distributed gaming business, as well as substantial competition for customers from other operators of casinos, hotels, taverns and other entertainment venues. Many of our regional and national competitors have greater brand recognition and significantly greater resources than we have. Their greater resources may also provide them with the ability to expand operations in the future.

In addition, in both of our segments we face ever-increasing competition from online gaming, including mobile gaming applications for smart phones and tablet computers, state-sponsored lotteries, card clubs, sports books, fantasy sports websites and other forms of legalized gaming. Various forms of internet gaming have been approved in Nevada, and legislation permitting internet gaming has been proposed by the federal government and other states. The expansion of internet gaming in Nevada and other jurisdictions could result in significant additional competition for our operations.

Regulation

Gaming Regulation

We are subject to extensive federal, state, and local regulation. State and local government authorities in the jurisdictions in which we operate require us to obtain gaming licenses and require our officers, key employees and business entity affiliates to demonstrate suitability to be involved in gaming operations. These are privileged licenses or approvals which are not guaranteed by statute or regulation. State and local government authorities may limit, condition, suspend or revoke a license, impose substantial fines, and take other actions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that we will be able to obtain and maintain the gaming licenses and related approvals necessary to conduct our gaming operations. Any failure to maintain or renew our existing licenses, registrations, permits or approvals could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, if additional gaming laws or regulations are adopted, these regulations could impose additional restrictions or costs that could have a significant adverse effect on us and our business. For additional information, see “Part I, Item 1A. Risk Factors—Our business is subject to extensive gaming regulation, which is costly to comply with, and gaming authorities have significant control over our operations.”

Gaming authorities may, in their sole and absolute discretion, require the holder of any securities issued by us to file applications, be investigated, and be found suitable to own our securities if they have reason to believe that the security ownership would be inconsistent with the declared policies of their respective states. Further, the costs of any investigation conducted by any gaming authority under these circumstances is typically required to be paid by the applicant, and refusal or failure to pay these charges may constitute grounds for a finding that the applicant is unsuitable to own the securities. Our articles of incorporation require our shareholders to cooperate with gaming authorities in such investigations and permit us to redeem the securities held by any shareholder whose holding of shares of our capital stock may result, in the judgment of our Board of Directors, in our failure to obtain or our loss of any license or franchise from any governmental agency held by us to conduct any portion of our business. If any gaming authority determines that a person is unsuitable to own our securities, then, under the applicable gaming laws and regulations, we can be sanctioned, including the loss of our privileged licenses or approvals, if, without the prior approval of the applicable gaming authority, we conduct certain business with the unsuitable person. For additional information, see “Part I, Item 1A. Risk Factors—Our shareholders are subject to extensive government regulation and, if a shareholder is found unsuitable by a gaming authority, that shareholder would not be able to beneficially own our common stock directly or indirectly. Our shareholders may also be required to provide information that is required by gaming authorities and we have the right, under certain circumstances, to redeem a shareholder’s securities; we may be forced to use our cash or incur debt to fund redemption of our securities.”

Our directors, officers and key employees are also subject to a variety of regulatory requirements and various privileged licensing and related approval procedures in the various jurisdictions in which we operate gaming facilities. If any gaming authority with jurisdiction over our business were to find any of our directors, officers or key employees unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever our relationship with that person. Furthermore, such gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could have a material adverse effect on our business, operations and prospects.

Applicable gaming laws and regulations also restrict our ability to issue securities, incur debt, and undertake other financing activities. Such transactions would generally require approval of gaming authorities, and our financing counterparties, including lenders, might be subject to various licensing and related approval procedures in the various jurisdictions in which we operate gaming facilities. If state regulatory authorities were to find any person unsuitable with regard to his, her or its relationship to us or any of our subsidiaries, we would be required to sever our relationship with that person, which could materially adversely affect our business.

The gaming industry also represents a significant source of tax revenue, particularly to the State of Nevada and its counties and municipalities. From time to time, various federal, state and local legislators and other government officials have proposed and adopted changes in tax laws, or in the administration or interpretation of such laws, affecting the gaming industry. It is not possible to determine the likelihood of possible changes in tax laws or in the administration or interpretation of such laws. Such changes, if adopted, could have a material adverse effect on our future financial position, results of operations, cash flows and prospects. For additional information, see “Part I, Item 1A. Risk Factors—Changes to gaming tax laws could increase our cost of doing business and have a material adverse effect on our financial condition.”

From time to time, local and state lawmakers, as well as special interest groups, have proposed legislation that would expand, restrict or prevent gaming operations in the jurisdictions in which we operate. Any such change to the regulatory environment or the adoption of new federal, state or local government legislation could have a material adverse effect on our business, financial condition, results of operations and prospects.

Other Regulation

Our business is subject to a variety of other federal, state and local laws, rules, regulations and ordinances. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, 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. Changes to any of the laws, rules, regulations or ordinances to which we are subject, new laws or regulations, or material differences in interpretations by courts or governmental authorities could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations are subject to various environmental laws and regulations relating to emissions and discharges into the environment, and the storage, handling and disposal of hazardous and non-hazardous substances and wastes. These laws and regulations are complex, and subject to change, and violations can lead to significant costs for corrective action and remediation, fines and penalties. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contamination on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time that they occurred, 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. As we acquire additional casino, resort and tavern properties, such as the casino properties we acquired in the Laughlin Acquisition, we may not know the full level of exposure that we may have undertaken despite appropriate due diligence. We endeavor to maintain compliance with environmental laws, but from time to time, current or historical operations on or adjacent to, our properties may have resulted or may result in noncompliance with environmental laws or liability for cleanup pursuant to environmental laws. In that regard, we may incur costs for cleaning up contamination relating to historical uses of certain of our properties.

Many of our employees, especially those that interact with our customers, receive a base salary or wage that is established by applicable state and federal laws that establish a minimum hourly wage that is, in turn, supplemented through tips and gratuities from customers. In 2017, several former employees filed two separate purported class action lawsuits against us and on behalf of similarly situated individuals employed by us in Nevada, which lawsuits were settled in 2019. The lawsuits alleged that we violated certain Nevada labor laws, including payment of an hourly wage below the statutory minimum wage without providing a qualified health insurance plan and an associated failure to pay proper overtime compensation. From time to time, state and federal lawmakers have increased the minimum wage. It is difficult to predict when such increases may take place. Any such change to the minimum wage could have a material adverse effect on our business, financial condition, results of operations and prospects.

Alcoholic beverage control regulations require each of our branded taverns and casino properties to apply to a state authority and, in certain locations, county or municipal authority for a license or permit to sell alcoholic beverages. In addition, each restaurant we operate must obtain a food service license from local authorities. Failure to comply with such regulations could cause our licenses to be revoked or our related business or businesses to be forced to cease operations. Moreover, state liquor laws may prevent the expansion of restaurant operations into certain markets.

Seasonality

We believe that our Casinos and Distributed Gaming segments are affected by seasonal factors, including holidays, weather and travel conditions. Our casinos and distributed gaming businesses in Nevada have historically experienced lower revenues during the summer as a result of fewer tourists due to higher temperatures, as well as increased vacation activity by local residents. Rocky Gap typically experiences higher revenues during summer months and may be significantly adversely impacted by inclement weather during winter months. Our Nevada distributed gaming operations typically experience higher revenues during the fall which corresponds with several professional sports seasons. Our Montana distributed gaming operations typically experience higher revenues during the fall due to the inclement weather in the state and less opportunity for outdoor activities, in addition to the impact from professional sports seasons. While other factors like unemployment levels, market competition and the diversification of our business may either offset or magnify seasonal effects, some seasonality is likely to continue, which could result in significant fluctuation in our quarterly operating results.

Employees

As of December 31, 2019 we had approximately 8,000 employees, of which approximately 2,000 were covered by various collective bargaining agreements. Other unions may seek to organize the workers of our resort casino properties from time to time. We believe we have good relationships with our employees, including those represented by unions.

At The Strat, four collective bargaining agreements cover our employees. Our collective bargaining agreement with the International Union of Operating Engineers, Local 501, AFL-CIO expired on March 31, 2018 and was successfully renegotiated in the first quarter of 2020. Our collective bargaining agreements with the Professional, Clerical and Miscellaneous Employees, Teamsters Local Union 986 (Valet and Warehouse) expire on March 31, 2024. Our collective bargaining agreement with the Culinary Workers Union, Local 226 and Bartenders Union, Local 165 expires on May 31, 2023.

At the Aquarius, four collective bargaining agreements cover our employees. Our collective bargaining agreement with the International Union of Operating Engineers, Local 501, AFL-CIO expires on March 31, 2020 and is currently under negotiation. Our collective bargaining agreement with the International Union of Security, Police, and Fire Professionals of America expires on February 28, 2021. Our collective bargaining agreement with the United Steelworkers of America expires on March 31, 2021. Our collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, Its Territories and Canada, Local 720, Las Vegas, Nevada expires on November 30, 2022.

At Rocky Gap, our collective bargaining agreement with the United Food and Commercial Workers Union, Local 27 expires on November 1, 2023.

Website and Available Information

Our website is located at www.goldenent.com. Through a link on the Investors section of our website, we make the following filings available free of charge and as soon as reasonably practicable after they are electronically filed or furnished with the SEC: our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and the rules and regulations promulgated thereunder. Copies of these documents are also available to our shareholders upon written request to our Chief Financial Officer at 6595 S Jones Boulevard, Las Vegas, Nevada 89118. Information on the website does not constitute part of this Annual Report on Form 10-K.

These filings are also available free of charge on the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

You should consider each of the following factors as well as the other information in this Annual Report on Form 10-K in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also materially adversely impact our business, financial condition, results of operations or prospects. If any of the following risks actually occur, our business, financial condition, results of operations or prospects could be materially harmed and the trading price of our common stock could decline. You should also refer to the other information set forth in this Annual Report on Form 10-K, including the information in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report on Form 10-K, as well as our consolidated financial statements and the related notes.

Any failure to successfully integrate our businesses and businesses we acquire, including in the Laughlin Acquisition, could materially adversely affect our business, and we may not realize the full benefits of the Laughlin Acquisition or our other strategic acquisitions.

Our ability to realize the anticipated benefits of our strategic acquisitions, including our January 2019 Laughlin Acquisition, will depend, to a large extent, on our ability to successfully integrate our businesses with the businesses we acquire. Integrating and coordinating the operations and personnel of multiple businesses and managing the expansion in the scope of our operations and financial systems involves complex operational, technological and personnel-related challenges. The potential difficulties, and resulting costs and delays, relating to the integration of our business with our strategic acquisitions include:

- the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner;
- the challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions;
- the diversion of management’s attention from day-to-day operations;
- additional demands on management related to the increased size and scope of our company following significant acquisitions, such as the Laughlin Acquisition;
- the assimilation of employees and the integration of different business cultures;
- challenges in attracting and retaining key personnel;
- the need to integrate information, accounting, finance, sales, billing, payroll and regulatory compliance systems;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in combining product offerings and sales and marketing activities.

There is no assurance that we will successfully or cost-effectively integrate our businesses with the businesses we acquire, and the costs of achieving systems integration may substantially exceed our current estimates. Integration of recently acquired businesses into our own operations in particular can be time consuming and present financial, managerial and operational challenges. Issues that arise during this process may divert management’s attention away from our day-to-day operations, and any difficulties encountered in the integration process could cause internal disruption in general, which could adversely impact our relationships with customers, suppliers, employees and other constituencies. Combining our different systems, technology, networks and business practices could be more difficult and time consuming than we anticipated, and could result in additional unanticipated expenses. Our combined results of operations could also be adversely affected by any issues we discover that were attributable to operations of the Laughlin Entities that arose before the acquisition. Moreover, as non-public companies at the time of our acquisition, the subsidiaries we acquired in the Laughlin Acquisition did not have to comply with the requirements of the Sarbanes-Oxley Act of 2002 for internal control over financial reporting and other procedures. Bringing the legacy systems for acquired businesses into compliance with those requirements may cause us to incur substantial additional expense.

In addition, the integration process may cause an interruption of, or loss of momentum in, the activities of our combined business. If management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer and our results of operations and financial condition may be harmed. Even if our businesses are successfully integrated, we may not realize the full benefits of the Laughlin Acquisition or our other strategic acquisitions, including anticipated synergies, cost savings or growth opportunities, within the expected timeframes or at all. In addition, we have incurred, and may incur additional, significant integration and restructuring expenses to realize synergies. However, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that we expect to achieve from elimination of duplicative expenses and the realization of economies of scale and cost savings. Although we expect that the realization of efficiencies related to the integration of the businesses may offset incremental transaction-related and restructuring costs over time, we cannot give any assurance that this net benefit will be achieved in the near term, or at all. Any of these matters could materially adversely affect our businesses or harm our financial condition, results of operations and prospects.

Our business may be adversely affected by economic conditions, acts of terrorism, natural disasters, severe weather, contagious diseases and other factors affecting discretionary consumer spending, any of which could have a material adverse effect on our business.

The demand for gaming, entertainment and leisure activities is highly sensitive to downturns in the economy and the corresponding impact on discretionary consumer spending. Any actual or perceived deterioration or weakness in general, regional or local economic conditions, unemployment levels, the job or housing markets, consumer debt levels or consumer confidence, as well as any increase in gasoline prices, tax rates, interest rates, inflation rates or other adverse economic or market conditions, may lead to our customers having less discretionary income to spend on gaming, entertainment and discretionary travel, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Acts of terrorism, natural disasters, severe weather conditions and actual or perceived outbreaks of public health threats and pandemics could also significantly affect demand for gaming, entertainment and leisure activities and discretionary travel, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. For example, in early 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. In response to the Coronavirus outbreak, significant travel warnings and restrictions have been implemented. The extent and duration of such impacts over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the coronavirus, the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on travel behavior. It is possible that the spread of the coronavirus may impact our customers' interest in visiting our casino resort properties, our branded taverns and other public facilities. Any such impacts may have an adverse effect on our business.

Furthermore, our properties are subject to the risk that operations could be halted for a temporary or extended period of time, as a result of casualty, forces of nature, adverse weather conditions, flooding, mechanical failure, or extended or extraordinary maintenance, among other causes. If there is a prolonged disruption at any of our casino properties due to natural disasters, terrorist attacks or other catastrophic events, our business, financial condition, results of operations and prospects could be materially adversely affected. Additionally, if extreme weather adversely impacts general economic or other conditions in the areas in which our properties are located or from which we draw our patrons or prevents patrons from easily coming to our properties, our business, financial condition, results of operations and prospects could be materially adversely affected.

We face substantial competition in both of our business segments and may lose market share.

The resort casino and distributed gaming industries are highly competitive. Our resort casino business competes with numerous casinos and casino-hotels of varying quality and size in our markets. We also compete with other non-gaming resorts and vacation destinations, and with various other casino and other entertainment businesses. The casino entertainment business is characterized by competitors that vary considerably in their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. Many of our regional and national competitors have greater brand recognition and significantly greater resources than we have. Their greater resources may also provide them with the ability to expand operations in the future.

If our competitors operate more successfully than we do, if they attract customers away from us as a result of aggressive pricing and promotion, if they are more successful than us in attracting and retaining employees, if their properties are enhanced or expanded, if they operate in jurisdictions that give them operating advantages due to differences or changes in gaming regulations or taxes, or if additional hotels and casinos are established in and around our markets, we may lose market share or the ability to attract or retain employees. Furthermore, several states are currently considering legalizing casino gaming in designated areas, and Native American tribes may develop or expand gaming properties in markets located more closely to our customer base (particularly Native American casinos located in California). The expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers, including legalized casino gaming in neighboring states and on Native American land, could have a significant adverse effect on our business, financial condition, results of operations, and prospects.

With respect to our distributed gaming businesses, we face direct competition from others involved in the distributed gaming business, as well as substantial competition for customers from other operators of casinos, hotels, taverns and other entertainment venues. In addition, in both of our segments we face ever-increasing competition from online gaming, including mobile gaming applications for smart phones and tablet computers, state-sponsored lotteries, card clubs, sports books, fantasy sports websites and other forms of legalized gaming. Various forms of internet gaming have been approved in Nevada, and legislation permitting internet gaming has been proposed by the federal government and other states. The expansion of internet gaming in Nevada and other jurisdictions could result in significant additional competition for our operations.

Our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

We have a significant amount of indebtedness. As of December 31, 2019, our senior indebtedness, excluding unamortized debt issuance costs, was \$1.1 billion, which was comprised of \$772 million of outstanding term loan borrowings under our Credit Facility and \$375 million of 2026 Notes. Our level of debt could, among other things:

- require us to dedicate a larger portion of our cash flow from operations to the servicing and repayment of our debt, thereby reducing funds available for working capital, capital expenditures and acquisitions, and other general corporate requirements;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restrict our ability to make strategic acquisitions or dispositions or to exploit business opportunities;
- increase our vulnerability to general adverse economic and industry conditions and increases in interest rates;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- adversely affect our credit rating or the market price of our common stock.

Any of these risks could impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may incur additional indebtedness, which could further increase the risks associated with our leverage.

We may incur significant additional indebtedness in the future, which may include financing relating to capital expenditures, potential acquisitions or business expansion, working capital or general corporate purposes. Our Credit Facility includes a \$200 million revolving credit facility, which was undrawn at December 31, 2019. In addition, our Credit Facility and the indenture governing the 2026 Notes (the “Indenture”) permit us, subject to specific limitations, to incur additional indebtedness. If new indebtedness is added to our current level of indebtedness, the related risks that we now face could intensify.

We may not be able to generate sufficient cash flows to service all of our indebtedness and fund our operating expenses, working capital needs and capital expenditures, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our indebtedness will depend upon our future operating performance and our ability to generate cash flow in the future, which are subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are 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, in an amount sufficient to enable us to pay our indebtedness or fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. Our Credit Facility restricts our ability to dispose of assets and use the proceeds from asset dispositions and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. In addition, under the Indenture we are subject to certain limitations, including limitations on our ability to incur additional debt and sell assets. If we cannot make scheduled payments on our debt, we will be in default and, as a result, our lenders could declare all outstanding amounts to be due and payable, terminate or suspend their commitments to loan money and foreclose against the assets securing such debt, and we could be forced into bankruptcy or liquidation, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Covenants in our debt instruments restrict our business and could limit our ability to implement our business plan.

Our Credit Facility and Indenture contain, and any future debt instruments likely will contain, covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. Our Credit Facility and Indenture include covenants restricting, among other things, our ability to do the following:

- incur, assume or guarantee additional indebtedness;
- issue redeemable stock and preferred stock;
- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make loans and investments;
- pay dividends, make distributions, or redeem or repurchase capital stock;
- enter into transactions with affiliates; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our revolving credit facility contains a financial covenant applying a maximum net leverage ratio when borrowings under the facility exceed 30% of the total revolving commitment. Our Credit Facility is secured by liens on substantially all of our and the subsidiary guarantors' present and future assets (subject to certain exceptions).

If we default under the Credit Facility or Indenture because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. We cannot assure you that we will be able to comply with the covenants in our Credit Facility or Indenture or that any covenant violations will be waived. Any violation that is not waived could result in an event of default and, as a result, our lenders could declare all outstanding amounts to be due and payable, terminate or suspend their commitments to loan money and foreclose against the assets securing such debt, and we could be forced into bankruptcy or liquidation, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

The borrowings under our Credit Facility are subject to variable rates of interest and expose us to interest rate risk. Increases in the interest rate generally, and particularly when coupled with any significant variable rate indebtedness, could materially adversely impact our interest expenses. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Each quarter point change in interest rates would result in a \$1.9 million change in annual interest expense on our indebtedness under our Credit Facility. We are not required to enter into interest rate swaps to hedge such indebtedness. If we decide not to enter into hedges on such indebtedness, our interest expense on such indebtedness will fluctuate based on variable interest rates. Consequently, we may have difficulties servicing such unhedged indebtedness and funding our other fixed costs, and our available cash flow for general corporate requirements may be materially adversely affected. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

The casino, hotel and hospitality industry is capital intensive and we may not be able to finance development, expansion and renovation projects, which could put us at a competitive disadvantage.

Our casino and tavern properties have an ongoing need for renovations and other capital improvements to remain competitive, including room refurbishments, amenity upgrades, and replacement, from time to time, of furniture, fixtures and equipment. We may also need to make capital expenditures to comply with applicable laws and regulations. Construction projects entail significant risks, which can substantially increase costs or delay completion of a project. Such risks include shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference and unanticipated cost increases. Most of these factors are beyond our control. In addition, difficulties or delays in obtaining any of the requisite licenses, permits or authorizations from regulatory authorities can increase the cost or delay the completion of an expansion or development. Significant budget overruns or delays with respect to expansion and development projects could materially adversely affect our results of operations.

Renovations and other capital improvements of casino properties in particular require significant capital expenditures. For example, between May 2018 and December 2019 we invested approximately \$90 million in strategic renovations of The Strat. In addition, any such renovations and capital improvements usually generate little or no cash flow until the projects are completed. We may not be able to fund such projects solely from cash provided from operating activities. Consequently, we may have to rely upon the availability of debt or equity capital to fund renovations and capital improvements, and our ability to carry them out will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on, among other things, market conditions. We cannot assure you that we will be able to obtain additional equity or debt financing on favorable terms or at all. Our failure to renovate and maintain our casino and tavern properties from time to time may put us at a competitive disadvantage to casinos or taverns offering more modern and better maintained facilities, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes to gaming tax laws could increase our cost of doing business and have a material adverse effect on our financial condition.

The gaming industry represents a significant source of tax revenue, particularly to the State of Nevada and its counties and municipalities. Gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. From time to time, various federal, state and local legislators and other government officials have proposed and adopted changes in tax laws, or in the administration or interpretation of such laws, affecting the gaming industry. In addition, any worsening of economic conditions and the large number of state and local governments with significant current or projected budget deficits could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration or interpretation of such laws. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to extensive gaming regulation, which is costly to comply with, and gaming authorities have significant control over our operations.

We are subject to a variety of gaming regulations in the jurisdictions in which we operate, including the extensive gaming laws and regulations of the State of Nevada. Compliance with these regulations is costly and time-consuming. Regulatory authorities at the federal, state and local levels have broad powers with respect to the regulation and licensing of casino and gaming operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines on us and take other actions, any one of which could have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that we will be able to obtain and maintain the gaming licenses and related approvals necessary to conduct our gaming operations. Any failure to maintain or renew our existing licenses, registrations, permits or approvals could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our directors, officers and key employees are also subject to a variety of regulatory requirements and must be approved by certain gaming authorities. If any gaming authority with jurisdiction over our business were to find an officer, director or key employee of ours unsuitable for licensing or unsuitable to continue having a relationship with us, we would be required to sever our relationship with that person. Furthermore, such gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications. Either result could have a material adverse effect on our business, operations and prospects.

Applicable gaming laws and regulations also restrict our ability to issue securities, incur debt and undertake other financing activities. Such transactions would generally require approval of gaming authorities, and our financing counterparties, including lenders, might be subject to various licensing and related approval procedures in the various jurisdictions in which we operate gaming facilities. Further, our gaming regulators can require us to disassociate ourselves from suppliers or business partners found unsuitable by the regulators. If any gaming authorities were to find any person unsuitable with regard to his, her or its relationship to us or any of our subsidiaries, we would be required to sever our relationship with that person, which could have a material adverse effect on our business, operations and prospects.

If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions on us that would prevent us from operating our business as it is currently operated, or the increased costs associated with compliance with such regulations could lower our profitability. From time to time, various proposals are introduced in the legislatures of the jurisdictions in which we have operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company. Any such change to the regulatory environment or the adoption of new federal, state or local government legislation could impose additional restrictions or costs or could otherwise have a material adverse effect on our business, financial condition, results of operations and prospects.

Any violation of applicable anti-money laundering laws or regulations or the Foreign Corrupt Practices Act could adversely affect our business, financial condition, results of operations and prospects.

We handle significant amounts of cash in our operations and are subject to various reporting and anti-money laundering laws and regulations. Recently, U.S. governmental authorities have evidenced an increased focus on compliance with anti-money laundering laws and regulations in the gaming industry. Any violation of anti-money laundering laws or regulations could have a material adverse effect on our business, financial condition, results of operations and prospects. Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting our employees, contractors or agents from violating or circumventing our policies and the law. If we or our employees or agents fail to comply with applicable laws or our policies governing our operations, we may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any such government investigations, prosecutions or other legal proceedings or actions could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to numerous other federal, state and local laws that may expose us to liabilities or have a significant adverse impact on our operations. Changes to any such laws could have a material adverse effect on our operations and financial condition.

Our business is subject to a variety of other federal, state and local laws, rules, regulations and ordinances. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, 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. Changes to any of the laws, rules, regulations or ordinances to which we are subject, new laws or regulations, or material differences in interpretations by courts or governmental authorities could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations are subject to various environmental laws and regulations relating to emissions and discharges into the environment, and the storage, handling and disposal of hazardous and non-hazardous substances and wastes. These laws and regulations are complex, and subject to change, and violations can lead to significant costs for corrective action and remediation, fines and penalties.

Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contamination on its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time that they occurred, 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. As we acquire additional casino, resort and tavern properties, such as the casino properties we acquired in the American Acquisition, we may not know the full level of exposure that we may have undertaken despite appropriate due diligence. We endeavor to maintain compliance with environmental laws, but from time to time, current or historical operations on or adjacent to, our properties may have resulted or may result in noncompliance with environmental laws or liability for cleanup pursuant to environmental laws. In that regard, we may incur costs for cleaning up contamination relating to historical uses of certain of our properties.

Many of our employees, especially those that interact with our customers, receive a base salary or wage that is established by applicable state and federal laws that establish a minimum hourly wage that is, in turn, supplemented through tips and gratuities from customers. In 2017, several former employees filed two separate purported class action lawsuits against us and on behalf of similarly situated individuals employed by us in Nevada, which lawsuits were settled in 2019. The lawsuits alleged that we violated certain Nevada labor laws, including payment of an hourly wage below the statutory minimum wage without providing a qualified health insurance plan and an associated failure to pay proper overtime compensation. From time to time, state and federal lawmakers have increased the minimum wage. It is difficult to predict when such increases may take place. Any such change to the minimum wage could have a material adverse effect on our business, financial condition, results of operations and prospects.

Alcoholic beverage control regulations require each of our branded taverns and casino properties to apply to a state authority and, in certain locations, county or municipal authority for a license or permit to sell alcoholic beverages. In addition, each restaurant we operate must obtain a food service license from local authorities. Failure to comply with such regulations could cause our licenses to be revoked or our related business or businesses to be forced to cease operations. Moreover, state liquor laws may prevent the expansion of restaurant operations into certain markets. The loss or suspension of any liquor or food service license could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.

Although we have comprehensive property and liability insurance policies for our properties in operation, with coverage features and insured limits that we believe are customary in their breadth and scope, each such policy has certain exclusions. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes, floods or terrorist acts, or certain liabilities may be uninsurable or too expensive to justify obtaining insurance. Market forces beyond our control may also limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. As a result, we may not be successful in obtaining insurance without increases in cost

or decreases in coverage levels. In addition, in the event of a major casualty, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or in some cases could result in certain losses being totally uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for debt or other financial obligations related to the property, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition to the damage caused to our property by a casualty loss (such as fire, natural disasters, acts of war or terrorism), we may suffer business disruption as a result of these events or be subject to claims by third parties injured or harmed. While we carry business interruption insurance and general liability insurance, this insurance may not be adequate to cover all losses in such event.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, it is possible that regional political tensions, homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles.

Increasing prices or shortages of energy and water may increase our cost of operations.

Our properties use significant amounts of water, electricity, natural gas and other forms of energy. Our Nevada properties in particular are located in a desert where water is scarce and the hot temperatures require heavy use of air conditioning. While we have not experienced any shortages of energy or water in the past, we cannot guarantee you that we will not in the future. Other states have suffered from electricity shortages. For example, California and Texas have experienced rolling blackouts due to excessive air conditioner use because of unexpectedly high temperatures in the past. We expect that potable water in Nevada, where the majority of our facilities are located, will become an increasingly scarce commodity at an increasing price.

Work stoppages, labor problems and unexpected shutdowns may limit our operational flexibility and negatively impact our future profits.

A number of employees at our casino properties are covered by collective bargaining agreements, which have staggered expirations over the next several years. We cannot ensure that, upon the expiration of existing collective bargaining agreements, new agreements will be reached without union action or that any such new agreements will be on terms satisfactory to us. The inability to negotiate and enter into a new collective bargaining agreement on favorable terms could result in an increase in our operating expenses or covered employees could strike or engage in other collective behaviors. Any renegotiation of these and other labor agreements could significantly increase our costs for wages, healthcare, pension plans and other benefits, and could have a material adverse effect on the business of our casino properties and our financial condition, results of operations and prospects.

Any work stoppage at one or more of our casino properties could cause significant disruption of our operations or require us to expend significant funds to hire replacement workers, and qualified replacement labor may not be available at reasonable costs, if at all. Strikes and work stoppages could also result in adverse media attention or otherwise discourage customers from visiting our casino properties. As a result, a strike or other work stoppage at one of our casino properties could have a material adverse effect on the business of our casino properties and our financial condition, results of operations and prospects.

Any unexpected shutdown of one of our casino properties could have an adverse effect on the business of our casino properties and our results of operations. There can be no assurance that we will be adequately prepared for unexpected events, including political or regulatory actions, which may lead to a temporary or permanent shutdown of any of our casino properties.

Our reputation and business could be materially harmed as a result of data breaches, data theft, unauthorized access or hacking.

Our success depends, in part, on the secure and uninterrupted performance of our information technology and other systems and infrastructure, including systems to maintain and transmit customers' personal and financial information, credit card settlements, credit card funds transmissions and mailing lists. We could encounter difficulties in developing new systems, maintaining and upgrading current systems and preventing security breaches. Among other things, our systems are susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks,

network penetration, denial of service attacks and similar events. An increasing number of companies have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on their computer networks. While we have and will continue to implement network security measures and data protection safeguards, our servers and other computer systems are vulnerable to viruses, malicious software, hacking, break-ins or theft, data privacy or security breaches, third-party security breaches, employee error or malfeasance and similar events. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If unauthorized parties gain access to our information technology and other systems, they may be able to misappropriate assets or sensitive information (such as personally identifiable information of our customers, business partners and employees), cause interruption in our operations, corruption of data or computers, or otherwise damage our reputation and business. In such circumstances, we could be held liable to our customers or other parties, or be subject to regulatory or other actions for breaching privacy rules. Any compromise of our security could result in a loss of confidence in our security measures, and subject us to litigation, civil or criminal penalties, and negative publicity, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Further, if we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, restrictions, and expulsion from card acceptance programs, which could materially adversely affect our operations.

Our revenues may be negatively impacted by volatility in our hold percentage, and we also face the risk of fraud or cheating.

Casino revenue is recorded as the difference between gaming wins and losses or net win from gaming activities. Net win is impacted by variations in the hold percentage (the ratio of net win to total amount wagered), or actual outcome, on our slots, table games, race and sports betting, and all other games we provide to our customers. We use the hold percentage as an indicator of a game's performance against its expected outcome. Although each game generally performs within a defined statistical range of outcomes, actual outcomes may vary for any given period. The hold percentage and actual outcome on our games can be impacted by the level of a customer's skill in a given game, errors made by our employees, the number of games played, faults within the computer programs that operate our slots and the random nature of slot payouts. If our games perform below their expected range of outcomes, our cash flow may suffer.

In addition, gaming customers may attempt or commit fraud or otherwise cheat in order to increase their winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics and could include collusion with our employees. Internal acts of cheating could also be conducted by employees through collusion with dealers, surveillance staff, floor managers or other casino or gaming area staff. Failure to discover such acts or schemes in a timely manner could result in losses in our gaming operations, which could be substantial. In addition, negative publicity related to such schemes could have an adverse effect on our reputation, thereby materially adversely affecting our business, financial condition, results of operations, and prospects.

Our business is geographically concentrated, which subjects us to greater risks from changes in local or regional conditions.

We currently operate casinos resort properties solely in Nevada and in Flintstone, Maryland, and conduct our distributed gaming (including gaming in our branded taverns) business solely in Nevada and Montana. Due to this geographic concentration, our results of operations and financial condition are subject to greater risks from changes in local and regional conditions, such as:

- changes in local or regional economic conditions and unemployment rates;
- changes in local and state laws and regulations, including gaming laws and regulations;
- a decline in the number of residents in or near, or visitors to, our properties;
- changes in the local or regional competitive environment; and
- adverse weather conditions and natural disasters (including weather or road conditions that limit access to our properties).

Some of our casino properties and most of our tavern properties largely depend on the local markets for customers. Competition for local customers in Las Vegas in particular is intense. Local competitive risks and our failure to attract a sufficient number of guests, gaming customers and other visitors in these locations could adversely affect our business. In addition, the number of visitors to our Nevada casino properties may be adversely affected by increased transportation costs, the number and frequency of flights into or out of Las Vegas, and capacity constraints of the interstate highways that connect our casino properties with the metropolitan areas in which our customers reside.

As a result of the geographic concentration of our businesses, we face a greater risk of a negative impact on our business, financial condition, results of operations and prospects in the event that any of the geographic areas in which we operate is more severely impacted by any such adverse condition, as compared to other areas in the United States.

We may experience seasonal fluctuations that could significantly impact our quarterly operating results.

We may experience seasonal fluctuations that could significantly impact our quarterly operating results. Our casinos and distributed gaming businesses in Nevada have historically experienced lower revenues during the summer as a result of fewer tourists due to higher temperatures, as well as increased vacation activity by local residents. Rocky Gap typically experiences higher revenues during summer months and may be significantly adversely impacted by inclement weather during winter months. Our Nevada distributed gaming operations typically experience higher revenues during the fall which corresponds with several professional sports seasons. Our Montana distributed gaming operations typically experience higher revenues during the winter months due to the inclement weather in the state and less opportunity for outdoor activities, in addition to the impact from professional sports seasons. While other factors like unemployment levels, market competition and the diversification of our business may either offset or magnify seasonal effects, some seasonality is likely to continue, which could result in significant fluctuation in our quarterly operating results.

Our success depends in part on our ability to acquire, enhance, and/or introduce successful gaming concepts and game content, and we may be unable to obtain slots or related technology from our third party suppliers on a timely, cost-effective basis.

Our business is heavily dependent on revenue generated by the games, particularly slots, we offer to our customers. We source games and game content through third-party suppliers, and currently rely on a limited number of suppliers for our slots and related technology. We believe that creative and appealing game content, innovative game concepts and licensed brands produce more revenue for our casinos and other gaming locations and provide them with a competitive advantage, which in turn enhances our revenue and our ability to attract new business and to retain existing business. There can be no assurance that we will be able to sustain the acceptance of our existing game content or effectively obtain from third parties game content or licensed brands that will be widely accepted by our customers, or that we will be able to obtain slots or related technology on a cost-effective basis. There can be no assurance that our third party suppliers will be able to produce new creative and appealing game content, innovative game concepts, and licensed brands in the future that will be widely accepted by our customers. As a result, we may be forced to incur significant unanticipated costs to secure alternative third party suppliers or adjust our operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our distributed gaming business is dependent on our ability to renew our agreements.

We conduct the majority of our distributed gaming business under space, revenue share and participation agreements with third parties. Agreements with chain store and other third party customers are renewable at the option of the owner of the applicable chain store or third party. As our distributed gaming agreements expire, we are required to compete for renewals. If we are unable to renew a material portion of our space, revenue share and participation agreements, this could have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that our existing agreements will be renewed on reasonable or comparable terms, or at all.

Our business and stock price may be adversely affected if our internal controls are not effective.

We have previously reported material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. Although we believe we have taken appropriate actions to remediate the control deficiencies we have identified and to strengthen our internal control over financial reporting, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more internal control deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business, financial condition and prospects could be harmed.

We may be subject to litigation which, even if without merit, can be expensive to defend and could expose us to significant liabilities, damage our reputation and result in substantial losses.

From time to time, we are involved in a variety of lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of business, including proceedings concerning labor and employment matters, personal injury claims, breach of contract claims, commercial disputes, business practices, intellectual property, tax and other matters. See Part I, Item 3 of this Annual Report on Form 10-K under the heading "Legal Proceedings" for additional information. Certain litigation claims may not be covered entirely or at all by our insurance policies, or our insurance carriers may seek to deny coverage. In addition, litigation claims can be expensive to defend and may divert our attention from the operations of our businesses. Further, litigation involving visitors to our properties, even if without merit, can attract adverse media attention.

We evaluate all litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution you that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. As a result, litigation can have a significant adverse effect on our businesses and, because we cannot predict the outcome of any action, it is possible that adverse judgments or settlements could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on a limited number of key employees who would be difficult to replace.

We depend on a limited number of key personnel to manage and operate our business, including our Chief Executive Officer, our President and Chief Financial Officer, and our Chief Operating Officer. We believe our success depends to a significant degree on our ability to attract and retain highly skilled personnel. The competition for these types of personnel is intense and we compete with other potential employers for the services of our employees. As a result, we may not succeed in hiring and retaining the executives and other employees that we need. An inability to hire quality employees or the loss of key employees could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our executive officers and directors own or control a large percentage of our common stock, which permits them to exercise significant control over us.

As of December 31, 2019, our executive officers and directors and entities affiliated with them owned, in the aggregate, approximately 33% of the outstanding shares of our common stock. Accordingly, these shareholders will be able to substantially influence all matters requiring approval by our shareholders, including the approval of mergers or other business combination transactions and the composition of our Board of Directors. This concentration of ownership may also delay, defer or even prevent a change in control of our company and would make some transactions more difficult or impossible without their support. Circumstances may arise in which the interests of these shareholders could conflict with the interests of our other shareholders.

Our shareholders are subject to extensive governmental regulation and, if a shareholder is found unsuitable by a gaming authority, that shareholder would not be able to beneficially own our common stock directly or indirectly. Our shareholders may also be required to provide information that is requested by gaming authorities and we have the right, under certain circumstances, to redeem a shareholder's securities; we may be forced to use our cash or incur debt to fund redemption of our securities.

Gaming authorities may, in their sole and absolute discretion, require the holder of any securities issued by us to file applications, be investigated, and be found suitable to own our securities if they have reason to believe that the security ownership would be inconsistent with the declared policies of their respective states. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, gaming authorities have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. The applicant must pay all costs of investigation incurred by the gaming authorities in conducting any such investigation. In evaluating individual applicants, gaming authorities typically consider the individual's reputation for good character and criminal and financial history, and the character of those with whom the individual associates. If any gaming authority determines that a person is unsuitable to own our securities, then, under the applicable gaming laws and regulations, we can be sanctioned, including the loss of our privileged licenses or approvals, if, without the prior approval of the applicable gaming authority, we conduct certain business with the unsuitable person or fail to redeem the unsuitable person's interest in our securities or take such other action with respect to the securities held by the unsuitable person as the applicable gaming authority requires.

For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security, in a public corporation which is registered with the Nevada Gaming Commission, or the Gaming Commission, may be required to be found suitable if the Gaming Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Gaming Commission. Any person required by the Gaming Commission to be found suitable shall apply for a finding of suitability within 30 days after the Gaming Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board, or the Control Board, a sum of money which, in the sole discretion of the Control Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Control Board to pay final costs and charges.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, may not hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any public corporation which is registered with the gaming authority beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. Under Nevada gaming laws, any person who acquires or holds more than 5% of our voting power must report the acquisition or holding to the Gaming Commission. Except for certain pension or employee benefit plans, each person who acquires or holds the beneficial ownership of any amount of any class of voting power and who has the intent to engage in any "proscribed activity" shall (a) within 2 days after possession of such intent, notify the Chair of the Nevada Board in the manner prescribed by the Chair; (b) apply to the Gaming Commission for a finding of suitability within 30 days after notifying the Chair pursuant to paragraph (a); and (c) deposit with the Nevada Board the sum of money required by the Nevada Board to pay the anticipated costs and charges incurred in the investigation and processing of the application. "Proscribed activity" means: 1. An activity that necessitates a change or amendment to our corporate charter, bylaws, management, policies or operation of the Company; 2. An activity that materially influences or affects the affairs of the Company; or 3. Any

other activity determined by the Gaming Commission to be inconsistent with holding voting securities for investment purposes. Nevada gaming regulations also require that beneficial owners of more than 10% of our voting power apply to the Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada Board mails written notice requiring such filing. Further, an “institutional investor,” as defined in the Nevada gaming regulations, that acquires more than 10%, but not more than 25%, of our voting power may apply to the Gaming Commission for a waiver of such finding of suitability if such institutional investor holds our voting securities for investment purposes only.

Similarly, under Maryland gaming laws, as interpreted by the Maryland Lottery and Gaming Control Commission, or the Maryland Commission, any person who acquires 5% or more of our voting securities must report the acquisition to the Maryland Commission and apply for a “Principal Employee” (if an individual) or “Principal Entity” (if an entity) license, both of which require a finding of qualification, or seek an institutional investor waiver. The granting of a waiver rests with the discretion of the Maryland Commission. Further, we may not sell or otherwise transfer in an issuer transaction more than 5% of the legal or beneficial interest in Rocky Gap without the approval of the Maryland Commission, after the Maryland Commission determines that the transferee is qualified or grants the transferee an institutional investor waiver.

Our Articles of Incorporation require our shareholders to provide information that is requested by authorities that regulate our current or proposed gaming operations. Our Articles of Incorporation also permit us to redeem the securities held by persons whose status as a security holder, in the opinion of our Board of Directors, jeopardizes our existing gaming licenses or approvals. The price paid for these securities is, in general, the average closing price for the 30 trading days prior to giving notice of redemption.

In the event a shareholder’s background or status jeopardizes our current or proposed gaming licensure, we may be required to redeem such shareholder’s securities in order to continue gaming operations or obtain a gaming license. This redemption may divert our cash resources from other productive uses and require us to obtain additional financing which, if in the form of equity financing, would be dilutive to our shareholders. Further, any debt financing may involve additional restrictive covenants and further leveraging of our fixed assets. The inability to obtain additional financing to redeem a disqualified shareholder’s securities may result in the loss of a current or potential gaming license.

We expect our stock price to be volatile.

The market price of our common stock has been, and is likely to continue to be, volatile. During 2019, the market price of our common stock has ranged from \$12.32 to \$20.42. The market price of our common stock may be significantly affected by many factors, including:

- changes in general or local economic or market conditions;
- quarterly variations in operating results;
- strategic developments by us or our competitors;
- developments in our relationships with our customers, distributors and suppliers;
- regulatory developments or any breach, revocation or loss of any gaming license;
- changes in our revenues, expense levels or profitability;
- changes in financial estimates and recommendations by securities analysts; and
- failure to meet the expectations of securities analysts.

Any of these events may cause the market price of our common stock to fall. In addition, the stock market in general has experienced significant volatility, which may adversely affect the market price of our common stock regardless of our operating performance.

Future sales of our common stock could lower our stock price and dilute existing shareholders.

In January 2018, the SEC declared effective a universal shelf registration statement for the future sale of up to \$150 million in aggregate amount of common stock, preferred stock, debt securities, warrants and units and the resale of up to approximately 8.0 million shares of our common stock held by the selling securityholders named therein. The securities may be offered from time to time, separately or together, directly by us or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. For example, in January 2018, certain of the named selling securityholders completed the resale of 6.5 million shares of our common stock and we completed the sale of 975,000 newly issued shares of our common stock in an underwritten public offering pursuant to this shelf registration statement.

We may also issue additional shares of common stock to finance future acquisitions through the use of equity. For example, we issued approximately 900,000 shares of our common stock in connection with the Laughlin Acquisition in January 2019, approximately 4.0 million shares of our common stock in connection with the American Acquisition in October 2017 (all of which shares were resold in the secondary public offering in January 2018), and approximately 8.5 million shares of our common stock in connection with the acquisition of Sartini Gaming in July 2015 (of which approximately 1.0 million shares were resold in the secondary public offering in January 2018). In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options and other equity awards pursuant to our employee benefit plans. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with the acquisition of Sartini Gaming, upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock. In addition, these sales may be dilutive to existing shareholders.

Provisions in our Articles of Incorporation and Bylaws or our debt facilities may discourage, delay or prevent a change in control or prevent an acquisition of our business at a premium price.

Some of the provisions of our Articles of Incorporation and our Bylaws and Minnesota law could discourage, delay or prevent an acquisition of our business, even if a change in control would be beneficial to the interests of our shareholders and was made at a premium price. These provisions:

- permit our Board of Directors to increase its own size and fill the resulting vacancies;
- authorize the issuance of “blank check” preferred stock that our Board of Directors could issue to increase the number of outstanding shares to discourage a takeover attempt; and
- permit shareholder action by written consent only if the consent is signed by all shareholders entitled to notice of a meeting.

Although we have amended our Bylaws to provide that Section 302A.671 (Control Share Acquisitions) of the Minnesota Business Corporation Act does not apply to or govern us, we remain subject to 302A.673 (Business Combinations) of the Minnesota Business Corporation Act, which generally prohibits us from engaging in business combinations with any “interested” shareholder for a period of four years following the shareholder’s share acquisition date, which may discourage, delay or prevent a change in control of our company. Under the Indenture, if certain specified change of control events occur, each holder of the 2026 Notes may require us to repurchase all of such holder’s 2026 Notes at a purchase price equal to 101% of the principal amount of such notes. In addition, our Credit Facility provides for an event of default upon the occurrence of certain specified change of control events.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Company Headquarters

We lease a 41,000 square foot building in Las Vegas, Nevada, which houses our company headquarters and a portion of which we have sub-leased. The lease for our office headquarters building is with a related party and expires on December 31, 2030. See Note 15, *Related Party Transactions*, in the accompanying consolidated financial statements for information on our transactions with related parties.

Casinos

The Strat: We own the approximately 34 acres of land on which The Strat is located (of which approximately 17 acres are undeveloped and reserved for future development).

Arizona Charlie's Decatur: We own the approximately 17 acres of land on which our Arizona Charlie's Decatur casino property is located. In addition, we lease office, storage and laundry space for our Arizona Charlie's Decatur casino property in an adjacent shopping center. The lease is with an unrelated party and expires in 2097.

Arizona Charlie's Boulder: We own the approximately 24 acres of land on which our Arizona Charlie's Boulder casino property is located.

Laughlin Casinos: We own the approximately 18 acres of land on which the Aquarius casino property is located (of which approximately 1.6 acres are undeveloped and reserved for future development), approximately 22 acres of land on which the Colorado Belle casino property is located and approximately 16 acres of land on which the Edgewater casino property is located. In addition, we lease approximately 20 acres of land for the Laughlin Event Center for our Laughlin casino properties. The lease is with an unrelated party and expires in 2027.

Pahrump Casinos: We own the approximately 40 acres of land on which the Pahrump Nugget is located (of which approximately 20 acres are undeveloped and reserved for future development) and the approximately 35 acres of land on which our Lakeside Casino & RV Park is located. Our Gold Town Casino is located on four leased parcels of land, comprising approximately nine acres in the aggregate. The leases are with unrelated third parties and have various expiration dates beginning in 2026 (for the parcel on which our main casino building is located, which we lease from a competitor), and we sublease approximately two of the acres to an unrelated third party.

Rocky Gap: We lease the approximately 270 acres in the Rocky Gap State Park on which Rocky Gap is situated from the Maryland DNR pursuant to a 40-year ground lease. The lease expires in 2052, with an option to renew for an additional 20 years. We own the 170,000 square foot Rocky Gap building.

All of our owned and leased real property for our casino properties, along with substantially all of the assets of the casino properties, are subject to liens securing all of our obligations under our Credit Facility (subject to receipt of certain approvals).

Distributed Gaming

We lease our 66 branded tavern locations under non-cancelable operating leases. As of December 31, 2019, the terms of our tavern leases ranged from six to 31 years, with various renewal options from four to 10 years.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in a variety of lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of business, including proceedings concerning labor and employment matters, personal injury claims, breach of contract claims, commercial disputes, business practices, intellectual property, tax and other matters for which we record reserves. Although lawsuits, claims, investigations and other legal proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our currently pending matters should not have a material adverse effect on our business, financial condition, results of operations or liquidity. Regardless of the outcome, legal proceedings can have an adverse impact on us because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our business, financial condition, results of operations or liquidity in a particular period.

On August 31, 2018, prior guests of The Strat filed a purported class action complaint against us in the District Court, Clark County, Nevada, on behalf of similarly situated individuals and entities that paid the Clark County Combined Transient Lodging Tax (“Tax”) on the portion of a resort fee that constitutes charges for Internet access, during the period of February 6, 2014 through the date the alleged conduct ceases. The lawsuit alleged that the Tax was charged in violation of the federal Internet Tax Freedom Act, which imposed a national moratorium on the taxation of Internet access by states and their political subdivisions, and sought, on behalf of the plaintiff and the putative class, damages equal to the amount of the Tax collected on the Internet access component of the resort fee, injunctive relief, disgorgement, interest, fees and costs. All defendants to this matter, including Golden Entertainment, Inc., filed a joint motion to dismiss this matter for lack of merit. The District Court granted this joint motion to dismiss on February 21, 2019. The plaintiffs filed an appeal to the Supreme Court of Nevada on April 10, 2019. We, and other defendants, filed an appellate response brief on October 19, 2019.

While legal proceedings are inherently unpredictable and no assurance can be given as to the ultimate outcome of any of the above matters, based on management’s current understanding of the relevant facts and circumstances, we believe that these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the Nasdaq Global Market under the ticker symbol GDEN.

As of March 10, 2020, there were approximately 230 shareholders of record of our common stock.

Dividends

Other than the special cash dividend that was made in July 2016 pursuant to the terms of the Sartini Gaming merger agreement, we have neither declared nor paid any cash dividends with respect to our common stock. The current policy of our Board of Directors is to retain all future earnings, if any, for use in the operation and development of our business. The payment of any cash dividends in the future will be at the discretion of our Board of Directors and will depend upon such factors as our financial condition, results of operations, capital requirements, our general business condition, restrictions under our Credit Facility and Indenture and any other factors deemed relevant by our Board of Directors.

Share Repurchase Program

Our Board of Directors has authorized us to repurchase up to \$25.0 million worth of shares of common stock, subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. No shares were repurchased under our share repurchase program during the year ended December 31, 2019. See Note 9, *Equity Transactions and Stock Incentive Plans*, in the accompanying consolidated financial statements for information regarding our share repurchase program.

ITEM 6. *SELECTED FINANCIAL DATA*

The Selected Financial Data presented below should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of this Annual Report on Form 10-K.

Selected consolidated statement of operations data and consolidated balance sheet data are derived from our consolidated financial statements.

| | For the Year Ended: | | | | |
|--|-------------------------------------|-------------------------------------|--|--|-------------------------------------|
| | December 31, 2019 ⁽¹⁾ | December 31, 2018 ⁽²⁾ | December 31, 2017 ⁽³⁾⁽⁴⁾ | December 31, 2016 ⁽³⁾⁽⁵⁾ | December 31, 2015 ⁽⁶⁾ |
| <i>(In millions, except per share amounts)</i> | | | | | |
| Results of Continuing Operations: | | | | | |
| Total revenues | \$ 973 | \$ 852 | \$ 507 | \$ 400 | \$ 176 |
| Income from operations | \$ 46 | \$ 51 | \$ 15 | \$ 13 | \$ 18 |
| Net income (loss) | \$ (40) | \$ (21) | \$ 2 | \$ 16 | \$ 25 |
| Net income (loss) per share — basic | \$ (1.43) | \$ (0.76) | \$ 0.09 | \$ 0.74 | \$ 1.45 |
| Net income (loss) per share — diluted | \$ (1.43) | \$ (0.76) | \$ 0.08 | \$ 0.73 | \$ 1.43 |
| Balance Sheet: | | | | | |
| Cash and cash equivalents | \$ 112 | \$ 116 | \$ 91 | \$ 47 | \$ 69 |
| Total assets | \$ 1,741 | \$ 1,367 | \$ 1,365 | \$ 419 | \$ 379 |
| Total long-term liabilities | \$ 1,318 | \$ 968 | \$ 966 | \$ 172 | \$ 143 |
| Shareholders’ equity | \$ 290 | \$ 315 | \$ 320 | \$ 209 | \$ 210 |

- (1) Our results for the year ended December 31, 2019 included the operating results of the Laughlin Entities from the closing date of the Laughlin Acquisition on January 14, 2019. We recorded approximately \$90.4 million in revenues and \$1.8 million in net income from the operations of the Laughlin Entities for the year ended December 31, 2019. Income from operations for the year ended December 31, 2019 included approximately \$1.8 million in acquisition expenses primarily related to the Laughlin Acquisition. Net loss for the year ended December 31, 2019 included a loss on extinguishment and modification of debt of \$9.2 million.

We adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases (“Topic 842”), as amended, as of January 1, 2019, and elected the option to apply the transition requirements in the new standard at the effective date of January 1, 2019 with the effects of initially applying Topic 842 recognized as a cumulative-effect adjustment to retained earnings on January 1, 2019. As a result, total assets and total long-term liabilities are not comparable to the prior periods in this first year of adoption.

- (2) Income from operations for the year ended December 31, 2018 included approximately \$1.2 million in preopening expenses primarily related to the opening of new taverns in the Las Vegas Valley and \$3.0 million in acquisition expenses primarily related to the Laughlin Acquisition. Net loss for the year ended December 31, 2018 included an income tax provision of \$9.6 million, which resulted primarily from the change in valuation allowance.
- (3) Selected financial data as of and for the years ended December 31, 2017 and 2016 have been retrospectively adjusted for the adoption of the new revenue recognition standard. See Note 3, *Revenue Recognition*, in the accompanying consolidated financial statements for more information. Selected financial data as of and for the year ended December 31, 2015 has not been adjusted and therefore is not comparable.

- (4) Our results for the year ended December 31, 2017 included the operating results of American from the closing date of the American Acquisition, on October 20, 2017. We recorded approximately \$76.3 million in revenues and \$5.5 million in net income from the operations of American for the year ended December 31, 2017. Income from operations for the year ended December 31, 2017 included approximately \$1.6 million in preopening expenses related to American and the non-capital costs associated with the opening of taverns, and \$5.0 million in acquisition expenses related to the American Acquisition. Net income for the year ended December 31, 2017 included an income tax benefit of \$7.9 million attributed primarily to a partial release of the valuation allowance on deferred tax assets and the impact of the Tax Cuts and Jobs Act.
- (5) Our results for the year ended December 31, 2016 included the operating results of the Montana distributed gaming businesses we acquired in 2016 from the closing dates of the respective transactions. We recorded approximately \$45.4 million in revenues and \$1.6 million in net income from the operations of the Montana distributed gaming businesses for the year ended December 31, 2016. Income from operations for the year ended December 31, 2016 included approximately \$2.5 million in preopening expenses related to the Montana distributed gaming businesses and the non-capital costs associated with the opening of taverns, and a gain on sale of land held for sale of \$4.5 million. Net income for the year ended December 31, 2016 included an income tax benefit of \$4.3 million attributed primarily to a partial release of the valuation allowance on deferred tax assets. On July 14, 2016, a special cash dividend of approximately \$23.5 million was paid to shareholders (other than shareholders that had waived their right to receive such dividend in connection with the Sartini Gaming merger).
- (6) Our results for the year ended December 31, 2015 included the operating results of Sartini Gaming from the Sartini Gaming merger on August 1, 2015. We recorded approximately \$116.8 million in revenues and \$10.4 million in net income from the operations of Sartini Gaming's distributed gaming and casino businesses for the year ended December 31, 2015. Income from operations for the year ended December 31, 2015 included approximately \$11.5 million in transaction-related expenses related to the Sartini Gaming merger and net income included income tax benefit of approximately \$10.0 million attributed primarily to the income tax benefit recorded from the release of a valuation allowance on deferred tax assets as a result of deferred tax liabilities assumed in the Sartini Gaming merger. Our results for the year ended December 31, 2015 also reflected a gain of \$23.6 million related to the disposition of our \$60.0 million subordinated promissory note from the Jamul Indian Village to a subsidiary of Penn National Gaming, Inc. in December 2015.

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information included in this Annual Report on Form 10-K. In addition to the historical information, certain statements in this discussion are forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements. See “*Forward-Looking Statements*” in Part I of this Annual Report on Form 10-K for additional information regarding forward-looking statements.

Overview

We own and operate a diversified entertainment platform, consisting of a portfolio of gaming assets that focus on resort casino operations and distributed gaming (including gaming in our branded taverns).

We conduct our business through two reportable operating segments: Casinos and Distributed Gaming. In our Casinos segment, we own and operate ten resort casino properties in Nevada and Maryland. Our Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana, and the operation of branded taverns targeting local patrons located primarily in the greater Las Vegas, Nevada metropolitan area.

On April 25, 2019, we issued \$375 million of 2026 Notes in a private placement to institutional buyers at face value. The 2026 Notes bear interest at 7.625%, payable semi-annually on April 15th and October 15th of each year. See Note 8, *Debt*, in the accompanying consolidated financial statements for additional information.

Casinos

On January 14, 2019, we completed the acquisition of the Laughlin Entities from Marnell for \$156.2 million in cash (after giving effect to the post-closing adjustment provisions in the purchase agreement) and the issuance by us of 911,002 shares of our common stock to certain assignees of Marnell. The Laughlin Acquisition added two resort casino properties in Laughlin, Nevada to our casino portfolio: the Edgewater and the Colorado Belle, which increase our scale and presence in the Southern Nevada market. The results of operations of the Laughlin Entities are included in our results subsequent to the acquisition date. See Note 4, *Acquisitions*, in the accompanying consolidated financial statements for additional information.

On October 20, 2017, we completed the acquisition of all of the outstanding equity interests of American for \$787.6 million in cash (after giving effect to post-closing adjustments) and the issuance by us of approximately 4.0 million shares of our common stock to a former American equity holder. The American Acquisition added four Nevada resort casino properties to our casino portfolio, including The Strat in Las Vegas. The results of operations of American and its subsidiaries have been included in our results subsequent to that date. See Note 4, *Acquisitions*, in the accompanying consolidated financial statements for additional information.

We own and operate ten resort casino properties in Nevada and Maryland. The following table sets forth certain information regarding our properties as of December 31, 2019:

| | Location | Slot Machines | Table Games | Hotel Rooms | Race and Sport Book | Bingo (seats) |
|---|----------------|------------------|----------------|----------------|---------------------------|------------------|
| Nevada Casinos | | | | | | |
| The STRAT Hotel, Casino & SkyPod ("The Strat") | Las Vegas, NV | 741 | 44 | 2,429 | 1 | - |
| Arizona Charlie's Decatur | Las Vegas, NV | 1,013 | 10 | 259 | 1 | approx. 400 |
| Arizona Charlie's Boulder | Las Vegas, NV | 824 | - | 303 | 1 | approx. 400 |
| Aquarius Casino Report ("Aquarius") | Laughlin, NV | 1,172 | 33 | 1,906 | 1 | - |
| Edgewater Hotel & Casino Resort ("Edgewater") | Laughlin, NV | 703 | 20 | 1,052 | 1 | - |
| Colorado Belle Hotel & Casino Report ("Colorado Belle") | Laughlin, NV | 669 | 16 | 1,102 | 1 | - |
| Pahrump Nugget Hotel Casino ("Pahrump Nugget") | Pahrump, NV | 402 | 9 | 69 | 1 | approx. 200 |
| Gold Town Casino | Pahrump, NV | 226 | - | - | - | - |
| Lakeside Casino & RV Park | Pahrump, NV | 168 | - | - | - | approx. 100 |
| Maryland Casino | | | | | | |
| Rocky Gap Casino Resort ("Rocky Gap") | Flintstone, MD | 665 | 18 | 198 | - | - |
| Totals | | <u>6,583</u> | <u>150</u> | <u>7,318</u> | <u>7</u> | |

- *The Strat*: The Strat is our premier casino property, located on Las Vegas Blvd on the north end of the Las Vegas Strip. The Strat comprises the iconic SkyPod, a casino, a hotel and a retail center. As of December 31, 2019, in addition to hotel rooms and gaming in an 80,000 square foot casino, The Strat featured nine restaurants, two rooftop pools, a fitness center, retail shops and entertainment facilities.
- *Arizona Charlie's casinos*: Our Arizona Charlie's Decatur and Arizona Charlie's Boulder casino properties primarily serve local Las Vegas patrons, and provide an alternative experience to the Las Vegas Strip. As of December 31, 2019, in addition to hotel rooms, gaming and bingo facilities, Arizona Charlie's Decatur casino offered five restaurants and Arizona Charlie's Boulder casino offered four restaurants and an RV park with approximately 220 RV hook-up sites.
- *Laughlin casinos*: We own and operate three casinos in Laughlin, Nevada, which is located approximately 90 miles from Las Vegas on the western riverbank of the Colorado River. As of December 31, 2019, in addition to hotel rooms and gaming, the Aquarius had eight restaurants, the Colorado Belle featured three restaurants, and the Edgewater featured six restaurants and dedicated entertainment venues, including the Laughlin Event Center.
- *Pahrump casinos*: We own and operate three casinos in Pahrump, Nevada, which is located approximately 60 miles from Las Vegas and is a gateway to Death Valley National Park. As of December 31, 2019, in addition to hotel rooms, gaming and bingo facilities at our Pahrump casino properties, Pahrump Nugget offered a bowling center and our Lakeside Casino & RV Park offered 160 RV hook-up sites.
- *Rocky Gap*: Rocky Gap is situated on approximately 270 acres in the Rocky Gap State Park in Maryland, which we lease from the Maryland DNR under a 40-year ground lease expiring in 2052 (plus a 20-year option renewal). As of December 31, 2019, in addition to hotel rooms and gaming, Rocky Gap offered three restaurants, a spa and the only Jack Nicklaus signature golf course in Maryland. Rocky Gap is a AAA Four Diamond Award® winning resort and includes an event and conference center.

Distributed Gaming

Our Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana. We place our slots and amusement devices in locations where we believe they will receive maximum customer traffic, generally near a store's entrance. In addition, we own and operate branded taverns with slots, which target local patrons, primarily in the greater Las Vegas, Nevada metropolitan area. As of December 31, 2019, our distributed gaming operations comprised approximately 10,900 slots in over 1,000 locations.

Our branded taverns offer a casual, upscale environment catering to local patrons offering superior food, craft beer and other alcoholic beverages, and typically include 15 onsite slots. As of December 31, 2019, we owned and operated 66 branded taverns, which offered a total of over 1,000 onsite slots. Most of our taverns are located in the greater Las Vegas, Nevada metropolitan area and cater to local patrons seeking more convenient entertainment establishments than traditional casino properties. Our tavern brands include PT's Gold, PT's Pub, Sierra Gold, Sean Patrick's, PT's Place, PT's Ranch, Sierra Junction and SG Bar.

Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2019.

| <i>(In thousands)</i> | Year Ended December 31, | | |
|--------------------------------------|-------------------------|--------------------|-----------------|
| | 2019 | 2018 | 2017 |
| Revenues by segment | | | |
| Casinos | \$ 615,401 | \$ 513,949 | \$ 179,049 |
| Distributed Gaming | 357,239 | 337,067 | 327,506 |
| Corporate and other | 770 | 778 | 583 |
| Total revenues | <u>973,410</u> | <u>851,794</u> | <u>507,138</u> |
| Operating expenses by segment | | | |
| Casinos | 302,371 | 247,042 | 90,037 |
| Distributed Gaming | 275,104 | 263,953 | 255,621 |
| Corporate and other | 1,037 | 3,237 | 641 |
| Total operating expenses | <u>578,512</u> | <u>514,232</u> | <u>346,299</u> |
| Selling, general and administrative | 225,848 | 183,892 | 98,382 |
| Depreciation and amortization | 116,592 | 94,456 | 40,786 |
| Acquisition and severance expenses | 3,488 | 3,740 | 6,183 |
| Preopening expenses | 1,934 | 1,171 | 1,632 |
| Loss on disposal of assets | 919 | 3,336 | 441 |
| Gain on contingent consideration | — | — | (1,719) |
| Other operating, net | — | — | (157) |
| Total expenses | <u>927,293</u> | <u>800,827</u> | <u>491,847</u> |
| Operating income | 46,117 | 50,967 | 15,291 |
| Non-operating expense, net | (87,538) | (62,242) | (21,128) |
| Income tax benefit (provision) | 1,876 | (9,639) | 7,921 |
| Net income (loss) | <u>\$ (39,545)</u> | <u>\$ (20,914)</u> | <u>\$ 2,084</u> |

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

The \$121.6 million, or 14%, increase in revenues resulted primarily from increases of \$53.6 million, \$32.5 million, \$25.4 million and \$10.1 million in gaming, food and beverage, room and other revenues, respectively, due primarily to the inclusion in 2019 of almost a full year of revenues from the resort casino properties acquired in the Laughlin Acquisition, the rebranding of The Strat, and growth in our tavern portfolio and Montana distribution gaming locations.

The \$101.5 million, or 20.0%, increase in revenues related to our Casinos segment compared to the prior year resulted primarily from increases of \$37.4 million, \$29.3 million, \$25.4 million and \$9.3 million in gaming, food and beverage, room and other revenues, respectively, due primarily to the inclusion in 2019 of almost a full year of revenues from the resort casino properties acquired in the Laughlin Acquisition and the rebranding of The Strat.

The \$20.2 million, or 6%, increase in revenues related to our Distributed Gaming segment resulted primarily from increases of \$16.2 million, \$3.1 million and \$0.8 million in gaming revenues, food and beverage revenues and other revenues, respectively. These increases reflect the opening of six new taverns in the Las Vegas Valley in 2019, as a full year of revenues from the three taverns opened in 2018, stabilized performance of our Nevada distributed gaming locations and the increase of locations and slot product performance in our Montana distributed gaming locations.

During the year ended December 31, 2019, Adjusted EBITDA in our Casinos segment as a percentage of segment revenues (or Adjusted EBITDA margin) was 29%, compared to Adjusted EBITDA margin in our Distributed Gaming segment of 15%. The lower Adjusted EBITDA margin in our Distributed Gaming segment relative to our Casinos segment reflects the fixed and variable amounts paid to third parties under our space and revenue share agreements as expenses in the Distributed Gaming segment (which includes the percentage of gaming revenues paid to third parties under revenue share agreements). See Note 16, *Segment Information*, in the accompanying consolidated financial statements for additional information regarding segment Adjusted EBITDA and a reconciliation of segment Adjusted EBITDA to segment net income (loss).

Operating Expenses

The \$64.3 million, or 13%, increase in operating expenses compared to the prior year resulted primarily from \$23.3 million, \$21.6 million, \$13.4 million and \$6.0 million increases in gaming, food and beverage, room and other expenses, respectively. These operating expense increases primarily reflect the inclusion in 2019 of almost a full year of operating expenses relating to the resort casino properties acquired in the Laughlin Acquisition and the operating expenses of six new taverns, renovated food and beverage outlets at The Strat, and additional Montana distributed gaming locations.

Selling, General and Administrative Expenses

The \$42.0 million, or 23%, increase in selling, general and administrative (“SG&A”) expenses compared to the prior year resulted primarily from the inclusion in 2019 of almost a full year of SG&A expenses relating to the resort casino properties acquired in the Laughlin Acquisition and corporate related expenses.

Within our Casinos segment, SG&A expenses increased \$28.8 million, or 26%, resulting primarily from the inclusion in 2019 of almost a full year of SG&A relating to the resort casino properties acquired in the Laughlin Acquisition. The majority of the SG&A expenses in this segment comprised labor costs, marketing and advertising, utilities expenses, repairs and maintenance, and property taxes.

Within our Distributed Gaming segment, SG&A expenses increased \$4.8 million or 18%, primarily due to the opening of six new taverns in the Las Vegas Valley in 2019 as well as a full year of expenses from the three taverns opened in 2018. The majority of SG&A expenses in this segment comprised payroll and payroll taxes, marketing, building and rent expense, insurance and property taxes.

Corporate SG&A expenses increased \$9.5 million, or 19% compared to the prior year, primarily from labor costs and professional services in accounting. The majority of SG&A expense in this segment comprised of corporate office overhead, information technology, legal, accounting, third party service providers, executive compensation, share based compensation, payroll expenses and payroll taxes.

Acquisition and Severance Expenses

Acquisition and severance expenses during the year ended December 31, 2019 related primarily to the Laughlin Acquisition, which closed on January 14, 2019 and subsequent integration activities. During the prior year, acquisition expenses primarily related to the American Acquisition and the Laughlin Acquisition.

Preopening Expenses

Preopening expenses consist of labor, food, utilities, training, initial licensing, rent and organizational costs incurred. Non-capital costs associated with the opening of tavern and casino locations are also expensed as preopening expenses as incurred.

During 2019 and 2018, preopening expenses related primarily to costs incurred in the opening of new taverns in the Las Vegas Valley.

Depreciation and Amortization

Depreciation and amortization expenses increased \$22.1 million, or 23%, compared to the prior year, primarily due to the depreciation of the assets and the amortization of the intangibles acquired in the Laughlin Acquisition.

Non-Operating Expense, Net

Non-operating expense, net increased \$25.3 million compared to the prior year, primarily due to a \$10.2 million increase in interest expense from the higher level of indebtedness following the consummation of the Laughlin Acquisition, and a loss on change in fair value of derivative of \$3.7 million. Non-operating expense, net in 2019 also included \$5.5 million related to a loss on extinguishment of debt.

Income Taxes

Income tax benefit for the year ended December 31, 2019 was approximately \$1.9 million, which resulted primarily from the change in valuation allowance. Income tax expense for the year ended December 31, 2018 was approximately \$9.6 million, attributable primarily to the change in valuation allowance. The effective tax rate was 4.5% for the year ended December 31, 2019, which differed from the federal tax rate of 21% due primarily to the change in valuation allowance. The effective tax rate for the year ended December 31, 2018 was (85.5)%, which differed from the federal tax rate of 21% due primarily to the change in valuation allowance.

As of December 31, 2019, we evaluated all available positive and negative evidence related to our ability to utilize our deferred tax assets. We considered the expected future taxable income (and losses) and deductions from existing deferred tax assets and liabilities, net operating loss carryforwards, tax credit carryforwards, and other factors in reaching the conclusion that the deferred tax assets are not currently expected to be realized, and that therefore, the valuation allowance against the deferred tax assets required adjustment.

The Company recognizes penalties and interest related to uncertain tax benefits in the provision for income taxes.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

For a discussion of our results of operations for the year ended December 31, 2018 as compared to the year ended December 31, 2017, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 21, 2018.

Non-GAAP Measures

To supplement our consolidated financial statements presented in accordance with United States generally accepted accounting principles (“GAAP”), we use Adjusted EBITDA, a measure we believe is appropriate to provide meaningful comparison with, and to enhance an overall understanding of, our past financial performance and prospects for the future. We believe Adjusted EBITDA provides useful information to both management and investors by excluding specific expenses and gains that we believe are not indicative of our core operating results. Further, Adjusted EBITDA is a measure of operating performance used by management, as well as industry analysts, to evaluate operations and operating performance and is widely used in the gaming industry. The presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with GAAP. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do. A reconciliation of net income (loss) to Adjusted EBITDA is provided in the table below.

We define “Adjusted EBITDA” as earnings before interest and other non-operating income (expense), income taxes, depreciation and amortization, preopening expenses, acquisition and severance expenses, loss on disposal of assets, share-based compensation expenses, gain on contingent consideration, loss on extinguishment of debt, gain/loss on change in fair value of derivative, and other operating expenses.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA:

| <i>(In thousands)</i> | Year Ended December 31, | | |
|--|-------------------------|-------------------|------------------|
| | 2019 | 2018 | 2017 |
| Net income (loss) | \$ (39,545) | \$ (20,914) | \$ 2,084 |
| Depreciation and amortization | 116,592 | 94,456 | 40,786 |
| Preopening and related expenses ⁽¹⁾ | 4,548 | 1,171 | 1,632 |
| Acquisition and severance expenses | 3,488 | 3,740 | 6,183 |
| Asset disposal and other writedowns | 1,309 | 3,336 | 441 |
| Share-based compensation | 10,124 | 9,988 | 8,754 |
| Other, net | 2,216 | 1,088 | 1,460 |
| Gain on contingent consideration | — | — | (1,719) |
| Interest expense, net | 74,220 | 64,028 | 19,598 |
| Loss on extinguishment of debt | 9,150 | — | 1,708 |
| Change in fair value of derivative | 4,168 | (1,786) | (178) |
| Income tax provision (benefit) | (1,876) | 9,639 | (7,921) |
| Adjusted EBITDA | <u>\$ 184,394</u> | <u>\$ 164,746</u> | <u>\$ 72,828</u> |

- (1) Preopening and related expenses include rent, organizational costs, non-capital costs associated with the opening of tavern and casino locations, and expenses related to The Strat rebranding and the launch of the True Rewards loyalty program.

Liquidity and Capital Resources

As of December 31, 2019, we had \$111.7 million in cash and cash equivalents. We currently believe that our cash and cash equivalents, cash flows from operations and borrowing availability under our revolving credit facility will be sufficient to meet our capital requirements during the next 12 months.

Our operating results and performance depend significantly on national, regional and local economic conditions and their effect on consumer spending. Declines in consumer spending would cause revenues generated in both our Casinos and Distributed Gaming segments to be adversely affected.

To further enhance our liquidity position or to finance any future acquisition or other business investment initiatives, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private credit and capital markets. In January 2018, the SEC declared our universal shelf registration statement effective for the future sale of up to \$150.0 million in aggregate amount of common stock, preferred stock, debt securities, warrants and units and the resale of up to approximately 8.0 million shares of our common stock held by the selling security holders named therein. The securities may be offered from time to time, separately or together, directly by us or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering.

In January 2018, we completed an underwritten public offering pursuant to our universal shelf registration statement, in which certain of our shareholders resold an aggregate of 6.5 million shares of our common stock, and we sold 975,000 newly issued shares of our common stock. Our net proceeds from the offering were approximately \$25.6 million after deducting underwriting discounts and offering expenses.

In April 2019, we issued \$375 million of 2026 Notes in a private placement to institutional buyers at face value. The net proceeds of the 2026 Notes were used to (i) repay our former \$200 million Second Lien Term Loan, (ii) repay outstanding borrowings under our revolving credit facility under our Credit Facility, (iii) repay \$18 million of the outstanding term loan indebtedness under our Credit Facility, and (iv) pay accrued interest, fees and expenses related to each of the foregoing.

Cash Flows

Net cash provided by operating activities was \$113.9 million for the year end December 31, 2019 compared to \$98.0 million for the prior year. The increase was primarily due to the flow-through effect of higher revenues from the Laughlin Acquisition.

Net cash used in investing activities was \$256.1 million for the year ended December 31, 2019, which included \$107.3 million for capital expenditures and \$149.0 million for the Laughlin Acquisition. Net cash used in investing activities was \$69.2 million for the year ended December 31, 2018, which included \$68.2 million for capital expenditures.

Net cash provided by financing activities was \$137.8 million for the year ended December 31, 2019, which primarily related to \$375.0 million of proceeds from the issuance of the 2026 Notes offset by \$220.0 million of repayments under our Credit Facility. Net cash used in financing activities was \$3.3 million for the year ended December 31, 2018, which primarily related to \$19.6 million of stock repurchases authorized in November 2018 and \$8.0 million of repayments under our Credit Facility, offset by \$25.6 million of net proceeds to us in the underwritten public offering completed in January 2018.

Senior Secured Credit Facility

In October 2017, we entered into the Credit Facility, then consisting of a \$800 million term loan and a \$100 million revolving credit facility. The revolving credit facility was subsequently increased from \$100 million to \$200 million in 2018.

As of December 31, 2019, we had \$772 million in outstanding term loan borrowings under the Credit Facility, no letters of credit outstanding under the Credit Facility, and our revolving credit facility was undrawn, leaving borrowing availability under the revolving credit facility as of December 31, 2019 of \$200 million.

Borrowings under the Credit Facility bear interest, at our option, at either (1) a base rate equal to the greatest of the federal funds rate plus 0.50%, the applicable administrative agent's prime rate as announced from time to time, or the LIBOR rate for a one-month interest period plus 1.00%, subject to a floor of 1.75% (with respect to the term loan) or 1.00% (with respect to borrowings under the revolving credit facility) or (2) the LIBOR rate for the applicable interest period, subject to a floor of 0.75% (with respect to the term loan only), plus in each case, an applicable margin. The applicable margin for the term loan under the Credit Facility is 2.00% for base rate loans and 3.00% for LIBOR rate loans. The applicable margin for borrowings under the revolving credit facility ranges from

1.50% to 2.00% for base rate loans and 2.50% to 3.00% for LIBOR rate loans, based on our net leverage ratio. The commitment fee for the revolving credit facility is payable quarterly at a rate of 0.375% or 0.50%, depending on our net leverage ratio, and is accrued based on the average daily unused amount of the available revolving commitment. As of December 31, 2019, the weighted-average effective interest rate on our outstanding borrowings under the Credit Facility was approximately 5.3%.

The revolving credit facility matures on October 20, 2022, and the term loan under the Credit Facility matures on October 20, 2024. The term loan under the Credit Facility is repayable in 27 quarterly installments of \$2 million each, which commenced in March 2018, followed by a final installment of \$746 million at maturity.

Borrowings under the Credit Facility are guaranteed by each of our existing and future wholly-owned domestic subsidiaries (other than certain insignificant or unrestricted subsidiaries) and are secured by substantially all of the present and future assets of Golden and our subsidiary guarantors (subject to certain exceptions).

Under the Credit Facility, we and our restricted subsidiaries are subject to certain limitations, including limitations on our respective ability to: incur additional debt, grant liens, sell assets, make certain investments, pay dividends and make certain other restricted payments. In addition, we will be required to pay down the term loan under the Credit Facility under certain circumstances if we or our restricted subsidiaries issue debt, sell assets, receive certain extraordinary receipts or generate excess cash flow (subject to exceptions). The revolving credit facility contains a financial covenant regarding a maximum net leverage ratio that applies when borrowings under the revolving credit facility exceed 30% of the total revolving commitment. The Credit Facility also prohibits the occurrence of a change of control, which includes the acquisition of beneficial ownership of 50% or more of our capital stock (other than by certain permitted holders, which include, among others, Blake L. Sartini, Lyle A. Berman, and certain affiliated entities). If we default under the Credit Facility due to a covenant breach or otherwise, the lenders may be entitled to, among other things, require the immediate repayment of all outstanding amounts and sell our assets to satisfy the obligations thereunder. We were in compliance with our financial covenants under the Credit Facility as of December 31, 2019.

Senior Notes due 2026

On April 15, 2019, we issued \$375 million of 2026 Notes in a private placement to institutional buyers at face value. The 2026 Notes bear interest at 7.625%, payable semi-annually on April 15th and October 15th of each year.

In conjunction with the issuance of the 2026 Notes, we incurred approximately \$6.7 million in debt financing costs and fees that have been deferred and are being amortized over the term of the 2026 Notes using the effective interest method.

The net proceeds of the 2026 Notes were used to (i) repay our former \$200 million Second Lien Term Loan, (ii) repay outstanding borrowings under the revolving credit facility under our Credit Facility, (iii) repay \$18 million of the outstanding term loan indebtedness under the Credit Facility, and (iv) pay accrued interest, fees and expenses related to each of the foregoing.

The 2026 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on April 15, 2022 at a redemption price of 103.813%, during the 12 months beginning on April 15, 2023 at a redemption price of 101.906%, and at any time on or after April 15, 2024 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date. Prior to April 15, 2022, we may redeem up to 40% of the 2026 Notes at a redemption price of 107.625% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. Prior to April 15, 2022, we may also redeem the 2026 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and an Applicable Premium (as defined in the Indenture), if any, thereon to the redemption date.

The 2026 Notes are guaranteed on a senior unsecured basis by each of our existing and future wholly-owned domestic subsidiaries that guarantees the Credit Facility. The 2026 Notes are our and the subsidiary guarantors' general senior unsecured obligations and rank equally in right of payment with all of our respective existing and future unsecured unsubordinated debt. The 2026 Notes are effectively junior in right of payment to our and the subsidiary guarantors' existing and future secured debt, including under the Credit Facility (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of any of our subsidiaries that do not guarantee the 2026 Notes, and are senior in right of payment to all of our and the subsidiary guarantors' existing and future subordinated indebtedness.

Under the Indenture, we and our restricted subsidiaries are subject to certain limitations, including limitations on our respective ability to: incur additional debt, grant liens, sell assets, make certain investments, pay dividends and make certain other restricted payments. In the event of a change of control (which includes the acquisition of more than 50% of our capital stock, other than by certain permitted holders, which include, among others, Blake L. Sartini, Lyle A. Berman, and certain affiliated entities), each holder will have the right to require us to repurchase all or any part of such holder's 2026 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2026 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase.

Expenses Related to Extinguishment and Modification of Debt

In April 2019, we recognized a \$5.5 million loss on extinguishment of debt and \$3.7 million of expense related to modification of debt, related to the repayment of our Second Lien Term Loan and an \$18 million prepayment of the term loan under our Credit Facility.

Share Repurchase Program

On November 7, 2018, our Board of Directors authorized the repurchase of up to \$25.0 million shares of common stock, subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. During the year ended December 31, 2018, we repurchased approximately 1.2 million shares of our common stock in open market transactions for approximately \$19.6 million at an average price of \$16.06 per share. The November 7, 2018 authorization was replaced on March 12, 2019, when our Board of Directors authorized us to repurchase up to \$25.0 million worth of additional shares of common stock, subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. Share repurchases may be made from time to time in open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements, including compliance with our finance agreements. There is no minimum number of shares that we are required to repurchase and the repurchase program may be suspended or discontinued at any time without prior notice. No shares were repurchased under our share repurchase program during the year ended December 31, 2019.

Other Items Affecting Liquidity

The outcome of the following specific matters, including our commitments and contingencies, may also affect our liquidity.

Commitments, Capital Spending and Development

We perform on-going refurbishment and maintenance at our facilities, of which certain maintenance costs are capitalized if such improvement or refurbishment extends the life of the related asset, while other maintenance costs that do not so qualify are expensed as incurred. The commitment of capital and the related timing thereof are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate regulatory bodies. We intend to fund such capital expenditures through our revolving credit facility and operating cash flows.

See Note 14, *Commitments and Contingencies*, in the accompanying consolidated financial statements for additional information regarding commitments and contingencies that may also affect our liquidity.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2019:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|-------------------|-------------------|-------------------|-------------------|------------------|---------------------|---------------------|
| <i>(In thousands)</i> | | | | | | | |
| Term loan | \$ — | \$ 4,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 744,000 | \$ 772,000 |
| Senior Notes due 2026 | — | — | — | — | — | 375,000 | 375,000 |
| Notes payable | 4,835 | 1,495 | 25 | 14 | — | — | 6,369 |
| Interest on long-term debt ⁽¹⁾ | 67,890 | 67,651 | 67,303 | 66,898 | 57,056 | 38,125 | 364,923 |
| Operating leases ⁽²⁾ | 45,171 | 43,653 | 37,218 | 31,540 | 30,490 | 101,441 | 289,513 |
| Finance lease obligations ⁽³⁾ | 4,442 | 3,953 | 2,617 | 529 | 227 | 3,828 | 15,596 |
| Purchase obligations ⁽⁴⁾ | 973 | 1,296 | 1,320 | 910 | 922 | 5,734 | 11,155 |
| | <u>\$ 123,311</u> | <u>\$ 122,048</u> | <u>\$ 116,483</u> | <u>\$ 107,891</u> | <u>\$ 96,695</u> | <u>\$ 1,268,128</u> | <u>\$ 1,834,556</u> |

(1) Represents estimated interest payments on our outstanding term loan balance based on interest rates as of December 31, 2019 until maturity. Includes interest on senior notes and notes payable.

(2) Includes total operating lease interest obligations of \$71.3 million.

(3) Includes total finance lease interest obligations of \$3.1 million.

(4) Represents obligations related to license agreements.

Other Opportunities

We may investigate and pursue expansion opportunities in our existing or new markets from time to time. Such expansions will be influenced and determined by a number of factors, which may include licensing availability and approval, suitable investment opportunities and availability of acceptable financing. Investigation and pursuit of such opportunities may require us to make substantial investments or incur substantial costs, which we may fund through cash flows from operations or borrowing availability under our revolving credit facility. To the extent such sources of funds are not sufficient, we may also seek to raise such additional funds through public or private equity or debt financings or from other sources. No assurance can be given that additional financing will be available or that, if available, such financing will be obtainable on terms favorable to us. Moreover, we can provide no assurances that the investigation or pursuit of an opportunity will result in a completed transaction.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates and judgments, including those related to the application of the acquisition method of accounting, long-lived assets, goodwill and indefinite-lived intangible assets, revenue recognition, income taxes and share-based compensation expenses. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

The following represent our accounting policies that involve the more significant judgments and estimates used in the preparation of our consolidated financial statement. See Note 2, *Summary of Significant Accounting Policies*, in the accompanying consolidated financial statements for information regarding our significant accounting policies.

Property and Equipment

Property and equipment, net was \$1,047 million as of December 31, 2019, comprising 60.1% of our consolidated total assets. We evaluate the carrying value whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If triggering events are identified, we then compare the estimated undiscounted future cash flows of such assets to the carrying value of the assets. Any such assets are not impaired if the undiscounted future cash flows exceed their carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using our weighted-average cost of capital and market indicators of terminal year free cash flow multiples.

Property and equipment must be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use the asset, a change in its physical condition, or an unexpected change in financial performance.

We reconsider changes in circumstances on a frequent basis, as well as whenever a triggering event related to potential impairment has occurred. There are three generally accepted approaches available in developing an opinion of value: the cost, sales comparison and income approaches. We generally consider each of these approaches in developing a recommendation of the fair value of the asset; however, the reliability of each approach is dependent upon the availability and comparability of the market data uncovered, as well as the decision-making criteria used by market participants when evaluating an asset. We will bifurcate our investment and apply the most indicative approach to overall fair valuation, or in some cases, a weighted analysis of any or all of these methods. Given the need for significant judgements in conducting such valuations, we may engage the assistance of independent valuation firms.

Goodwill

We test our goodwill for impairment annually during the fourth quarter of each year, and whenever events or circumstances indicate that it is more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and we consider each of our operating properties to be a separate reporting unit.

When performing the annual goodwill impairment testing, we either conduct a qualitative assessment to determine whether it is more likely than not that the asset is impaired or elect to bypass this qualitative assessment and perform a quantitative test for impairment. Under the qualitative assessment, we consider both positive and negative factors, including macroeconomic conditions, industry events, financial performance and other changes, and make a determination of whether it is more likely than not that the fair value of goodwill is less than its carrying amount. If, after assessing the qualitative factors, we determine it is more likely than not the asset is impaired, we perform a quantitative test in which the estimated fair value of the reporting unit is compared with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to the excess, limited to the amount of goodwill allocated to the reporting unit.

When performing the quantitative test, we estimate the fair value of each reporting unit using the expected present value of future cash flows along with value indications based on our current valuation multiple and multiples of comparable publicly traded companies. The estimation of fair value requires management to make critical estimates, judgments and assumptions, including estimating expected future cash flows and selecting appropriate discount rates, valuation multiples and market comparables. Application of alternative estimates and assumptions could produce significantly different results.

As of our 2019 annual goodwill testing date, the estimated fair values of each of our properties exceeded their respective carrying amounts. If the fair value of any of our properties should decline in the future, we may be required to recognize a goodwill impairment charge, which could be material. A property's fair value may decline as a result of a decrease in the property's actual or projected operating results or changes in significant assumptions and judgments used in the estimation process, including the discount rate and market multiple.

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets include trade names and licenses. The fair value of our trade names is estimated using the income approach to valuation at each of our reporting units. We test our indefinite-lived intangible assets for impairment annually during the fourth quarter of each year, and whenever events or circumstances indicate that it is more likely than not that an asset is impaired. Indefinite-lived intangible assets are not amortized unless it is determined that an asset's useful life is no longer indefinite. We periodically review our indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If an indefinite-lived intangible asset no longer has an indefinite life, the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset.

Finite-Lived Intangible Assets

Our finite-lived intangible assets primarily represent assets related to our customer relationships, player relationships, non-compete agreements and leasehold interest, which are amortized over their estimated useful lives using the straight-line method. We periodically evaluate the remaining useful lives of our finite-lived intangible assets to determine whether events or circumstances warrant a revision to the remaining period of amortization.

Lessee Arrangements

We are the lessee under non-cancelable real estate leases, equipment leases and space agreements. Beginning on January 1, 2019 (the date of our adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842")), operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term. Our lease terms may include options to extend or terminate the lease. We assess these options using a threshold of reasonably certain. For leases we are reasonably certain to renew, those option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Our lease agreements for land, buildings and taverns with lease and non-lease components are accounted for separately. The lease and non-lease components of certain vehicle and equipment leases are accounted for as a single lease component. Additionally, for certain vehicle and equipment leases, a portfolio approach is utilized to effectively account for the operating lease ROU assets and liabilities.

As most of our leases do not provide an implicit rate, the incremental borrowing rate is estimated based on the information available at the commencement date in determining the present value of lease payments. The implicit rate will be used when readily determinable. The operating lease ROU assets also include any prepaid lease payments made and are net of lease incentives. We do not record an asset or liability for operating leases with a term of 12 months or less. Prior to the adoption of Topic 842 on January 1, 2019, we did not record an asset or liability for any of our operating leases.

Lessor Arrangements

We are the lessor under non-cancelable operating leases for retail and food and beverage outlet space within our resort casino properties. The lease arrangements generally include minimum base rent and/or contingent rental clauses based on a percentage of net sales exceeding minimum base rent. Generally, the terms of the leases range between five and 10 years, with options to extend the leases. We record revenue on a straight-line basis over the term of the lease and recognizes revenue for contingent rentals when the contingency has been resolved. We have elected to combine lease and non-lease components for the purpose of measuring lease revenue. Revenue is recorded in other operating revenue on the consolidated statements of operations.

Acquisition Method of Accounting

Accounting for acquisitions requires that assets acquired and liabilities assumed be recorded at their respective fair values as of the date of acquisition. The fair values of identifiable intangible assets are estimated using both the cost approach and an income approach, including the excess earnings, relief from royalty, cost savings method and the with-and-without methods. This requires significant estimates in determining the fair values, including market participant assumptions, projected financial information, estimates of expected cash flows, brand recognition, customer attrition rates and discount rates. Given the need for such significant judgments, we may engage the assistance of independent valuation firms. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Our estimates of the fair values of assets acquired and liabilities assumed are based upon assumptions believed to be reasonable, but are inherently unpredictable and uncertain. During the measurement period, which is up to one year from the acquisition date, we may record measurement period adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. Transaction costs are expensed as incurred in our consolidated statement of operations.

Revenue Recognition

Revenue from contracts with customers primarily consists of casino wagers, room sales, food and beverage transactions, rental income from our retail tenants and entertainment sales.

Casino gaming revenues are the aggregate of gaming wins and losses. The commissions rebated to premium players for cash discounts and other cash incentives to patrons related to gaming play are recorded as a reduction to casino gaming revenues. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis to incentivize gaming or in exchange for points earned under our loyalty programs.

We generally enter into three types of slot and amusement device placement contracts as part of our distributed gaming business: space agreements, revenue share agreements and participation agreements. Under space agreements, we pay a fixed monthly rental fee for the right to install, maintain and operate our slots at a business location. Under these agreements, we recognize all gaming revenue and record fixed monthly rental fees as gaming expenses. Under revenue share agreements, we pay the business location a percentage of the gaming revenue generated from our slots placed at the location and record that amount as an expense. With regard to both space and revenue share agreements, we hold the applicable gaming license to conduct gaming at the location (although revenue share locations are required to obtain separate regulatory approval to receive a percentage of the gaming revenue). Under participation agreements, the business location holds the applicable gaming license and retains a percentage of the gaming revenue that it generates from our slots, which we record as an expense. In Montana, our slot and amusement device placement contracts are all participation agreements. In our distributed gaming business, we consider our customers to be the gaming player since we control all aspects of the slot machines. Due to the maintaining of control of the services directly before they are transferred to the customer, we are considered to be the principal in these transactions and therefore record revenue on a gross basis.

For wagering contracts that include complimentary products and services provided by us to incentivize gaming, we allocate the stand-alone selling price of each product and service to the respective revenue type. Complimentary products or services provided under our control and discretion that are supplied by third parties are recorded as an operating expense.

For wagering contracts that include products and services provided to a patron in exchange for points earned under our loyalty program, True Rewards, we allocate the estimated stand-alone selling price of the points earned to the loyalty program liability. Upon redemption of loyalty program points for Golden-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party. Any discounts received by us from the third party in connection with this transaction are recorded to other revenue.

After allocation to the other revenue types for products and services provided to patrons as part of a wagering contract, the residual amount is recorded to casino gaming revenue as soon as the wager is settled. As all wagers have similar characteristics, we account for our gaming contracts collectively on a portfolio basis.

Revenue from leases is primarily recorded to other revenues and is generated from base rents through long-term leases with retail tenants. Base rent, adjusted for contractual escalations, is recognized on a straight-lined basis over the term of the related lease. Overage rent is paid by a tenant when its sales exceed an agreed upon minimum amount and is not recognized by us until the threshold is met.

Food, beverage, and retail revenues are recorded at the time of sale. Room revenue is recorded at the time of occupancy. Sales taxes and surcharges collected from customers and remitted to governmental authorities are presented on a net basis.

Recently Issued Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, in the accompanying consolidated financial statements for information regarding recently issued accounting pronouncements.

Regulation and Taxes

The casino and distributed gaming industries are subject to extensive regulation by state gaming authorities. Changes in applicable laws or regulations could have a material adverse effect on us.

The gaming industry represents a significant source of tax revenues to regulators. From time to time, various federal and state legislators and officials have proposed changes in tax law, or in the administration of such law, affecting the gaming industry. It is not possible to determine the likelihood of possible changes in tax law or in the administration of such law. Such changes, if adopted, could have a material adverse effect on our future financial position, results of operations, cash flows and prospects. See the “*Regulation*” section included in Part I, Item 1 of this Annual Report on Form 10-K for further discussion of applicable regulations.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to market risk is interest rate risk associated with our variable rate long-term debt. As of December 31, 2019, our variable rate long-term debt primarily comprised our indebtedness under the Credit Facility.

As of December 31, 2019, we had \$772 million of outstanding borrowings under the Credit Facility. Our primary interest rate under the Credit Facility is the Eurodollar rate plus an applicable margin. As of December 31, 2019, the weighted-average effective interest rate on our outstanding borrowings under the Credit Facility was approximately 5.3%. Assuming the outstanding balance under our Credit Facility remained constant over a year, a 50 basis point increase in the applicable interest rate would increase interest incurred, prior to effects of capitalized interest, by \$3.9 million over a twelve-month period.

As of December 31, 2019, our investment portfolio included \$111.7 million in cash and cash equivalents. As of December 31, 2019, we did not hold any short-term investments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

**GOLDEN ENTERTAINMENT, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

| | <u>Page</u> |
|--|-------------|
| Reports of Independent Registered Public Accounting Firms..... | 45 |
| Consolidated Balance Sheets | 49 |
| Consolidated Statements of Operations | 50 |
| Consolidated Statements of Shareholders' Equity..... | 51 |
| Consolidated Statements of Cash Flows..... | 52 |
| Notes to Consolidated Financial Statements..... | 54 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Golden Entertainment, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Golden Entertainment, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15 (a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years ended December 31, 2019, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, 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 March 13, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and the related amendments.

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 audit. 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Las Vegas, Nevada
March 13, 2020

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Stockholders and the Board of Directors
Golden Entertainment, Inc.

Opinion on the Financial Statements and Schedule. We have audited the accompanying consolidated statements of operations, shareholders' equity, and cash flows of Golden Entertainment, Inc (the "Company") for the year ended December 31, 2017, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the Company's consolidated results of operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States (U.S).

Change in Accounting Principle. As discussed in Note 3, the financial statements have been restated as a result of the Company's election of the full retrospective method of its 2018 adoption of the Financial Accounting Standards Board's *Accounting Standards Codification* Topic 606, "Revenue from Contracts with Customers."

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 Public Company Accounting Oversight Board (United States) (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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We began serving as the Company's auditors in 2005, and did so continuously until 2017.

/s/ Piercy Bowler Taylor & Kern
Certified Public Accountants

Las Vegas, Nevada
March 15, 2018, except with respect to the effects of the restatement discussed in Note 3 as to which the date is
March 15, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Golden Entertainment, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Golden Entertainment, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Golden Entertainment, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Edgewater Gaming, LLC and Colorado Belle Gaming, LLC (the Laughlin Entities), with the exception of accounts payable and property and equipment internal controls, which are included in the 2019 consolidated financial statements of the Company and constituted 1.0% of total assets as of December 31, 2019 and 9.3% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the Laughlin Entities, with the exception of accounts payable and property and equipment internal controls.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of Golden Entertainment, Inc. and subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2019, and the related notes and schedules listed in the Index at Item 15 (a)(2), and our report dated March 13, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Las Vegas, Nevada
March 13, 2020

GOLDEN ENTERTAINMENT, INC.
Consolidated Balance Sheets
(In thousands, except per share data)

| | December 31, | |
|--|--------------|--------------|
| | 2019 | 2018 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 111,678 | \$ 116,071 |
| Accounts receivable, net of allowance of \$599 and \$503, respectively | 16,247 | 12,779 |
| Prepaid expenses | 19,879 | 17,722 |
| Inventories | 8,237 | 6,759 |
| Other | 4,388 | 3,428 |
| Total current assets | 160,429 | 156,759 |
| Property and equipment, net | 1,046,536 | 894,953 |
| Operating lease right-of-use assets, net | 203,531 | — |
| Goodwill | 184,325 | 158,134 |
| Intangible assets, net | 135,151 | 141,128 |
| Other assets | 10,945 | 15,595 |
| Total assets | \$ 1,740,917 | \$ 1,366,569 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt and finance leases | \$ 8,497 | \$ 10,480 |
| Current portion of operating leases | 33,883 | — |
| Accounts payable | 30,146 | 27,812 |
| Accrued taxes, other than income taxes | 7,495 | 6,540 |
| Accrued payroll and related | 27,221 | 19,780 |
| Accrued liabilities | 25,522 | 18,848 |
| Total current liabilities | 132,764 | 83,460 |
| Long-term debt, net and finance leases | 1,130,374 | 960,563 |
| Non-current operating leases | 184,301 | — |
| Deferred income taxes | 1,088 | 2,593 |
| Other long-term obligations | 2,646 | 4,801 |
| Total liabilities | 1,451,173 | 1,051,417 |
| Commitments and contingencies (Note 14) | | |
| Shareholders' equity | | |
| Common stock, \$.01 par value; authorized 100,000 shares; 27,879 and 26,779 common shares issued and outstanding, respectively | 279 | 268 |
| Additional paid-in capital | 461,643 | 435,245 |
| Accumulated deficit | (172,178) | (120,361) |
| Total shareholders' equity | 289,744 | 315,152 |
| Total liabilities and shareholders' equity | \$ 1,740,917 | \$ 1,366,569 |

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

GOLDEN ENTERTAINMENT, INC.
Consolidated Statements of Operations
(In thousands, except per share data)

| | Year Ended December 31, | | |
|---|-------------------------|--------------------|-----------------|
| | 2019 | 2018 | 2017 |
| Revenues | | | |
| Gaming | \$ 578,803 | \$ 525,176 | \$ 381,396 |
| Food and beverage | 202,933 | 170,453 | 81,304 |
| Rooms | 132,193 | 106,805 | 24,163 |
| Other | 59,481 | 49,360 | 20,275 |
| Total revenues | <u>973,410</u> | <u>851,794</u> | <u>507,138</u> |
| Expenses | | | |
| Gaming | 334,941 | 311,657 | 259,579 |
| Food and beverage | 159,728 | 138,114 | 69,194 |
| Rooms | 62,510 | 49,129 | 10,350 |
| Other operating | 21,333 | 15,332 | 7,176 |
| Selling, general and administrative | 225,848 | 183,892 | 98,382 |
| Depreciation and amortization | 116,592 | 94,456 | 40,786 |
| Acquisition and severance expenses | 3,488 | 3,740 | 6,183 |
| Preopening expenses | 1,934 | 1,171 | 1,632 |
| Loss on disposal of assets | 919 | 3,336 | 441 |
| Gain on contingent consideration | — | — | (1,719) |
| Other operating, net | — | — | (157) |
| Total expenses | <u>927,293</u> | <u>800,827</u> | <u>491,847</u> |
| Operating income | <u>46,117</u> | <u>50,967</u> | <u>15,291</u> |
| Non-operating income (expense) | | | |
| Interest expense, net | (74,220) | (64,028) | (19,598) |
| Loss on extinguishment and modification of debt | (9,150) | — | (1,708) |
| Change in fair value of derivative | (4,168) | 1,786 | 178 |
| Total non-operating expense, net | <u>(87,538)</u> | <u>(62,242)</u> | <u>(21,128)</u> |
| Income (loss) before income tax benefit (provision) | <u>(41,421)</u> | <u>(11,275)</u> | <u>(5,837)</u> |
| Income tax benefit (provision) | 1,876 | (9,639) | 7,921 |
| Net income (loss) | <u>\$ (39,545)</u> | <u>\$ (20,914)</u> | <u>\$ 2,084</u> |
| Weighted-average common shares outstanding | | | |
| Basic | 27,746 | 27,553 | 23,105 |
| Dilutive impact of stock options and restricted stock units | — | — | 1,555 |
| Diluted | <u>27,746</u> | <u>27,553</u> | <u>24,660</u> |
| Net income (loss) per share | | | |
| Basic | <u>\$ (1.43)</u> | <u>\$ (0.76)</u> | <u>\$ 0.09</u> |
| Diluted | <u>\$ (1.43)</u> | <u>\$ (0.76)</u> | <u>\$ 0.08</u> |

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

GOLDEN ENTERTAINMENT, INC.
Consolidated Statements of Shareholders' Equity
(In thousands)

| | Common stock | | Additional Paid-In Capital | Accumulated Deficit | Total Shareholders' Equity |
|---|---------------|---------------|----------------------------------|------------------------|----------------------------------|
| | Shares | Amount | | | |
| Balances, December 31, 2016 | 22,232 | \$ 223 | \$ 290,157 | \$ (80,954) | \$ 209,426 |
| Proceeds from issuance of stock on options exercised | 135 | 1 | 168 | — | 169 |
| Share-based compensation | — | — | 8,754 | — | 8,754 |
| Tax benefit from share-based compensation | — | — | (1,015) | — | (1,015) |
| Share issuance related to business combination | 4,046 | 40 | 101,446 | — | 101,486 |
| Cumulative effect, change in accounting for revenue recognition related to business combination | — | — | — | (991) | (991) |
| Net income | — | — | — | 2,084 | 2,084 |
| Balances, December 31, 2017 | 26,413 | 264 | 399,510 | (79,861) | 319,913 |
| Proceeds from issuance of stock on options exercised | 610 | 6 | 1,316 | — | 1,322 |
| Share-based compensation | — | — | 9,641 | — | 9,641 |
| Repurchases of common stock | (1,219) | (12) | — | (19,586) | (19,598) |
| Tax benefit from share-based compensation | — | — | (820) | — | (820) |
| Issuance of common stock, net of offering costs | 975 | 10 | 25,598 | — | 25,608 |
| Net loss | — | — | — | (20,914) | (20,914) |
| Balances, December 31, 2018 | 26,779 | 268 | 435,245 | (120,361) | 315,152 |
| Cumulative effect of change in accounting for leases, net of tax | — | — | — | (12,272) | (12,272) |
| Proceeds from issuance of common stock, net of issuance costs | 189 | 2 | 55 | — | 57 |
| Share-based compensation | — | — | 10,045 | — | 10,045 |
| Share issuance related to business combination | 911 | 9 | 16,599 | — | 16,608 |
| Tax benefit from share-based compensation | — | — | (301) | — | (301) |
| Net loss | — | — | — | (39,545) | (39,545) |
| Balances, December 31, 2019 | <u>27,879</u> | <u>\$ 279</u> | <u>\$ 461,643</u> | <u>\$ (172,178)</u> | <u>\$ 289,744</u> |

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

GOLDEN ENTERTAINMENT, INC.
Consolidated Statements of Cash Flows
(In thousands)

| | Year Ended December 31, | | |
|--|-------------------------|-----------------|------------------|
| | 2019 | 2018 | 2017 |
| Cash flows from operating activities | | | |
| Net income (loss) | \$ (39,545) | \$ (20,914) | \$ 2,084 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 116,592 | 94,456 | 40,786 |
| Amortization of debt issuance costs and discounts on debt | 4,532 | 5,062 | 1,593 |
| Share-based compensation | 10,045 | 9,641 | 8,754 |
| Loss on disposal of assets | 919 | 3,336 | 441 |
| Gain on revaluation of contingent consideration | — | — | (1,719) |
| Loss on extinguishment of debt | 9,150 | — | 1,708 |
| Change in fair value of derivative | 4,168 | (1,786) | (178) |
| Deferred income taxes | (1,505) | 10,380 | (7,825) |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (1,852) | 1,913 | (1,593) |
| Prepaid expenses | 460 | 1,469 | 74 |
| Inventories and other current assets | (1,497) | (1,775) | 1,553 |
| Other assets | 265 | (368) | (2,056) |
| Accounts payable and other accrued expenses | 11,569 | (4,915) | (22,519) |
| Accrued taxes, other than income taxes | 184 | (124) | 511 |
| Other liabilities | 420 | 1,575 | 488 |
| Net cash provided by operating activities | <u>113,905</u> | <u>97,950</u> | <u>22,102</u> |
| Cash flows from investing activities | | | |
| Purchase of property and equipment, net of change in construction payables | (107,267) | (68,175) | (29,463) |
| Acquisition of businesses, net of cash acquired | (148,953) | — | (724,473) |
| Purchase of intangibles and other assets | — | (1,134) | (2,220) |
| Proceeds from disposal of property and equipment | 247 | 103 | — |
| Other investing activities | (77) | — | (31) |
| Net cash used in investing activities | <u>(256,050)</u> | <u>(69,206)</u> | <u>(756,187)</u> |

GOLDEN ENTERTAINMENT, INC.
Consolidated Statements of Cash Flows – (Continued)
(In thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-------------------|------------------|
| | 2019 | 2018 | 2017 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of senior notes | 375,000 | — | — |
| Borrowings on revolving credit facility | 145,000 | — | 6,000 |
| Repayments of revolving credit facility | (145,000) | — | (36,000) |
| Proceeds from term loans | — | — | 969,000 |
| Repayments of term loans | (220,000) | (8,000) | (150,000) |
| Repayments of notes payable | (3,070) | (506) | (3,334) |
| Principal payments under finance leases | (2,485) | (1,039) | (610) |
| Payments for debt issuance costs | (6,686) | (219) | (4,035) |
| Payments for debt extinguishment and modification costs | (4,763) | — | — |
| Proceeds from issuance of common stock, net of issuance costs | 57 | 26,930 | 169 |
| Tax withholding on share-based payments | (301) | (820) | (1,015) |
| Repurchases of common stock | — | (19,598) | — |
| Purchase of derivative | — | — | (3,152) |
| Proceeds from leased equipment obligation | — | — | 743 |
| Net cash provided by (used in) financing activities | <u>137,752</u> | <u>(3,252)</u> | <u>777,766</u> |
| Cash and cash equivalents | | | |
| Change in cash and cash equivalents | (4,393) | 25,492 | 43,681 |
| Balance, beginning of period | 116,071 | 90,579 | 46,898 |
| Balance, end of period | <u>\$ 111,678</u> | <u>\$ 116,071</u> | <u>\$ 90,579</u> |
| Supplemental cash flow disclosures | | | |
| Cash paid for interest | \$ 63,735 | \$ 60,542 | \$ 14,143 |
| Cash paid (received) for income taxes, net | (193) | — | (84) |
| Non-cash investing and financing activities | | | |
| Payables incurred for capital expenditures | \$ 15,075 | \$ 11,597 | \$ 2,566 |
| Assets acquired under finance lease obligations | 7,559 | 2,398 | 2,758 |
| Loss on extinguishment of debt | 4,388 | — | — |
| Impairment of right-of-use asset | 12,272 | — | — |
| Common stock issued in connection with acquisitions | 16,608 | — | 101,486 |

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

GOLDEN ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Business

Golden Entertainment, Inc. and its wholly-owned subsidiaries (collectively, the “Company”) own and operate a diversified entertainment platform, consisting of a portfolio of gaming assets that focus on resort casino operations and distributed gaming (including gaming in the Company’s branded taverns).

The Company conducts its business through two reportable operating segments: Casinos and Distributed Gaming. The Company’s Casino segment involves the operation of ten resort casino properties in Nevada and Maryland, comprising:

| | |
|---|----------------------|
| The STRAT Hotel, Casino & SkyPod ("The Strat") | Las Vegas, Nevada |
| Arizona Charlie's Decatur | Las Vegas, Nevada |
| Arizona Charlie's Boulder | Las Vegas, Nevada |
| Aquarius Casino Resort ("Aquarius") | Laughlin, Nevada |
| Edgewater Hotel & Casino Resort ("Edgewater") | Laughlin, Nevada |
| Colorado Belle Hotel & Casino Resort ("Colorado Belle") | Laughlin, Nevada |
| Pahrump Nugget Hotel Casino ("Pahrump Nugget") | Pahrump, Nevada |
| Gold Town Casino | Pahrump, Nevada |
| Lakeside Casino & RV Park | Pahrump, Nevada |
| Rocky Gap Casino Resort ("Rocky Gap") | Flintstone, Maryland |

The Company’s Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana, and the operation of branded taverns targeting local patrons located primarily in the greater Las Vegas, Nevada metropolitan area.

On April 25, 2019, the Company issued \$375 million of 7.625% Senior Notes due 2026 (the “2026 Notes”) in a private placement to institutional buyers at face value. The 2026 Notes bear interest at 7.625%, payable semi-annually on April 15th and October 15th of each year. The net proceeds of the 2026 Notes were used to (i) repay the Company’s former \$200 million second lien term loan (the “Second Lien Term Loan”), (ii) repay outstanding borrowings under the Company’s revolving credit facility under the Company’s senior secured credit facility with JPMorgan Chase Bank, N.A. (as administrative agent and collateral agent), the lenders party thereto and the other entities party thereto (the “Credit Facility”), (iii) repay \$18 million of the outstanding term loan indebtedness under the Credit Facility, and (iv) pay accrued interest, fees and expenses related to each of the foregoing. See Note 8, *Debt*, in the accompanying consolidated financial statements for additional information.

On January 14, 2019, the Company completed the acquisition of Edgewater Gaming, LLC and Colorado Belle Gaming, LLC (the “Laughlin Entities”) from Marnell Gaming, LLC (“Marnell”) for \$156.2 million in cash (after giving effect to the post-closing adjustment provisions in the purchase agreement) and the issuance of 911,002 shares of the Company’s common stock to certain assignees of Marnell (the “Laughlin Acquisition”). The results of operations of the Laughlin Entities are included in the Company’s results subsequent to the acquisition date. See Note 4, *Acquisitions*, for information regarding the Laughlin Acquisition.

On October 20, 2017, the Company completed the acquisition of American Casino and Entertainment Properties LLC (“American”) from its former equity holders (the “American Acquisition”). The results of operations of American and its subsidiaries have been included in the Company’s results subsequent to the acquisition date. See Note 4, *Acquisitions*, for information regarding the American Acquisition.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates also include preliminary estimates of values assigned to assets acquired and liabilities assumed in connection with business combinations, including conclusions of useful lives, separate entity values and underlying valuation metrics and methods. These preliminary estimates could change significantly during the measurement period which can remain open for up to one year after the closing date of the business combination. See Note 4, *Acquisitions*, for further information regarding the Company’s business combinations.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in the consolidated financial statements for the previous years have been reclassified to be consistent with current year presentation. These reclassifications had no effect on previously reported net income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and highly-liquid investments with original maturities of three months or less. Although these balances may at times exceed the federal insured deposit limit, the Company believes such risk is mitigated by the quality of the institutions holding such deposits.

Accounts Receivable

Accounts receivable consist primarily of gaming, hotel and other receivables, net of an allowance for doubtful accounts. Accounts receivable are non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance is maintained to reduce the Company’s accounts receivable to their expected net realizable value based on specific reviews of customer accounts, historical collection experience and current economic and business conditions. Recoveries of accounts previously written off are recorded when received.

Inventories

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out and the average cost inventory methods.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Assets held under capital leases are stated at the lower of the present value of the future minimum lease payments or fair value at the inception of the lease. Expenditures for additions, renewals and improvements are capitalized. Costs of repairs and maintenance are expensed when incurred. A significant amount of the Company’s property and equipment was acquired through business acquisitions and therefore was initially recognized at fair value on the effective dates of the transactions. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

| | |
|--------------------------------|---------------|
| Building and site improvements | 10 - 45 years |
| Furniture and equipment | 3 - 15 years |
| Leasehold improvements | 2 - 15 years |

The Company reviews the carrying amounts of its long-lived assets, other than goodwill and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is evaluated by comparing the estimated future cash flows of the asset, on an undiscounted basis, to its carrying amount. If the undiscounted estimated future cash flows exceed the carrying amount, no impairment is indicated. If the undiscounted estimated future cash flows do not exceed the carrying amount, impairment is recorded based on the difference between the asset's estimated fair value and its carrying amount. To estimate fair values, the Company typically uses market comparables, when available, or a discounted cash flow model. Assets to be disposed of are carried at the lower of their carrying amount or fair value less costs of disposal. The fair value of assets to be disposed of is generally estimated based on comparable asset sales, solicited offers or a discounted cash flow model. The Company's long-lived asset impairment tests are performed at the reporting unit level. For the years ended December 31, 2019, 2018 and 2017, there were no impairment charges.

Goodwill

The Company tests its goodwill for impairment annually during the fourth quarter of each year, and whenever events or circumstances indicate that it is more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level.

When performing the annual goodwill impairment testing, the Company either conducts a qualitative assessment to determine whether it is more likely than not that the asset is impaired, or elects to bypass this qualitative assessment and perform a quantitative test for impairment. Under the qualitative assessment, the Company considers both positive and negative factors, including macroeconomic conditions, industry events, financial performance and other changes, and makes a determination of whether it is more likely than not that the fair value of goodwill is less than its carrying amount. If, after assessing the qualitative factors, the Company determines it is more likely than not the asset is impaired, it then performs a quantitative test in which the estimated fair value of the reporting unit is compared with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to the excess, limited to the amount of goodwill allocated to the reporting unit.

When performing the quantitative test, the Company estimates the fair value of each reporting unit using the expected present value of future cash flows along with value indications based on current valuation multiples of the Company and comparable publicly traded companies. The estimation of fair value involves significant judgment by management. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from such estimates. Cash flow estimates are based on the current regulatory, political and economic climates, recent operating information and projections. Such estimates could be negatively impacted by changes in federal, state or local regulations, economic downturns, competition, events affecting various forms of travel and access to the Company's properties, and other factors. If the Company's estimates of future cash flows are not met, it may have to record impairment charges in the future.

Indefinite-Lived Intangible Assets

The Company's indefinite-lived intangible assets include trade names and licenses. The fair value of the Company's trade names is estimated using the income approach to valuation at each of its reporting units. The Company tests its indefinite-lived intangible assets for impairment annually during the fourth quarter of each year, and whenever events or circumstances indicate that it is more likely than not that an asset is impaired. Indefinite-lived intangible assets are not amortized unless it is determined that an asset's useful life is no longer indefinite. The Company periodically reviews its indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If an indefinite-lived intangible asset no longer has an indefinite life, the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset.

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets primarily represent assets related to its customer relationships, player relationships, non-compete agreements and leasehold interest, which are amortized over their estimated useful lives using the straight-line method. The Company periodically evaluates the remaining useful lives of its finite-lived intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

The Company's customer relationship assets represent the value associated with space agreements and participation agreements with its distributed gaming customers acquired in an asset purchase or business acquisition. The Company's player relationships represent the value associated with its rated casino guests. The initial fair value of these intangible assets were determined using the income approach. The recoverability of the finite-lived intangible assets could be affected by, among other things, increased competition within the gaming industry, a downturn in the economy, declines in customer spending which would impact the expected future cash flows associated with the rated casino guests, declines in the number of customer visits which could impact the expected attrition rate of the rated casino guests, and erosion of operating margins associated with rated casino guests. Should events or changes in circumstances cause the carrying amount of a customer relationship intangible asset to exceed its estimated fair value, an impairment charge in the amount of the excess would be recognized.

Lessee Arrangements

The Company is the lessee under non-cancelable real estate leases, equipment leases and space agreements. Beginning on January 1, 2019 (the date of the Company's adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"), as defined and discussed further in "Accounting Standards Issued and Adopted", below), operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term. The Company's lease terms may include options to extend or terminate the lease. The Company assesses these options using a threshold of reasonably certain. For leases the Company is reasonably certain to renew, those option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

The Company's lease agreements for land, buildings and taverns with lease and non-lease components are accounted for separately. The lease and non-lease components of certain vehicle and equipment leases are accounted for as a single lease component. Additionally, for certain vehicle and equipment leases, a portfolio approach is utilized to effectively account for the operating lease ROU assets and liabilities.

As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate is estimated based on the information available at the commencement date in determining the present value of lease payments. The implicit rate will be used when readily determinable. The operating lease ROU assets also include any prepaid lease payments made and are net of lease incentives. The Company does not record an asset or liability for operating leases with a term of 12 months or less. Prior to the adoption of Topic 842 on January 1, 2019, the Company did not record an asset or liability for any of its operating leases.

Lessor Arrangements

The Company is the lessor under non-cancelable operating leases for retail and food and beverage outlet space within its resort casino properties. The lease arrangements generally include minimum base rent and/or contingent rental clauses based on a percentage of net sales exceeding minimum base rent. Generally, the terms of the leases range between five and 10 years, with options to extend the leases. The Company records revenue on a straight-line basis over the term of the lease and recognizes revenue for contingent rentals when the contingency has been resolved. The Company has elected to combine lease and non-lease components for the purpose of measuring lease revenue. Revenue is recorded in other operating revenue on the consolidated statements of operations.

Business Combinations

The Company allocates the business combination purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. The Company determined the fair value of identifiable intangible assets, such as player relationships and trade names, as well as any other significant tangible assets or liabilities, such as long-lived property. The fair value allocation methodology requires management to make assumptions and apply judgment to estimate the fair value of acquired assets and liabilities assumed. Management estimates the fair value of assets and liabilities primarily using discounted cash flows and replacement cost analysis. Provisional fair value measurements of acquired assets and liabilities assumed may be retrospectively adjusted during the measurement period. The measurement period ends once the Company is able to determine it has obtained all necessary information that existed as of the acquisition date or once the Company determines that such information is unavailable. The measurement period does not extend beyond one year from the acquisition date.

Derivative Instruments

The Company uses derivative financial instruments to manage interest rate exposure. The fair value of derivative financial instruments is recognized as an asset or liability at each balance sheet date, with changes in fair value recorded in earnings as the Company's derivative financial instruments do not qualify for hedge accounting. The fair value approximates the amount the Company would pay if these contracts were settled at the respective valuation dates.

Contract and Contract Related Liabilities

The Company provides numerous products and services to its customers. There is often a timing difference between the cash payment by the customers and recognition of revenue for each of the associated performance obligations. As of December 31, 2019 and 2018, the amount of gaming liabilities was \$12.4 million and \$12.5 million, respectively. The Company's primary types of gaming liabilities associated with contracts with gaming customers include outstanding chip and loyalty program liabilities.

Outstanding Chip Liability

The outstanding chip liability represents the collective amounts owed to customers in exchange for gaming chips in their possession. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased.

Loyalty Program

The Company offers its new consolidated True Rewards™ loyalty program at all ten of its resort casino properties, as well as at all of its branded taverns and at participating supermarkets. Members of the Company's True Rewards loyalty program may earn points based on gaming activity and amounts spent on rooms, food, beverage and resort activities at the Company's resort casino properties, and on play and amounts spent on the purchase of food and beverages at the Company's branded taverns and other participating Distributed Gaming locations. Loyalty points are redeemable for complimentary slot play, food, beverages, grocery gift cards and hotel rooms, among other items. All points earned in the loyalty program roll up into a single account balance which is redeemable enterprise-wide at participating locations.

The Company records a liability based on the value of points earned, less an estimate for points not expected to be redeemed. This liability represents a deferral of revenue until such time as the participant redeems the points earned. Redemption history at the Company's casinos and taverns is used to assist in the determination of the estimated accruals. Loyalty program points are expected to be redeemed and recognized as revenue within one year of being earned. Participants' points expire after thirteen months of no activity. The True Rewards points accruals are included in current liabilities on the Company's consolidated balance sheet. Changes in the program, increases in membership and changes in the redemption patterns of the participants can impact this liability.

Other

Customer deposits and other deferred revenue represent cash deposits made by customers for future non-gaming services to be provided by the Company. With the exception of tenant deposits, which are tied to the terms of the lease and typically extend beyond a year, the majority of these customer deposits and other deferred revenue are expected to be recognized as revenue or refunded to the customer within one year of the date the deposit was recorded.

Long-Term Debt, Net

Long-term debt, net is reported as the outstanding debt amount, net of unamortized debt issuance costs and debt discount. These include legal and other direct costs related to the issuance of debt and discounts granted to the initial purchasers or lenders of the Company's debt instruments, and are recorded as a direct reduction to the face amount of the Company's outstanding long-term debt on the consolidated balance sheets. The debt discount and debt issuance costs are accreted to interest expense using the effective interest method or, if the amounts approximate the effective interest method, on a straight-line basis over the contractual term of the underlying debt. Approximately \$4.5 million, \$5.1 million and \$1.6 million was amortized to interest expense during the years ended December 31, 2019, 2018 and 2017, respectively.

Revenue Recognition

See Note 3, Revenue Recognition for information regarding the Company's revenue recognition policies.

Gaming Taxes

The Company's Nevada casinos are subject to taxes based on gross gaming revenues and pay annual fees based on the number of slots and table games licensed during the year. Rocky Gap is subject to gaming taxes based on gross gaming revenues and also pays an annual flat tax based on the number of table games and video lottery terminals in operation during the year. The Company's distributed gaming operations in Nevada are subject to taxes based on the Company's share of non-restricted gross gaming revenue for those locations that have grandfathered rights to more than 15 slots for play, and/or annual and quarterly fees at all tavern and third party distributed gaming locations. The Company's distributed gaming operations in Montana are subject to taxes based on the Company's share of gross gaming revenue. These gaming taxes are recorded as gaming expenses in the consolidated statements of operations. Total gaming taxes and licenses were \$62.1 million, \$55.3 million and \$41.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Advertising Expenses

The Company expenses advertising costs as incurred. Advertising expenses, which are primarily included in selling, general and administrative expenses, were \$13.1 million, \$10.1 million and \$3.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Share-Based Compensation Expense

The Company has various share-based compensation programs, which provide for equity awards including stock options, time-based restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"). Share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of forfeitures, over the employee's requisite service period. Compensation costs related to stock option awards are calculated based on the fair value of the award on the date of grant using the Black-Scholes option pricing model. For RSUs and PSUs, compensation expense is calculated based on the fair market value of the Company's common stock on the date of grant. All of the Company's share-based compensation expense is recorded in selling, general and administrative expenses in the consolidated statements of operations. See Note 9, Equity Transactions and Stock Incentive Plans, for additional discussion.

Income Taxes

The Company is subject to income taxes in the United States. Accounting standards require the recognition of deferred tax assets, net of applicable reserves, and liabilities for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the income tax provision and deferred tax assets and liabilities generally is recognized in the results of operations in the period that includes the enactment date. Accounting standards also require recognition of a future tax benefit to the extent that realization of such benefit is more likely than not; otherwise, a valuation allowance is applied.

The Company's income tax returns are subject to examination by the Internal Revenue Service and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. The accounting standards prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Uncertain tax position accounting standards apply to all tax positions related to income taxes. These accounting standards utilize a two-step approach for evaluating tax positions. If a tax position, based on its technical merits, is deemed more likely than not to be sustained, then the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement.

The Company records estimated penalties and interest related to income tax matters, including uncertain tax positions, if any, as a component of income tax expense.

Net Income per Share

For all periods, basic net income per share is calculated by dividing net income by the weighted-average common shares outstanding. Diluted net income per share in profitable periods reflects the effect of all potentially dilutive common shares outstanding by dividing net income by the weighted-average of all common and potentially dilutive shares outstanding. Due to the net loss for the years ended December 31, 2019 and 2018, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding for these periods. The amount of potential common share equivalents were 916,907 and 2,014,012 for years ended December 31, 2019 and 2018, respectively.

Recent Accounting Pronouncements

Changes to generally accepted accounting principles in the United States are established by the Financial Accounting Standards Board ("FASB"), in the form of ASUs, to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. While management continues to assess the possible impact on the Company's consolidated financial statements of the future adoption of new accounting standards that are not yet effective, management currently believes that the following new standards may impact the Company's financial statements and disclosures:

Accounting Standards Issued and Adopted

The Company adopted Topic 842, as amended, as of January 1, 2019, and elected the option to apply the transition requirements in the new standard at the effective date of January 1, 2019 with the effects of initially applying Topic 842 recognized as a cumulative-effect adjustment to retained earnings on January 1, 2019. As a result, the balance sheet presentation is not comparable to the prior period in this first year of adoption.

The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allows the carry forward of the Company's Leases – Topic 840 assessment regarding definition of a lease, lease classification, and initial direct costs. The Company also elected the short-term lease exception, which allows leases with a lease term of 12 months or less to be accounted for similar to existing operating leases. The Company elected not to separate non-lease components from lease components and, instead, to account for each separate lease component and the non-lease components associated with it as a single lease component, recognized on the balance sheet. The Company did not elect the use-of-hindsight, which requires an entity to use hindsight in determining the lease term and in assessing impairment of right-of-use assets, or the practical expedient pertaining to land easements, which is not applicable.

The standard did not materially impact the Company's consolidated net earnings and had no impact on cash flows. The effect of adopting Topic 842 on the January 1, 2019 consolidated balance sheet is as follows:

| <i>(In thousands)</i> | Prior to Adoption | Effect of Adoption⁽¹⁾ | Post Adoption |
|--|--------------------------|---|----------------------|
| Prepaid expenses | \$ 17,722 | \$ (194) | \$ 17,528 |
| Property and equipment, net | 894,953 | 2,503 | 897,456 |
| Operating lease right-of-use assets, net | — | 140,715 | 140,715 |
| Intangible assets, net | 141,128 | (2,503) | 138,625 |
| Operating lease liability | — | 155,878 | 155,878 |
| Other long-term obligations | 4,801 | (3,085) | 1,716 |
| Accumulated deficit | (120,361) | (12,272) | (132,633) |

- (1) Prepaid expenses, favorable lease intangible and deferred lease expense included in other long-term obligations were reclassified to the related right-of-use asset upon adoption of Topic 842 and represents a non-cash investing activity.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation*, which expands previous guidance to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. The Company adopted the standard as of January 1, 2019, and the adoption did not have a material impact on the Company's financial statements and disclosures.

Accounting Standards Issued But Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) (“Topic 326”). The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. The Company will adopt Topic 326 on January 1, 2020 and has determined the adoption will not have a material impact on the Company's financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“Topic 820”). The new guidance amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures on fair value measurements in Topic 820. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company will adopt Topic 820 on January 1, 2020 and has determined the adoption will not have a material impact on the Company's financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The ASU is intended to eliminate potential diversity in practice in accounting for costs incurred to implement cloud computing arrangements that are service contracts by requiring customers in such arrangements to follow internal-use software guidance with respect to such costs, with any resulting deferred implementation costs recognized over the term of the contract in the same income statement line item as the fees associated with the hosting element of the arrangement. The Company will adopt this ASU on January 1, 2020 and has determined the adoption will not have a material impact on the Company's financial statements and disclosures.

No other recently issued accounting standards that are not yet effective have been identified that management believes are likely to have a material impact on the Company's financial statements.

Note 3 – Revenue Recognition

Revenue Recognition

Revenue from contracts with customers primarily consists of casino wagers, room sales, food and beverage transactions, rental income from the Company's retail tenants and entertainment sales.

Casino gaming revenues are the aggregate of gaming wins and losses. The commissions rebated to premium players for cash discounts and other cash incentives to patrons related to gaming play are recorded as a reduction to casino gaming revenues. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis to incentivize gaming or in exchange for points earned under the Company's loyalty program.

The Company generally enters into three types of slot and amusement device placement contracts as part of its distributed gaming business: space agreements, revenue share agreements and participation agreements. Under space agreements, the Company pays a fixed monthly rental fee for the right to install, maintain and operate the Company's slots at a business location. Under these agreements, the Company recognizes all gaming revenue and records fixed monthly rental fees as gaming expenses. Under revenue share agreements, the Company pays the business location a percentage of the gaming revenue generated from the Company's slots placed at the location and records that amount as an expense. With regard to both space and revenue share agreements, the Company holds the applicable gaming license to conduct gaming at the location (although revenue share locations are required to obtain separate regulatory approval to receive a percentage of the gaming revenue). Under participation agreements, the business location holds the applicable gaming license and retains a percentage of the gaming revenue that it generates from the Company's slots which the Company records as an expense. In Montana, the Company's slot and amusement device placement contracts are all participation agreements. In its distributed gaming business, the Company considers its customer to be the gaming player since the Company controls all aspects of the slot machines. Due to the maintaining of control of the services directly before they are transferred to the customer, the Company is considered to be the principal in these transactions and therefore records revenue on a gross basis.

For wagering contracts that include complimentary products and services provided by the Company to incentivize gaming, the Company allocates the stand-alone selling price of each product and service to the respective revenue type. Complimentary products or services provided under the Company's control and discretion that are supplied by third parties are recorded as an operating expense.

For wagering contracts that include products and services provided to a patron in exchange for points earned under the Company's True Rewards loyalty program, the Company allocates the estimated stand-alone selling price of the points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"). Upon redemption of loyalty program points for Company-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party. Any discounts received by the Company from the third party in connection with this transaction are recorded to other revenue. The Company's performance obligation related to its loyalty program is generally completed within one year, as participants' points expire after thirteen months of no activity.

After allocation to the other revenue types for products and services provided to patrons as part of a wagering contract, the residual amount is recorded to casino gaming revenue as soon as the wager is settled. As all wagers have similar characteristics, the Company accounts for its gaming contracts collectively on a portfolio basis. Gaming contracts are typically completed daily based on the outcome of the wagering transaction and include a distinct performance obligation to provide gaming activities.

Revenue from leases is primarily recorded to other revenues and is generated from base rents through long-term leases with retail tenants. Base rent, adjusted for contractual escalations, is recognized on a straight-lined basis over the term of the related lease. Overage rent is paid by a tenant when its sales exceed an agreed upon minimum amount and is not recognized by the Company until the threshold is met.

Food, beverage, and retail revenues are recorded at the time of sale. Room revenue is recorded at the time of occupancy. Sales taxes and surcharges collected from customers and remitted to governmental authorities are presented on a net basis.

Significant Impacts of Adoption of Topic 606

The adoption of Topic 606 principally affected the presentation of promotional allowances and how the Company measured the liability associated with its prior loyalty programs that were in place at the time of adoption (Golden Rewards, acePLAY, Gold Mine Rewards and Rocky Gap Rewards Club). The promotional allowances line item was eliminated from the consolidated statement of operations with amounts being deducted from the respective revenue line items, and the cost of providing such complimentary is no longer included in gaming expense. Additionally, the valuation of points associated with the Company's loyalty programs was changed from cost to fair value, with the Company recording an increase to the loyalty point liability.

The Company elected to adopt the full retrospective method to apply the new guidance to each prior reporting period presented as if it had been in effect since January 1, 2016. The only cumulative effect of the adoption recognized was a decrease in retained earnings of \$1.0 million on October 20, 2017 (no income tax effect), related to the loyalty program point liability of the business combination.

Adoption of the new standard did not have a significant impact on the Company's previously reported net revenues, expenses, operating income, and net income. The impact of adoption of the new standard to previously reported selected financial statement information was as follows:

| <i>(In thousands)</i> | Year Ended December 31, 2017 | | |
|------------------------|-------------------------------------|--------------------|--------------------|
| | As Reported | Adjustments | As Adjusted |
| Gross revenues | \$ 538,676 | \$ (31,538) | \$ 507,138 |
| Promotional allowances | (28,868) | 28,868 | — |
| Net revenues | 509,808 | (2,670) | 507,138 |
| Operating income | 15,378 | (87) | 15,291 |
| Net income | 2,171 | (87) | 2,084 |

Note 4 – Acquisitions

Laughlin Acquisition

Overview

On January 14, 2019, the Company completed the acquisition of the Laughlin Entities from Marnell for \$156.2 million in cash (after giving effect to the post-closing adjustment provisions in the purchase agreement) and the issuance of 911,002 shares of the Company's common stock to certain assignees of Marnell. The results of operations of the Laughlin Entities are included in the Company's results subsequent to the acquisition date.

Acquisition Method of Accounting

The Laughlin Acquisition has been accounted for using the acquisition method of accounting. The determination of the fair value of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) was completed in the fourth quarter of 2019.

The following table summarizes the allocation of the purchase price, based on estimates of the fair values of the assets acquired and liabilities assumed:

| <i>(In thousands)</i> | Preliminary Allocation as of March 31, 2019 | Adjustments | Final Purchase Price Allocation |
|--|---|-------------|--|
| Current assets | \$ 12,615 | \$ (123) | \$ 12,492 |
| Property and equipment | 126,198 | (1,131) | 125,067 |
| Right-of-use assets | 2,620 | — | 2,620 |
| Intangible assets | 19,234 | (324) | 18,910 |
| Goodwill | 24,736 | 1,455 | 26,191 |
| Other noncurrent assets | — | 123 | 123 |
| Liabilities | (10,023) | — | (10,023) |
| Lease liabilities | (2,620) | — | (2,620) |
| Total assets acquired, net of liabilities assumed | \$ 172,760 | \$ — | \$ 172,760 |

The goodwill recognized is the excess of the purchase price over the final values assigned to the assets acquired and liabilities assumed. All of the goodwill was assigned to the Casinos reportable operating segment and \$15.0 million is expected to be deductible for income tax purposes.

The following table summarizes the values assigned to acquired property and equipment and estimated useful lives by category:

| <i>(In thousands)</i> | Useful Life (Years) | |
|-------------------------------------|---------------------|-------------------|
| Land | Not applicable | \$ 4,160 |
| Building and site improvements | 10-30 | 102,450 |
| Furniture and equipment | 2-13 | 18,290 |
| Construction in process | Not applicable | 167 |
| Total property and equipment | | \$ 125,067 |

The following table summarizes the values assigned to acquired intangible assets and estimated useful lives by category:

| <i>(In thousands)</i> | Useful Life (Years) | |
|--------------------------------|---------------------|------------------|
| Non-compete agreements | 5 | \$ 3,630 |
| Trade names | Indefinite | 6,980 |
| Player relationships | 2 | 8,300 |
| Total intangible assets | | \$ 18,910 |

The following table summarizes the components of the purchase price paid by the Company to Marnell in the Laughlin Acquisition (after taking into account the adjustment to the cash portion of the purchase price pursuant to the post-closing adjustment provisions of the purchase agreement, as described above):

| <i>(In thousands)</i> | Amount |
|--|-------------------|
| Cash | \$ 156,152 |
| Fair value of common stock issued (911,002 shares) | 16,608 |
| Total purchase price | \$ 172,760 |

Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information has been prepared by management for illustrative purposes only and does not purport to represent what the results of operations, financial condition or other financial information of the Company would have been if the Laughlin Acquisition had occurred on January 1, 2018, or what such results or financial condition will be for any future periods. The unaudited pro forma combined financial information is based on estimates and assumptions and on the information available at the time of the preparation thereof. The unaudited pro forma combined financial information does not reflect non-recurring charges that were incurred in connection with the Laughlin Acquisition, nor any cost savings and synergies expected to result from the Laughlin Acquisition (and associated costs to achieve such savings or synergies), nor any costs associated with severance, restructuring or integration activities resulting from the Laughlin Acquisition.

The following table summarizes certain unaudited pro forma combined financial information derived from a combination of the historical consolidated financial statements of the Company and of the Laughlin Entities for the year ended December 31, 2018, adjusted to give effect to the Laughlin Acquisition and related transactions.

| <i>(In thousands, except per share data)</i> | Year Ended December 31, 2018 |
|--|---|
| Pro forma combined revenues | \$ 951,802 |
| Pro forma combined net loss | (16,432) |
| Weighted-average common shares outstanding: | |
| Basic | 28,464 |
| Diluted | 28,464 |
| Pro forma combined net loss per share: | |
| Basic | \$ (0.58) |
| Diluted | (0.58) |

As the Laughlin Acquisition occurred on January 14, 2019, the unaudited pro forma combined financial information for the year ended December 31, 2019, would not reflect significant adjustments to the consolidated financial information.

In connection with the Laughlin Acquisition, the Company incurred approximately \$1.8 million of acquisition costs for the year ended December 31, 2019. For the year ended December 31, 2019, the Laughlin Entities contributed revenue of approximately \$90.4 million and operating expenses related to the Laughlin Entities were approximately \$47.9 million.

American Acquisition

Overview

On October 20, 2017, the Company completed the acquisition of all of the outstanding equity interests of American for \$787.6 million in cash (after giving effect to post-closing adjustments) and the issuance of approximately 4.0 million shares of its common stock to a former American equity holder with a fair value of \$101.5 million, based on the closing price of the Company's common stock on October 20, 2017 of \$25.08 per share.

Acquisition Method of Accounting

The American Acquisition has been accounted for using the acquisition method of accounting. The determination of the fair value of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) was completed in the second quarter of 2018. There were no measurement period adjustments that were material to the Company's consolidated financial statements.

The following table summarizes the allocation of the purchase price, based on estimates of the fair values of the assets acquired and liabilities assumed:

| <i>(In thousands)</i> | |
|--|--------------------------|
| Current assets | \$ 83,079 |
| Property and equipment | 754,581 |
| Other noncurrent assets | 264 |
| Intangible assets | 66,140 |
| Goodwill | 52,479 |
| Liabilities | (67,476) |
| Total assets acquired, net of liabilities assumed | <u>\$ 889,067</u> |

The following table summarizes the values assigned to acquired property and equipment and estimated useful lives by category:

| <i>(In thousands)</i> | <u>Useful Life (Years)</u> | |
|-------------------------------------|----------------------------|--------------------------|
| Land | Not applicable | \$ 106,800 |
| Land improvements | 15 | 6,240 |
| Building and improvements | 45 | 607,698 |
| Furniture, fixtures and equipment | 3-4 | 32,829 |
| Construction in process | Not applicable | 1,014 |
| Total property and equipment | | <u>\$ 754,581</u> |

The following table summarizes the values assigned to acquired intangible assets and estimated useful lives by category:

| <i>(In thousands)</i> | <u>Useful Life (Years)</u> | |
|--------------------------------|----------------------------|-------------------------|
| Trade names | Indefinite | \$ 34,510 |
| Player loyalty programs | 3 | 26,850 |
| Leasehold interest | 3-80 | 3,110 |
| In-place lease value | 3-4 | 1,670 |
| Total intangible assets | | <u>\$ 66,140</u> |

See Note 12, *Financial Instruments and Fair Value Measurements*, for further discussion regarding the valuation of the tangible and intangible assets acquired through the American Acquisition.

For the period from the American Acquisition date of October 20, 2017 through December 31, 2017, American generated net revenue of \$76.3 million and net income of \$5.5 million.

Refinancing

In connection with the closing of the American Acquisition, the Company entered into the Credit Facility, then consisting of a \$800.0 million term loan and a \$100.0 million revolving credit facility (which was undrawn at closing and upsized to \$200.0 million in 2018), and the \$200.0 million Second Lien Term Loan. The Company used the net proceeds from the borrowings under these credit facilities primarily to fund the cash purchase price in the American Acquisition (a portion of which was used to repay American's outstanding senior secured indebtedness), to refinance the Company's outstanding senior secured indebtedness under its then-existing senior secured credit facility, and to pay certain transaction fees and expenses. See Note 8, *Debt*, for a discussion of the Credit Facility and associated refinancing.

Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information has been prepared by management for illustrative purposes only and does not purport to represent what the results of operations, financial condition or other financial information of the Company would have been if the American Acquisition had occurred on January 1, 2017 or what such results or financial condition will be for any future periods. The unaudited pro forma combined financial information is based on estimates and assumptions and on the information available at the time of the preparation thereof. These estimates and assumptions may change, be revised or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the time of the American Acquisition. The unaudited pro forma combined financial information does not reflect non-recurring charges incurred in connection with the American Acquisition, nor any cost savings and synergies expected to result from the American Acquisition (and associated costs to achieve such savings or synergies), nor any costs associated with severance, restructuring or integration activities resulting from the American Acquisition.

The following table summarizes certain unaudited pro forma combined financial information derived from a combination of the historical consolidated financial statements of the Company and of American for the year ended December 31, 2017, adjusted to give effect to the American Acquisition and related transactions (including the refinancing).

| | <u>Year Ended</u> <u>December 31, 2017</u> | |
|--|---|---------|
| <i>(In thousands, except per share data)</i> | | |
| Pro forma combined revenues | \$ | 843,589 |
| Pro forma combined net income | | 23,131 |
| Pro forma combined net income per share: | | |
| Basic | | 26,342 |
| Diluted | | 27,897 |
| Weighted-average common shares outstanding: | | |
| Basic | \$ | 0.88 |
| Diluted | | 0.83 |

Note 5 – Property and Equipment, Net

The following table summarizes the components of property and equipment, net:

| <i>(In thousands)</i> | <u>December 31,</u> | |
|------------------------------------|---------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Land | \$ 125,240 | \$ 121,081 |
| Building and site improvements | 880,662 | 723,354 |
| Furniture and equipment | 222,938 | 154,663 |
| Construction in process | 49,869 | 35,151 |
| Property and equipment | 1,278,709 | 1,034,249 |
| Less: Accumulated depreciation | (232,173) | (139,296) |
| Property and equipment, net | <u>\$ 1,046,536</u> | <u>\$ 894,953</u> |

Depreciation expense for property and equipment, including capital leases, totaled \$93.9 million, \$76.7 million, and \$31.3 million for 2019, 2018 and 2017, respectively.

Note 6 – Goodwill and Intangible Assets, Net

The following table summarizes goodwill activity by reportable segment:

| <i>(In thousands)</i> | Casinos | Distributed Gaming | Total Goodwill |
|-----------------------------------|------------------|-----------------------|-------------------|
| Balance, January 1, 2018 | \$ 60,275 | \$ 97,859 | \$ 158,134 |
| Goodwill acquired during the year | — | — | - |
| Balance, December 31, 2018 | 60,275 | 97,859 | 158,134 |
| Goodwill acquired during the year | 26,191 | — | 26,191 |
| Balance, December 31, 2019 | <u>\$ 86,466</u> | <u>\$ 97,859</u> | <u>\$ 184,325</u> |

Intangible assets, net, consisted of the following:

| December 31, 2019 | | | | |
|---|--|----------------------------|----------------------------|---------------------------|
| <i>(In thousands)</i> | Weighted- Average Life Remaining | Gross Carrying Value | Cumulative Amortization | Intangible Assets, Net |
| Indefinite-lived intangible assets | | | | |
| Trade names | Indefinite | \$ 53,690 | \$ — | \$ 53,690 |
| Gaming licenses | Indefinite | 960 | — | 960 |
| Liquor licenses | Indefinite | 185 | — | 185 |
| | | <u>54,835</u> | <u>—</u> | <u>54,835</u> |
| Amortizing intangible assets | | | | |
| Customer relationships | 10.0 years | 81,105 | (24,140) | 56,965 |
| Player relationships | 2.0 years | 42,990 | (26,649) | 16,341 |
| Non-compete agreements | 2.2 years | 9,840 | (5,467) | 4,373 |
| Leasehold interest | 1.6 years | 570 | (345) | 225 |
| Gaming licenses | 8.3 years | 2,100 | (929) | 1,171 |
| In-place lease value | 1.3 years | 1,301 | (724) | 577 |
| Other | 6.3 years | 1,814 | (1,150) | 664 |
| | | <u>139,720</u> | <u>(59,404)</u> | <u>80,316</u> |
| Balance, December 31, 2019 | | <u>\$ 194,555</u> | <u>\$ (59,404)</u> | <u>\$ 135,151</u> |

| December 31, 2018 | | | | |
|---|--|----------------------------|----------------------------|---------------------------|
| <i>(In thousands)</i> | Weighted- Average Life Remaining | Gross Carrying Value | Cumulative Amortization | Intangible Assets, Net |
| Indefinite-lived intangible assets | | | | |
| Trade names | Indefinite | \$ 46,710 | \$ — | \$ 46,710 |
| Gaming licenses | Indefinite | 960 | — | 960 |
| Liquor licenses | Indefinite | 185 | — | 185 |
| | | <u>47,855</u> | <u>—</u> | <u>47,855</u> |
| Amortizing intangible assets | | | | |
| Customer relationships | 11.0 years | 80,654 | (18,282) | 62,372 |
| Player relationships | 3.2 years | 34,689 | (12,691) | 21,998 |
| Non-compete agreements | 2.1 years | 6,210 | (3,548) | 2,662 |
| Leasehold interest | 64.7 years | 3,110 | (223) | 2,887 |
| Gaming licenses | 9.3 years | 2,100 | (788) | 1,312 |
| In-place lease value | 2.3 years | 1,670 | (565) | 1,105 |
| Other | 7.2 years | 1,769 | (832) | 937 |
| | | <u>130,202</u> | <u>(36,929)</u> | <u>93,273</u> |
| Balance, December 31, 2018 | | <u>\$ 178,057</u> | <u>\$ (36,929)</u> | <u>\$ 141,128</u> |

The Rocky Gap gaming license is being amortized over its 15 year term.

Total amortization expense related to intangible assets was \$22.7 million, \$17.8 million and \$9.5 million for 2019, 2018 and 2017, respectively. Estimated future amortization expense related to intangible assets, is as follows:

| <i>(In thousands)</i> | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|--------------------------------|-----------|----------|----------|----------|----------|------------|-----------|
| Estimated amortization expense | \$ 21,027 | \$ 8,047 | \$ 7,479 | \$ 7,367 | \$ 6,472 | \$ 29,924 | \$ 80,316 |

Note 7 – Accrued Liabilities

Accrued liabilities consist of the following:

| <i>(In thousands)</i> | December 31, | |
|--|------------------|------------------|
| | 2019 | 2018 |
| Gaming liabilities | \$ 12,353 | \$ 12,473 |
| Interest | 6,562 | 305 |
| Deposits | 2,734 | 2,652 |
| Other accrued liabilities | 3,873 | 3,418 |
| Total accrued and other current liabilities | \$ 25,522 | \$ 18,848 |

Note 8 – Debt

Senior Secured Credit Facility

In October 2017, the Company entered into the Credit Facility, then consisting of an \$800 million term loan and a \$100 million revolving credit facility. The revolving credit facility was subsequently increased from \$100 million to \$200 million in 2018.

As of December 31, 2019, the Company had \$772 million of outstanding term loan borrowings under the Credit Facility, no letters of credit outstanding under the Credit Facility, and the revolving credit facility was undrawn, leaving borrowing availability under the revolving credit facility as of December 31, 2019 of \$200 million.

Interest and Fees

Borrowings under the Credit Facility bear interest, at the Company's option, at either (1) a base rate equal to the greatest of the federal funds rate plus 0.50%, the applicable administrative agent's prime rate as announced from time to time, or the LIBOR rate for a one-month interest period plus 1.00%, subject to a floor of 1.75% (with respect to the term loan) or 1.00% (with respect to borrowings under the revolving credit facility) or (2) the LIBOR rate for the applicable interest period, subject to a floor of 0.75% (with respect to the term loan only), plus in each case, an applicable margin. The applicable margin for the term loan under the Credit Facility is 2.00% for base rate loans and 3.00% for LIBOR rate loans. The applicable margin for borrowings under the revolving credit facility ranges from 1.50% to 2.00% for base rate loans and 2.50% to 3.00% for LIBOR rate loans, based on the Company's net leverage ratio. The commitment fee for the revolving credit facility is payable quarterly at a rate of 0.375% or 0.50%, depending on the Company's net leverage ratio, and is accrued based on the average daily unused amount of the available revolving commitment. As of December 31, 2019, the weighted-average effective interest rate on the Company's outstanding borrowings under the Credit Facility was approximately 5.3%.

Optional and Mandatory Prepayments

The revolving credit facility matures on October 20, 2022, and the term loan under the Credit Facility matures on October 20, 2024. The term loan under the Credit Facility is repayable in 27 quarterly installments of \$2.0 million each, which commenced in March 2018, followed by a final installment of \$746.0 million at maturity. In April 2019, the Company made a \$18.0 million prepayment of the term loan under the Credit Facility with the proceeds from the issuance of the 2026 Notes.

Guarantees and Collateral

Borrowings under the Credit Facility are guaranteed by each of the Company's existing and future wholly-owned domestic subsidiaries (other than certain insignificant or unrestricted subsidiaries) and are secured by substantially all of the present and future assets of the Company and its subsidiary guarantors (subject to certain exceptions).

Financial and Other Covenants

Under the Credit Facility, the Company and its restricted subsidiaries are subject to certain limitations, including limitations on their respective ability to: incur additional debt, grant liens, sell assets, make certain investments, pay dividends and make certain other restricted payments. In addition, the Company will be required to pay down the term loan under the Credit Facility under certain circumstances if the Company or its restricted subsidiaries issue debt, sell assets, receive certain extraordinary receipts or generate excess cash flow (subject to exceptions). The revolving credit facility contains a financial covenant regarding a maximum net leverage ratio that applies when borrowings under the revolving credit facility exceed 30% of the total revolving commitment. The Credit Facility also prohibits the occurrence of a change of control, which includes the acquisition of beneficial ownership of 50% or more of the Company's capital stock (other than by certain permitted holders, which include, among others, Blake L. Sartini, Lyle A. Berman, and certain affiliated entities). If the Company defaults under the Credit Facility due to a covenant breach or otherwise, the lenders may be entitled to, among other things, require the immediate repayment of all outstanding amounts and sell the Company's assets to satisfy the obligations thereunder. The Company was in compliance with its financial covenants under the Credit Facility as of December 31, 2019.

Senior Notes due 2026

On April 15, 2019, the Company issued \$375 million of 2026 Notes in a private placement to institutional buyers at face value. The 2026 Notes bear interest at 7.625%, payable semi-annually on April 15th and October 15th of each year.

In conjunction with the issuance of the 2026 Notes, the Company incurred approximately \$6.7 million in debt financing costs and fees that have been deferred and are being amortized over the term of the 2026 Notes using the effective interest method.

The net proceeds of the 2026 Notes were used to (i) repay the Company's former \$200 million Second Lien Term Loan, (ii) repay outstanding borrowings under the revolving credit facility, (iii) repay \$18 million of the outstanding term loan indebtedness under the Credit Facility, and (iv) pay accrued interest, fees and expenses related to each of the foregoing.

Optional Prepayments

The 2026 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on April 15, 2022 at a redemption price of 103.813%, during the 12 months beginning on April 15, 2023 at a redemption price of 101.906%, and at any time on or after April 15, 2024 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date. Prior to April 15, 2022, the Company may redeem up to 40% of the 2026 Notes at a redemption price of 107.625% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. Prior to April 15, 2022, the Company may also redeem the 2026 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and an Applicable Premium (as defined in the indenture governing the 2026 Notes (the "Indenture")), if any, thereon to the redemption date.

Financial and Other Covenants

The 2026 Notes are guaranteed on a senior unsecured basis by each of the Company's existing and future wholly-owned domestic subsidiaries that guarantees the Credit Facility. The 2026 Notes are the Company and its subsidiary guarantors' general senior unsecured obligations and rank equally in right of payment with all of the Company's respective existing and future unsecured unsubordinated debt. The 2026 Notes are effectively junior in right of payment to the Company and its subsidiary guarantors' existing and future secured debt, including under the Credit Facility (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of any of the Company's subsidiaries that do not guarantee the 2026 Notes, and are senior in right of payment to all of the Company and its subsidiary guarantors' existing and future subordinated indebtedness.

Under the Indenture, the Company and its restricted subsidiaries are subject to certain limitations, including limitations on their respective ability to: incur additional debt, grant liens, sell assets, make certain investments, pay dividends and make certain other restricted payments. In the event of a change of control (which includes the acquisition of more than 50% of our capital stock, other than by certain permitted holders, which include, among others, Blake L. Sartini, Lyle A. Berman, and certain affiliated entities), each holder will have the right to require the Company to repurchase all or any part of such holder's 2026 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2026 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase.

Expenses Related to Extinguishment and Modification of Debt

In April 2019, the Company recognized a \$5.5 million loss on extinguishment of debt and \$3.7 million of expense related to modification of debt, related to the repayment of the Company's Second Lien Term Loan and \$18 million prepayment of the term loan under its Credit Facility.

Derivative Instruments

In November 2017, the Company entered into an interest rate cap agreement (the "Interest Rate Cap") with a notional value of \$650 million for a cash payment of \$3.1 million. The Interest Rate Cap establishes a range whereby the counterparty will pay the Company if one-month LIBOR exceeds the ceiling rate of 2.25%. The Interest Rate Cap settles monthly commencing in January 2018 through the termination date in December 31, 2020. No payments or receipts are exchanged on the Interest Rate Cap unless interest rates rise above the pre-determined ceiling rate. The estimated fair value of the Company's Interest Rate Cap is derived from a market price obtained from a dealer quote. Such quote represents the estimated amount the Company would receive to terminate the contract. The fair value of the Company's Interest Rate Cap was \$5.0 million as of December 31, 2018 and was recorded in other long-term assets in the accompanying consolidated balance sheets. As of December 31, 2019, the fair value of the Company's Interest Rate Cap was zero.

Former Senior Secured Credit Facility

In connection with the American Acquisition and the entry into the Credit Facility in October 2017, the Company repaid all principal amounts outstanding under the Company's former credit agreement of approximately \$173.4 million, together with accrued interest. The Company recognized a loss on extinguishment of debt of \$1.7 million during the year ended December 31, 2017.

Summary of Outstanding Debt

Long-term debt, net, is comprised of the following:

| <i>(In thousands)</i> | December 31, | |
|--------------------------------------|---------------------|-------------------|
| | 2019 | 2018 |
| Term loans | \$ 772,000 | \$ 992,000 |
| Senior Notes due 2026 | 375,000 | — |
| Finance lease liabilities | 12,463 | 7,127 |
| Notes payable | 6,369 | 1,111 |
| Total long-term debt | 1,165,832 | 1,000,238 |
| Less unamortized discount | (18,885) | (25,658) |
| Less unamortized debt issuance costs | (8,076) | (3,537) |
| | 1,138,871 | 971,043 |
| Less current maturities | (8,497) | (10,480) |
| Long-term debt, net | \$ 1,130,374 | \$ 960,563 |

Scheduled Principal Payments of Long-Term Debt

The scheduled principal payments due on long-term debt are as follows:

| <i>(In thousands)</i> | |
|--|---------------------|
| <i>For the year ending December 31,</i> | |
| 2020 | \$ 8,497 |
| 2021 | 8,360 |
| 2022 | 10,182 |
| 2023 | 8,450 |
| 2024 | 8,187 |
| Thereafter | 1,122,156 |
| Total outstanding principal of long-term debt | \$ 1,165,832 |

Note 9 – Equity Transactions and Stock Incentive Plans

Overview of Stock Incentive Plans

On August 27, 2015, the Board of Directors of the Company approved the Golden Entertainment, Inc. 2015 Incentive Award Plan (the “2015 Plan”), which was approved by the Company’s shareholders at the Company’s 2016 annual meeting. The 2015 Plan authorizes the issuance of stock options, restricted stock, restricted stock units, dividend equivalents, stock payment awards, stock appreciation rights, performance bonus awards and other incentive awards. The 2015 Plan authorizes the grant of awards to employees, non-employee directors and consultants of the Company and its subsidiaries. Options generally have a ten-year term. Except as provided in any employment agreement between the Company and the employee, if an employee is terminated (voluntarily or involuntarily), any unvested options as of the date of termination will be forfeited.

The maximum number of shares of the Company’s common stock for which grants may be made under the 2015 Plan is 2.25 million shares, plus an annual increase on January 1st of each year during the ten-year term of the 2015 Plan equal to the lesser of 1.8 million shares, 4% of the total shares of the Company’s common stock outstanding (on an as-converted basis) and such smaller amount as may be determined by the Board of Directors in its sole discretion. The annual increase on January 1, 2019 was 1,119,924 shares. In addition, the maximum aggregate number of shares of common stock that may be subject to awards granted to any one participant during a calendar year is 2.0 million shares. As of December 31, 2019, a total of 1,280,000 shares of the Company’s common stock remained available for grants of awards under the 2015 Plan.

Stock Options

The following table summarizes the Company's stock option activity:

| | Stock Options Outstanding | Weighted- Average Remaining Term (in years) | Weighted- Average Exercise Price | Aggregate Intrinsic Value (in thousands) |
|---|---------------------------------|---|--|---|
| Outstanding at January 1, 2019 | 3,424,755 | 7.4 | \$ 11.49 | |
| Granted | — | | \$ — | |
| Exercised | (271,984) | | \$ 10.08 | |
| Cancelled | (26,250) | | \$ 11.69 | |
| Expired | — | | \$ — | |
| Outstanding at December 31, 2019 | <u>3,126,521</u> | 6.1 | \$ 11.61 | \$ 24,991 |
| Exercisable at December 31, 2019 | <u>2,728,721</u> | 5.9 | \$ 11.42 | \$ 22,496 |

The total intrinsic value of stock options exercised during the years ended December 31, 2019, 2018 and 2017 was \$1.6 million, \$16.1 million and \$0.1 million, respectively. The weighted-average grant-date fair value of stock options granted during the year ended December 31, 2017 was \$7.30 per share. No stock options were granted during the years ended December 31, 2019 and 2018.

The total amount of cash received from stock options exercised during the year ended December 31, 2019 was \$0.1 million.

The Company issues new shares of common stock upon exercise of stock options.

The Company uses the Black-Scholes option pricing model to estimate the fair value and compensation cost associated with employee incentive stock options, which requires the consideration of historical employee exercise behavior data and the use of a number of assumptions including volatility of the Company's stock price, the weighted-average risk-free interest rate and the weighted-average expected life of the options. The Company's determination of fair value of share-based option awards on the date of grant using the Black-Scholes option pricing model is affected by the following assumptions regarding complex and subjective variables. Any changes in these assumptions may materially affect the estimated fair value of the share-based award.

- Expected dividend yield — As the Company has not historically paid dividends, with the exception of the Special Dividend, the dividend rate variable used in the Black-Scholes model is zero.
- Risk-free interest rate — The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of grant and with maturities consistent with the expected term of options.
- Expected term — The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. It is based upon the Company's experience as to the average historical term of option grants that were exercised, canceled or forfeited. Management believes historical data is reasonably representative of future exercise behavior.
- Expected volatility — The volatility assumption is based on the historical actual volatility of the Company's stock. Management concluded there were no factors identified which were unusual and which would distort the volatility figure if used to estimate future volatility. Future volatility may be substantially less or greater than expected volatility.

RSUs and PSUs

On March 14, 2018, the Compensation Committee of the Board of Directors of the Company approved a new long-term incentive structure for equity awards to be granted to the executive officers of the Company under the 2015 Plan. Under this new structure, commencing in the first quarter of 2018, the executive officers of the Company receive long-term equity awards in a combination of RSUs and PSUs. The number of PSUs that will be eligible to vest with respect to these PSU awards will be determined based on the Company's attainment of performance goals set by the Compensation Committee. Following the two-year performance period, the number of "vesting eligible"

PSUs will then be subject to one additional year of time-based vesting. Share-based compensation costs related to RSU and PSU awards are calculated based on the market price on the date of the grant. The Company periodically reviews the estimates of performance against the defined criteria to assess the expected payout of each outstanding PSU grant and adjusts the stock compensation expense accordingly.

The following table summarizes the Company's RSU activity:

| | RSUs | | |
|---|----------------|--|---|
| | Shares | Weighted-Average Grant Date Fair Value | Total Fair Value of Shares Vested (in thousands) |
| Outstanding at January 1, 2017 | 141,296 | \$ 12.57 | |
| Granted | — | | |
| Vested | (111,660) | \$ 12.57 | \$ 2,556 |
| Cancelled | (29,636) | \$ 12.57 | |
| Outstanding at December 31, 2017 | — | | |
| Granted | 241,542 | \$ 29.09 | |
| Vested | — | | \$ — |
| Cancelled | (9,243) | \$ 28.72 | |
| Outstanding at December 31, 2018 | 232,299 | \$ 29.10 | |
| Granted | 564,805 | \$ 13.88 | |
| Vested | (103,224) | \$ 29.61 | \$ 1,596 |
| Cancelled | (32,622) | \$ 20.77 | |
| Outstanding at December 31, 2019 | <u>661,258</u> | \$ 16.44 | |

The following table summarizes the Company's PSU activity:

| | PSUs | | |
|---|-----------------------|--|---|
| | Shares ⁽¹⁾ | Weighted-Average Grant Date Fair Value | Total Fair Value of Shares Vested (in thousands) |
| Outstanding at January 1, 2017 | — | | |
| Granted | 62,791 | \$ 27.87 | |
| Vested | — | | \$ — |
| Cancelled | — | | |
| Outstanding at December 31, 2017 | 62,791 | \$ 27.87 | |
| Granted | 108,957 | \$ 28.72 | |
| Vested | — | | \$ — |
| Cancelled | — | | |
| Outstanding at December 31, 2018 | 171,748 | \$ 28.41 | |
| Granted | 204,580 | \$ 14.13 | |
| Vested | — | | \$ — |
| Cancelled | — | | |
| Outstanding at December 31, 2019 | <u>376,328</u> | \$ 20.65 | |

⁽¹⁾ The number of shares listed for PSUs granted during 2017 represents the actual number of PSUs granted to each recipient eligible to vest if the Company meets its performance goals for the applicable period. The number of shares listed for PSUs granted after 2017 represents the "target" number of PSUs granted to each recipient eligible to vest if the Company meets its "target" performance goals for the applicable period. The actual number of PSUs eligible to vest with respect to PSUs granted after 2017 will vary depending on whether or not the Company meets or exceeds the applicable threshold, target or maximum performance goals for the PSUs, with 200% of the "target" number of PSUs eligible to vest at "maximum" performance levels.

Share-Based Compensation

The following table summarizes share-based compensation costs by award type:

| <i>(In thousands)</i> | Year Ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2019 | 2018 | 2017 |
| Stock options | \$ 4,850 | \$ 5,191 | \$ 5,135 |
| RSUs | 4,284 | 3,383 | 3,554 |
| PSUs | 911 | 1,067 | 65 |
| Total share-based compensation costs | \$ 10,045 | \$ 9,641 | \$ 8,754 |

As of December 31, 2019, the Company's unrecognized share-based compensation expenses related to stock options, RSUs and PSUs was approximately \$2.1 million, \$6.3 million and \$2.8 million, respectively, which are expected to be recognized over a weighted-average period of 1.0 year, 2.4 years, and 1.9 years, respectively.

Equity Transactions

In January 2018, the Company completed an underwritten public offering pursuant to its universal shelf registration statement, in which certain of the Company's shareholders resold an aggregate of 6.5 million shares of the Company's common stock, and the Company sold 975,000 newly issued shares of its common stock pursuant to the exercise in full of the underwriters' over-allotment option to purchase additional shares. The Company's net proceeds from the offering were \$25.6 million after deducting underwriting discounts and offering expenses.

On November 7, 2018, the Board of Directors authorized the repurchase of up to \$25.0 million shares of common stock, subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors. The Company uses the par value method of accounting for its stock repurchases. As a result of the stock repurchases, the Company reduces common stock and records charges to accumulated deficit. During the year ended December 31, 2018, the Company repurchased approximately 1.2 million shares of its \$0.01 par value common stock in open market transactions at an average price of \$16.06 per share, resulting in a charge to accumulated deficit of approximately \$19.6 million. On March 12, 2019, the Board of Directors authorized the repurchase of up to \$25.0 million worth of additional shares of common stock, subject to available liquidity, general market and economic conditions, alternate uses for the capital and other factors, which replaces the November 2018 share repurchase program. Share repurchases may be made from time to time in open market transactions, block trades or in private transactions in accordance with applicable securities laws and regulations and other legal requirements, including compliance with the Company's finance agreements. There is no minimum number of shares that the Company is required to repurchase and the repurchase program may be suspended or discontinued at any time without prior notice. No shares were repurchased during the year ended December 31, 2019.

Note 10 – Income Taxes

Income tax provision (benefits) are summarized as follows:

| <i>(In thousands)</i> | Year Ended December 31, | | |
|---------------------------------------|-------------------------|-----------------|-------------------|
| | 2019 | 2018 | 2017 |
| Current: | | | |
| Federal | \$ (371) | \$ (741) | \$ (91) |
| State | — | — | (5) |
| Total current tax benefit | (371) | (741) | (96) |
| Deferred: | | | |
| Federal | \$ (1,475) | \$ 9,872 | \$ (7,456) |
| State | (30) | 508 | (369) |
| Total deferred tax benefit | (1,505) | 10,380 | (7,825) |
| Income tax (benefit) provision | \$ (1,876) | \$ 9,639 | \$ (7,921) |

Reconciliation of the statutory federal income tax rate to the Company's actual rate based on income (loss) before income tax benefit is summarized as follows:

| | Year Ended December 31, | | |
|---|-------------------------|----------------|---------------|
| | 2019 | 2018 | 2017 |
| Statutory federal tax rate | 21.0% | 21.0% | 35.0% |
| State income taxes, net of federal income taxes | 1.2 | 4.5 | 2.0 |
| Permanent tax differences – stock compensation | (0.7) | 22.0 | — |
| Permanent tax differences – business meals | (0.9) | (5.0) | — |
| Permanent tax differences – executive compensation | (0.1) | (0.2) | (12.5) |
| Permanent tax differences – other | 0.1 | — | (17.0) |
| Purchase price allocation adjustment – merger | 5.9 | — | — |
| Change in valuation allowance | (32.3) | (144.5) | 193.5 |
| FICA credit generated | 2.8 | 8.5 | 11.8 |
| Impact of Tax Cuts and Jobs Act | — | (4.8) | (74.6) |
| Impact of ASC 842 | 7.7 | — | — |
| Change in tax rate and apportionment | (0.3) | (4.3) | — |
| Deferred only adjustment to beginning deferred balances | 0.1 | 17.3 | — |
| Other, net | — | — | (0.4) |
| Effective tax rate | 4.5% | (85.5%) | 137.8% |

The Company's current and non-current deferred tax assets (liabilities) are comprised of the following:

| <i>(In thousands)</i> | December 31, | |
|--|--------------------------|--------------------------|
| | 2019 | 2018 |
| Deferred tax assets: | | |
| Accruals and reserves | \$ 5,346 | \$ 3,854 |
| Share-based compensation expense | 4,958 | 3,758 |
| Alternative minimum tax credit carryforward | 371 | 741 |
| General business credit carryforward | 3,936 | 2,447 |
| State tax credits | 5,500 | 5,500 |
| Net operating loss carryforwards | 27,269 | 19,156 |
| Operating lease obligation | 46,525 | |
| Other | 583 | 944 |
| | 94,488 | 36,400 |
| Valuation allowances | (36,652) | (23,276) |
| | <u>\$ 57,836</u> | <u>\$ 13,124</u> |
| Deferred tax liabilities: | | |
| Prepaid services | (288) | (876) |
| Amortization of intangible assets | (7,760) | (9,519) |
| Depreciation of fixed assets | (7,534) | (5,322) |
| Right-of-use assets | (43,342) | |
| | (58,924) | (15,717) |
| Net deferred tax assets (liabilities) | <u>\$ (1,088)</u> | <u>\$ (2,593)</u> |

Deferred tax assets are evaluated by considering historical levels of income, estimates of future taxable income and the impact of tax planning strategies. The Company's financial results for the year ended December 31, 2019, include a net increase in valuation allowance of \$13.4 million. The Company has performed a continuing evaluation of its deferred tax asset valuation allowance on a quarterly basis. The Company concluded that, as of December 31, 2019, negative evidence outweighs positive evidence for the realization of deferred tax assets and as a result has provided a full valuation allowance against its net deferred tax assets.

As of December 31, 2019, the Company had approximately \$123.5 million of federal net operating loss carryforwards, which will begin to expire in 2033. These net operating losses have the potential to be used to offset future ordinary taxable income and reduce future cash tax liabilities. However, in connection with the American Acquisition, the Company issued 4,046,494 shares of its common stock to a former American equity holder, which resulted in an “ownership change” under Section 382 that will generally limit the amount of net operating losses the Company can utilize annually. As of December 31, 2019, the Company has concluded that the American Acquisition will not result in a loss of net operating loss nor credit carryforwards.

Additionally, the Company had deferred tax assets of approximately \$3.9 million related to general business credits. The general business credit carryforward begins to expire in 2037.

As of December 31, 2019, the Company’s 2017 tax year is under audit by the IRS.

As of December 31, 2019, the Company has no uncertain tax positions.

Note 11 – Employee Retirement and Benefit Plans

Defined contribution employee savings plans

Effective November 1, 2018 the Company combined its two qualified defined contribution employee savings plans. The Company’s qualified defined contribution employee savings plan allows eligible participants to defer, within prescribed limits, up to 75% of their income on a pre-tax basis through a portion of their salary and accumulate tax-deferred earnings as a retirement fund. The Company contributed approximately \$0.6 million, \$0.2 million and \$0.2 million to its defined contribution employee savings plan during the years ended December 31, 2019, 2018 and 2017, respectively. The Company’s contributions vest over a five-year period.

Pension plans

As of December 31, 2019, approximately 2,000 of the Company’s employees were members of various unions and covered by union-sponsored, collectively bargained, multiemployer health and welfare and defined benefit pension plans. The Company recorded \$11.8 million, \$11.0 million, and \$2.1 million in expenses for these plans for the years ended December 31, 2019, 2018, and 2017, respectively. The Company has no obligation to fund the plans beyond payments made based upon hours worked. The risks of participating in multiemployer plans are different from single-employer plans, including in the following aspects:

- Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to a multiemployer plan, the unfunded obligations of the multiemployer plan may be required to be borne by the remaining participating employers; and
- If an entity chooses to stop participating in some of its multiemployer plans, the entity may be required to pay those plans an amount based on the underfunded status of those plans, referred to as a “withdrawal liability.”

The Company considers the following multiemployer pension plans to be significant:

| Multiemployer Pension Plans | EIN/Plan Number | Pension Protection Zone Status ⁽¹⁾ | | FIR/RP Status | Surcharge Imposed | Expiration Date Of Collective-Bargaining Agreement |
|--|-----------------|---|-------|----------------------|-------------------|--|
| | | 2018 | 2017 | Pending/ Implemented | | |
| Central Pension Fund of the IUOE and Participating Employers | 36-6052390-001 | Green | Green | No | No | 3/31/2020 and 3/31/2021 |
| Southern Nevada Culinary and Bartenders Pension Plan | 88-6016617-001 | Green | Green | No | No | 5/31/2023 |

(1) The Pension Protection Act of 2006 requires plans that are certified as endangered (yellow) or critical (red) to develop and implement a funding improvement plan.

The Company's contributions to each multiemployer pension and benefit plans are as follows:

| <i>(In thousands)</i> | December 31, | | |
|--|-----------------|-----------------|-----------------|
| | 2019 | 2018 | 2017 |
| Multiemployer pension plans | | | |
| Central Pension Fund of the IUOE and Participating Employers | \$ 704 | \$ 753 | \$ 165 |
| Southern Nevada Culinary and Bartenders Pension Plan | 2,130 | 2,003 | 453 |
| Other pension plans | 198 | 191 | 45 |
| Total contributions | \$ 3,032 | \$ 2,947 | \$ 663 |
| Multiemployer benefit plans (excluding pension plans) | | | |
| HEREIU Welfare Fund | \$ 8,757 | \$ 7,807 | \$ 1,691 |
| All other | 4 | 6 | 2 |
| Total contributions | \$ 8,761 | \$ 7,813 | \$ 1,693 |

For the 2018 plan year, the latest period for which plan data is available, the Company made less than 5% of total contributions for all multiemployer pension plans to which the Company contributes.

Note 12 – Financial Instruments and Fair Value Measurements

Overview

Estimates of fair value for financial assets and liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value and requires certain disclosures. The framework discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The framework utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, an Interest Rate Cap derivative and debt.

The carrying values of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short duration of these financial instruments.

The following table summarizes the fair value measurement information about the Company's long-term debt:

| <i>(In thousands)</i> | December 31, 2019 | | |
|---------------------------|----------------------------|-----------------------|---------------------------------|
| | Carrying Amount | Fair Value | Fair Value Hierarchy |
| Term loan | \$ 772,000 | \$ 776,806 | Level 2 |
| Senior Notes due 2026 | 375,000 | 401,250 | Level 2 |
| Finance lease liabilities | 12,463 | 12,463 | Level 3 |
| Notes payable | 6,369 | 6,369 | Level 3 |
| Total debt | \$ 1,165,832 | \$ 1,196,888 | |

| <i>(In thousands)</i> | December 31, 2018 | | |
|---------------------------|----------------------------|-----------------------|---------------------------------|
| | Carrying Amount | Fair Value | Fair Value Hierarchy |
| Term loans | \$ 992,000 | \$ 952,300 | Level 2 |
| Finance lease liabilities | 7,127 | 7,127 | Level 3 |
| Notes payable | 1,111 | 1,111 | Level 3 |
| Total debt | \$ 1,000,238 | \$ 960,538 | |

The estimated fair value of the Company's term loan and 2026 Notes is based on a relative value analysis performed as of December 31, 2019 and 2018. The finance lease liabilities and notes payable debt are fixed-rate debt, are not traded and do not have observable market inputs, therefore, the fair value is estimated to be equal to the carrying value.

As of December 31, 2019, the Company's Interest Rate Cap was outstanding with a notional amount of \$650 million and an initial purchase price of \$3.1 million, which expires on December 31, 2020. Using Level 2 inputs, the Company adjusts the carrying value of its Interest Rate Cap derivative to estimate fair value quarterly based upon observable market-based inputs that reflect the present values of the difference between estimated future fixed rate payments and future variable receipts. The fair value of the Company's Interest Rate Cap asset at December 31, 2018 was \$5.0 million and it had no value as of December 31, 2019. As the Company elected to not apply hedge accounting, the change in fair value of its Interest Rate Cap was recorded in the consolidated statement of operations.

Business Combinations and Long-lived Assets

In connection with business combinations, the Company recognizes assets acquired and liabilities assumed at estimated fair value and adjusts liabilities for contingent consideration to estimates of fair value quarterly. For the Laughlin Acquisition and the American Acquisition, these amounts were finalized during the fourth quarter of 2019 and the second quarter of 2018, respectively. All value metrics and estimates utilize Level 3 inputs.

Fair value estimates for land, land improvements, building and leasehold improvements, and other property and equipment are calculated with primary reliance on the cost approach, with secondary consideration being placed on the market/sales comparison approach. Significant inputs include consideration of highest and best use, replacement costs, sales comparisons (recent transactions of comparable properties), and market approaches (and the properties' ability to generate future benefits).

Fair value estimates of intangible assets are based on a variety of methods as follows:

Trade names – Primary reliance for estimating fair value of trade names is typically placed on a relief-from-royalty method and includes an estimate for a reasonable royalty rate (0.75% to 1.0% in the Laughlin Acquisition and 0.25% to 1.0% in the American Acquisition) that give consideration to third-party license agreements to determine an implied royalty rate. Estimated after-tax cash flows are discounted to present value utilizing a range of discount rates from 11.0% to 14.5% depending on the trade name, which reflects the risk of the cash flows related to the asset and the risk and uncertainty of the cash flows for the trade name relative to the overall business. The trade names associated with the Laughlin Acquisition and the American Acquisition were given an indefinite life.

Player and customer relationships – The estimated fair value of player and customer relationships acquired typically relies on an excess earnings method under the income approach and/or a cost-to-replace approach. After-tax cash flow discount rates have varied from 11.0% to 14.0%. The player relationships associated with the Laughlin Acquisition and the American Acquisition were given a useful life of two years and three years, respectively.

Gaming and liquor licenses – Estimated fair value for gaming and liquor licenses is generally determined based on the cost approach. In performing the cost approach, management uses estimates for explicit and implicit costs to obtain the licenses. The economic life of the Company's Nevada gaming licenses, Montana gaming license and various liquor licenses are anticipated to be indefinite, as they are easily maintained. The Company's Maryland gaming license associated with Rocky Gap is subject to amortization as it has a finite life of 15 years.

Leasehold interest and in-place lease value – The leasehold interest acquired as part of the American Acquisition comprises third party rights to lease retail space within the casinos. The leasehold interest acquired as part of the American Acquisition was given a useful life 3 to 80 years and the in-place lease value was given a useful life of 3 to 4 years.

Non-compete agreements – The estimated fair value of non-compete agreements is generally based on the lost profits method under the income approach. It uses the difference between estimated future cash flows "With" and "Without" the non-compete agreements and probability factors associated with the assumptions. The non-compete agreements associated with the Laughlin Acquisition were given useful lives of five years.

Note 13 – Leases

Company as Lessee

The Company has operating and finance leases for offices, taverns, land, vehicles, slot machines and equipment. In addition, slot placement contracts in the form of space agreements at chain stores are accounted for as operating leases. Under chain store space agreements, the Company pays fixed monthly rental fees for the right to install, maintain and operate its slots at business locations, which are recorded in gaming expenses. The leases, excluding land, have remaining lease terms of 1 year to 28 years, some of which include options to extend the leases for an additional 1 to 15 years. Some equipment leases and space agreements include options to terminate the lease with 60 days' to 1 year's notice. The Company leases slot machines from gaming equipment manufacturers under short-term agreements. Most of the slot machine leases have variable rent structures, with amounts determined based on the performance of those machines. Certain others are short-term in nature, with fixed payment amounts. The Company has an operating ground lease with the Maryland Department of Natural Resources for approximately 270 acres in the Rocky Gap State Park on which Rocky Gap is situated. The Company leases approximately 20 acres of land in Laughlin, Nevada for the Laughlin Event Center and four parcels of land in Pahrump, Nevada on which the Gold Town Casino is located.

The Company leases approximately 4.5 acres of undeveloped land in Carson City. Upon the adoption of Topic 842, the Company wrote off the associated ROU asset for this land lease of \$9.0 million to its beginning balance of retained earnings as of January 1, 2019. The Company is also lessee for nine taverns and locations subject to space agreements that it does not plan to develop, operate, or sub-lease. The Company wrote off the associated ROU asset for these ten leases of \$3.0 million to its beginning balance of retained earnings as of January 1, 2019.

The Company leases its office headquarters building from a related party. See Note 15, *Related Party Transactions*, for more detail.

The current and long-term obligations under finance leases are included in “current portion of long-term debt and finance leases” and “long-term debt, net and finance leases”, respectively. The majority of the finance leases relate to vehicles used within the Company’s Distributed Gaming business and equipment for the Company’s casinos.

The components of lease expense are as follows:

| <i>(In thousands)</i> | Classification | Year Ended December 31, 2019 |
|-----------------------------------|-------------------------------|---------------------------------|
| Operating lease cost | | |
| Operating lease cost | Operating and SG&A expenses | \$ 46,515 |
| Variable lease cost | Operating and SG&A expenses | 17,184 |
| Short-term lease cost | Operating and SG&A expenses | 6,617 |
| Total operating lease cost | | \$ 70,316 |
| Finance lease cost | | |
| Amortization of lease assets | Depreciation and amortization | \$ 2,389 |
| Interest on lease liabilities | Interest expense, net | 439 |
| Total finance lease cost | | \$ 2,828 |

Supplemental cash flow information related to leases is as follows:

| <i>(In thousands)</i> | Year Ended December 31, 2019 |
|---|---------------------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | \$ 47,084 |
| Operating cash flows from finance leases | 429 |
| Financing cash flows from finance leases | 2,485 |
| Right-of-use assets obtained in exchange for lease obligations: | |
| Operating leases | \$ 97,790 |
| Finance leases | 7,559 |

Supplemental balance sheet information related to leases is as follows:

| <i>(In thousands, except lease term and discount rate)</i> | December 31, 2019 |
|--|--------------------------|
| Operating leases | |
| Operating lease right-of-use assets, gross | \$ 226,884 |
| Accumulated amortization | (23,353) |
| Operating lease right-of-use assets, net | <u>\$ 203,531</u> |
| Current portion of operating leases | \$ 33,883 |
| Noncurrent operating leases | 184,301 |
| Total operating lease liabilities | <u>\$ 218,184</u> |
| Finance leases | |
| Property and equipment, gross | \$ 19,920 |
| Accumulated depreciation | (3,787) |
| Property and equipment, net | <u>\$ 16,133</u> |
| Current portion of finance leases, net | \$ 3,662 |
| Noncurrent finance leases, net | 8,801 |
| Total finance lease liabilities | <u>\$ 12,463</u> |

The following presents additional information related to the Company's leases as of December 31, 2019:

Weighted Average Remaining Lease Term

| | |
|------------------|-----------|
| Operating leases | 8.9 years |
| Finance leases | 7.0 years |

Weighted Average Discount Rate

| | |
|------------------|------|
| Operating leases | 6.0% |
| Finance leases | 6.5% |

Maturity of Lease Liabilities

As of December 31, 2019, maturities of lease liabilities were as follows:

| <i>(In thousands)</i> | Operating Leases | Finance Leases | Total |
|---|-----------------------------|---------------------------|-------------------|
| 2020 | \$ 45,171 | \$ 4,442 | \$ 49,613 |
| 2021 | 43,653 | 3,953 | 47,606 |
| 2022 | 37,218 | 2,617 | 39,835 |
| 2023 | 31,540 | 529 | 32,069 |
| 2024 | 30,490 | 227 | 30,717 |
| Thereafter | 101,441 | 3,828 | 105,269 |
| Total lease payments | 289,513 | 15,596 | 305,109 |
| Less: interest | (71,329) | (3,133) | (74,462) |
| Present value of lease liabilities | <u>\$ 218,184</u> | <u>\$ 12,463</u> | <u>\$ 230,647</u> |

As of December 31, 2019, the Company does not have any leases that have not yet commenced but that create significant rights and obligations.

Company as Lessor

Minimum and contingent operating lease income is as follows:

| <i>(In thousands)</i> | Year Ended December 31, 2019 |
|----------------------------|---------------------------------|
| Minimum rental income | \$ 7,479 |
| Contingent rental income | 1,527 |
| Total rental income | \$ 9,006 |

Future minimum rental payments to be received under operating leases:

| <i>(In thousands)</i> | Operating Leases |
|-------------------------------------|------------------|
| Remaining 2020 | \$ 4,261 |
| 2021 | 3,280 |
| 2023 | 2,433 |
| 2024 | 1,763 |
| 2025 | 826 |
| Thereafter | 1,720 |
| Total future minimum rentals | \$ 14,283 |

Disclosures related to periods prior to adoption of Topic 842

For the year ended December 31, 2018, operating lease rental expense, calculated on a straight-line basis, was \$39.0 million, \$1.6 million and \$15.1 million for space agreements, related party leases and other operating leases, respectively. For the year ended December 31, 2017, operating lease rental expense, calculated on a straight-line basis, was \$37.1 million, \$2.0 million, and \$13.4 million for space agreements, related party leases and other operating leases, respectively. The Company recorded rental revenue of \$7.5 million and \$1.3 million for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, maturities of lease liabilities were as follows:

| <i>(In thousands)</i> | Operating Leases | Finance Leases | Total |
|---|---------------------|-------------------|-------------------|
| 2019 | \$ 55,859 | \$ 1,817 | \$ 57,676 |
| 2020 | 27,453 | 2,023 | 29,476 |
| 2021 | 23,041 | 1,405 | 24,446 |
| 2022 | 19,582 | 306 | 19,888 |
| 2023 | 16,115 | 253 | 16,368 |
| Thereafter | 103,436 | 7,644 | 111,080 |
| Total minimum lease payments | <u>\$ 245,486</u> | 13,448 | 258,934 |
| Less: interest | | (6,321) | (6,321) |
| Present value of lease liabilities | | <u>\$ 7,127</u> | <u>\$ 252,613</u> |

Note 14 – Commitments and Contingencies

Participation and Revenue Share Agreements

In addition to the space agreements described above in Note 13, *Leases*, the Company also enters into slot placement contracts in the form of participation and revenue share agreements. Under participation agreements, the business location holds the applicable gaming license and retains a percentage of the gaming revenue that it generates from the Company's slots. Under revenue share agreements, the Company pays the business location a percentage of the gaming revenue generated from the Company's slots placed at the location, rather than a fixed monthly rental fee. During the years ended December 31, 2019, 2018 and 2017, the aggregate contingent payments recognized by the Company as gaming expenses under participation and revenue share agreements were \$158.6 million, \$147.7 million and \$143.3 million, respectively, including \$0.9 million, \$0.9 million and \$1.0 million, respectively, under participation and revenue share agreements with related parties, as described in Note 15, *Related Party Transactions*.

The Company also enters into amusement device and ATM placement contracts in the form of participation agreements. Under these agreements, the Company pays the business location a percentage of the non-gaming revenue generated from the Company's amusement devices and ATMs placed at the location. During the years ended December 31, 2019, 2018 and 2017, the total contingent payments recognized by the Company as operating expenses for amusement devices and ATMs under such agreements were \$1.5 million, \$1.4 million and \$1.4 million, respectively.

Collective Bargaining Agreements

As of December 31, 2019 the Company had approximately 8,000 employees, of which approximately 2,000 were covered by various collective bargaining agreements. One collective bargaining agreement expired in 2018, and was successfully renegotiated in the first quarter of 2020. The Company's other collective bargaining agreements expire between 2020 and 2024. The Company cannot ensure that, upon the expiration of existing collective bargaining agreements, new agreements will be reached without union action or that any such new agreements will be on terms satisfactory to the Company.

Employment Agreements

The Company has entered into at-will employment agreements with certain of the Company's executive officers. Under each employment agreement, in addition to the executive's annual base salary, the executive is entitled to participate in the Company's incentive compensation programs applicable to executive officers of the Company. The executives are also eligible to participate in all health benefits, insurance programs, pension and retirement plans and other employee benefit and compensation arrangements. Each executive is also provided with other benefits as set forth in his employment agreement. In the event of a termination without "cause" or a "constructive termination" of the Company's executive officers (as defined in their respective employment agreements), the Company could be liable for estimated severance payments of up to \$5.7 million for Mr. Sartini, \$3.1 million for Charles H. Protell, \$2.5 million for Stephen A. Arcana, \$1.6 million for Sean T. Higgins, and \$0.9 million for Blake L. Sartini II (assuming each officer's respective annual salary and health benefit costs as of December 31, 2019, subject to amounts in effect at the time of termination and excluding potential expense related to acceleration of stock options, RSUs and PSUs).

Legal Matters

From time to time, the Company is involved in a variety of lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of business, including proceedings concerning labor and employment matters, personal injury claims, breach of contract claims, commercial disputes, business practices, intellectual property, tax and other matters for which the Company records reserves. Although lawsuits, claims, investigations and other legal proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of its currently pending matters should not have a material adverse effect on its business, financial condition, results of operations or liquidity. Regardless of the outcome, legal proceedings can have an adverse impact on the Company because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect the Company's business, financial condition, results of operations or liquidity in a particular period.

On August 31, 2018, prior guests of The Strat filed a purported class action complaint against the Company in the District Court, Clark County, Nevada, on behalf of similarly situated individuals and entities that paid the Clark County Combined Transient Lodging Tax (“Tax”) on the portion of a resort fee that constitutes charges for Internet access, during the period of February 6, 2014 through the date the alleged conduct ceases. The lawsuit alleged that the Tax was charged in violation of the federal Internet Tax Freedom Act, which imposed a national moratorium on the taxation of Internet access by states and their political subdivisions, and sought, on behalf of the plaintiff and the putative class, damages equal to the amount of the Tax collected on the Internet access component of the resort fee, injunctive relief, disgorgement, interest, fees and costs. All defendants to this matter, including Golden Entertainment, Inc., filed a joint motion to dismiss this matter for lack of merit. The District Court granted this joint motion to dismiss on February 21, 2019. The plaintiffs filed an appeal to the Supreme Court of Nevada on April 10, 2019. The Company, and other defendants, filed an appellate response brief on October 19, 2019.

While legal proceedings are inherently unpredictable and no assurance can be given as to the ultimate outcome of any of the above matters, based on management’s current understanding of the relevant facts and circumstances, the Company believes that these proceedings should not have a material adverse effect on its financial position, results of operations or cash flows.

Note 15 – Related Party Transactions

As of December 31, 2019, the Company leased its office headquarters building from a company 33% beneficially owned by Blake L. Sartini, 5% owned by a trust for the benefit of Mr. Sartini’s immediate family members (including Blake L. Sartini, II) for which Mr. Sartini serves as trustee, and 3% beneficially owned by Stephen A. Arcana. The lease for the Company’s office headquarters building expires on December 31, 2030. The rent expense for the office headquarters building during the years ended December 31, 2019, 2018 and 2017 was \$1.3 million, \$1.3 million, and \$1.2 million, respectively. No amount was owed to the Company, and no amount was due and payable by the Company, under this lease as of December 31, 2019 and 2018. Additionally, a portion of the office headquarters building was sublet to a company owned or controlled by Mr. Sartini. Rental income during each of the years ended December 31, 2019, 2018 and 2017 for the sublet portion of the office headquarters building was less than \$0.1 million. No amount was owed to the Company under such sublease as of December 31, 2019 and 2018. Mr. Sartini serves as the Chairman of the Board and Chief Executive Officer of the Company and is co-trustee of the Sartini Trust, which is a significant shareholder of the Company. Mr. Arcana serves as the Executive Vice President and Chief Operating Officer of the Company.

In November 2018, the Company entered into a lease agreement for office space in a building to be constructed and owned by a company 33% beneficially owned by Mr. Sartini, 5% owned by a trust for the benefit of Mr. Sartini’s immediate family members (including Blake L. Sartini, II) for which Mr. Sartini serves as trustee, and 3% beneficially owned by Mr. Arcana. The lease is intended to commence in 2020 and expires on December 31, 2030. The rent expense for the space is expected to be approximately \$0.3 million per year. Additionally, the lease agreement includes a right of first refusal for additional space on the second floor of the building

One tavern location that the Company had previously leased from a related party was sold in the second quarter of 2019 to an unrelated third party. A second tavern location that the Company had previously leased from a related party was sold in 2018 to an unrelated third party. The rent expense for tavern locations leased from related parties (for the periods in which the leases were with related parties) was \$0.2 million, \$0.4 million and \$0.9 million for the years ended December 31, 2019, 2018, and 2017, respectively. No amounts were owed to the Company, and no amount was due and payable by the Company, under such leases as of December 31, 2018. No tavern locations were leased from related parties as of December 31, 2019.

From time to time, the Company’s executive officers and employees use for Company business private aircraft that are owned by or leased to Sartini Enterprises, Inc., a company controlled by Mr. Sartini, pursuant to aircraft timesharing, co-user and cost-sharing agreements between the Company and Sartini Enterprises, Inc. that have been approved by the Audit Committee of the Board of Directors. The aircraft timesharing, co-user and cost-sharing agreements specify the maximum expense reimbursement that Sartini Enterprises, Inc. can charge the Company under the applicable regulations of the Federal Aviation Administration for the use of the aircraft and flight crew. Such costs include fuel, landing fees, hangar and tie-down costs away from the aircraft’s operating base, flight

planning and weather contract services, crew costs and other related expenses. The Company's compliance department regularly reviews these reimbursements. During the years ended December 31, 2019, 2018, and 2017, the Company paid approximately \$0.6 million, \$0.6 million and \$0.2 million, respectively. No amount was due and payable by the Company as of December 31, 2019 and less than \$0.1 million was owed by the Company as of December 31, 2018, under the aircraft timesharing, co-user and cost-sharing agreements.

One of the distributed gaming locations at which the Company's slots are located is owned in part by Sean T. Higgins, who serves as Executive Vice President of Government Affairs of the Company. This agreement was in place prior to Mr. Higgins's joining the Company on March 28, 2016. Net revenues and gaming expenses recorded by the Company from the use of the Company's slots at this location were \$1.0 million and \$0.9 million, respectively, during the year ended December 31, 2019, \$1.0 million and \$0.9 million, respectively, during the year ended December 31, 2018, and \$1.1 million and \$1.0 million, respectively, during the year ended December 31, 2017. De minimis amounts were owed to or due and payable by the Company as of December 31, 2019 and no amount was owed to or due and payable by the Company as of December 31, 2018, related to this agreement.

In connection with the Sartini Gaming merger, Lyle A. Berman, who serves on the Board of the Directors of the Company, entered into a three-year consulting agreement with the Company pursuant to which the Company paid his wholly-owned consulting firm \$200,000 annually, plus reimbursements for certain health insurance, administrative assistant and office costs. Expenses recorded by the Company for the agreement with Mr. Berman were less than \$0.1 million for the year ended December 31, 2018 and \$0.2 million for the year ended December 31, 2017. The consulting agreement expired on July 31, 2018.

Note 16 – Segment Information

The Company conducts its business through two reportable operating segments: Casinos and Distributed Gaming. The Company's Casinos segment involves the ownership and operation of resort casino properties in Nevada and Maryland. The Company's Distributed Gaming segment involves the installation, maintenance and operation of slots and amusement devices in non-casino locations such as restaurants, bars, taverns, convenience stores, liquor stores and grocery stores in Nevada and Montana, and the operation of branded taverns targeting local patrons located primarily in the greater Las Vegas, Nevada metropolitan area. The Corporate and Other segment includes the Company's cash and cash equivalents, miscellaneous receivables and corporate overhead. Costs recorded in the Corporate and Other segment have not been allocated to the Company's reportable operating segments because these costs are not easily allocable and to do so would not be practical.

The Company evaluates each segment's profitability based upon such segment's Adjusted EBITDA, which represents each segment's earnings before interest and other non-operating income (expense), income taxes, depreciation and amortization, acquisition and severance expenses, loss (gain) on disposal of property and equipment, share-based compensation, preopening and related expenses, change in fair value of derivative, and other gains and losses, calculated before corporate overhead (which is not allocated to each segment).

The following tables set forth, for the periods indicated, certain operating data for the Company's segments, and reconciles net income (loss) to Adjusted EBITDA:

| <i>(In thousands)</i> | Year Ended December 31, 2019 | | | |
|---|------------------------------|--------------------|---------------------|-------------------|
| | Casinos | Distributed Gaming | Corporate and Other | Consolidated |
| Revenues | | | | |
| Gaming | \$ 284,027 | \$ 294,776 | \$ — | \$ 578,803 |
| Food and beverage | 148,970 | 53,963 | — | 202,933 |
| Rooms | 132,193 | — | — | 132,193 |
| Other | 50,211 | 8,500 | 770 | 59,481 |
| Total revenues | <u>\$ 615,401</u> | <u>\$ 357,239</u> | <u>\$ 770</u> | <u>\$ 973,410</u> |
| Net income (loss) | | | | |
| Depreciation and amortization | \$ 80,179 | \$ 28,365 | \$ (148,089) | \$ (39,545) |
| Preopening and related expenses ⁽¹⁾ | 92,918 | 22,035 | 1,639 | 116,592 |
| Acquisition and severance expenses | 2,723 | 1,482 | 343 | 4,548 |
| Asset disposal and other writedowns | 575 | 35 | 2,878 | 3,488 |
| Share-based compensation | 1,124 | (200) | 385 | 1,309 |
| Other, net | 11 | 5 | 10,108 | 10,124 |
| Interest expense, net | 405 | 52 | 1,759 | 2,216 |
| Loss on extinguishment and modification of debt | 581 | 73 | 73,566 | 74,220 |
| Change in fair value of derivative | — | — | 9,150 | 9,150 |
| Income tax benefit | — | — | 4,168 | 4,168 |
| | — | — | (1,876) | (1,876) |
| Adjusted EBITDA | <u>\$ 178,516</u> | <u>\$ 51,847</u> | <u>\$ (45,969)</u> | <u>\$ 184,394</u> |

| <i>(In thousands)</i> | Year Ended December 31, 2018 | | | |
|--|------------------------------|--------------------|---------------------|-------------------|
| | Casinos | Distributed Gaming | Corporate and Other | Consolidated |
| Revenues | | | | |
| Gaming | \$ 246,623 | \$ 278,553 | \$ — | \$ 525,176 |
| Food and beverage | 119,636 | 50,817 | — | 170,453 |
| Rooms | 106,805 | — | — | 106,805 |
| Other | 40,885 | 7,697 | 778 | 49,360 |
| Total revenues | <u>\$ 513,949</u> | <u>\$ 337,067</u> | <u>\$ 778</u> | <u>\$ 851,794</u> |
| Net income (loss) | | | | |
| Depreciation and amortization | \$ 82,556 | \$ 25,870 | \$ (129,340) | \$ (20,914) |
| Preopening expenses ⁽¹⁾ | 72,242 | 20,604 | 1,610 | 94,456 |
| Acquisition and severance expenses | 170 | 365 | 636 | 1,171 |
| Loss on disposal of property and equipment | 289 | 38 | 3,413 | 3,740 |
| Share-based compensation | 2,893 | 443 | — | 3,336 |
| Other, net | 37 | 3 | 9,948 | 9,988 |
| Interest expense, net | 188 | 408 | 492 | 1,088 |
| Change in fair value of derivative | 110 | 93 | 63,825 | 64,028 |
| Income tax provision | — | — | (1,786) | (1,786) |
| | — | — | 9,639 | 9,639 |
| Adjusted EBITDA | <u>\$ 158,485</u> | <u>\$ 47,824</u> | <u>\$ (41,563)</u> | <u>\$ 164,746</u> |

| <i>(In thousands)</i> | Year Ended December 31, 2017 | | | |
|--|------------------------------|--------------------|---------------------|-------------------|
| | Casinos | Distributed Gaming | Corporate and Other | Consolidated |
| Revenues | | | | |
| Gaming | \$ 109,097 | \$ 272,299 | \$ — | \$ 381,396 |
| Food and beverage | 34,373 | 46,931 | — | 81,304 |
| Rooms | 24,163 | — | — | 24,163 |
| Other | 11,416 | 8,276 | 583 | 20,275 |
| Total revenues | <u>\$ 179,049</u> | <u>\$ 327,506</u> | <u>\$ 583</u> | <u>\$ 507,138</u> |
| Net income (loss) | \$ 30,351 | \$ 29,210 | \$ (57,477) | \$ 2,084 |
| Depreciation and amortization | 19,544 | 19,601 | 1,641 | 40,786 |
| Preopening expenses ⁽¹⁾ | — | 1,234 | 398 | 1,632 |
| Acquisition and severance expenses | 636 | — | 5,547 | 6,183 |
| Loss on disposal of property and equipment | 17 | 414 | 10 | 441 |
| Share-based compensation | — | — | 8,754 | 8,754 |
| Other operating, net | 361 | (240) | 1,339 | 1,460 |
| Gain on contingent consideration | — | (1,719) | — | (1,719) |
| Interest expense, net | (17) | 390 | 19,225 | 19,598 |
| Loss on extinguishment of debt | — | — | 1,708 | 1,708 |
| Change in fair value of derivative | — | — | (178) | (178) |
| Income tax benefit | — | — | (7,921) | (7,921) |
| Adjusted EBITDA | <u>\$ 50,892</u> | <u>\$ 48,890</u> | <u>\$ (26,954)</u> | <u>\$ 72,828</u> |

- (1) Preopening and related expenses include rent, organizational costs, non-capital costs associated with the opening of tavern and casino locations, and expenses related to The Strat rebranding and the launch of the True Rewards loyalty program.

Assets

The Company's assets by segment consisted of the following amounts:

| <i>(In thousands)</i> | Casinos | Distributed Gaming | Corporate and Other | Consolidated |
|-------------------------------------|---------------------|--------------------|---------------------|---------------------|
| Balance at December 31, 2019 | <u>\$ 1,204,574</u> | <u>\$ 482,294</u> | <u>\$ 54,049</u> | <u>\$ 1,740,917</u> |
| Balance at December 31, 2018 | <u>\$ 1,006,292</u> | <u>\$ 299,697</u> | <u>\$ 60,580</u> | <u>\$ 1,366,569</u> |

Capital Expenditures

The Company's capital expenditures by segment consisted of the following amounts:

| <i>(In thousands)</i> | Casinos ⁽¹⁾ | Distributed Gaming ⁽²⁾ | Corporate and Other | Consolidated |
|---|------------------------|-----------------------------------|---------------------|-------------------|
| For the year ended December 31, 2019 | <u>\$ 83,382</u> | <u>\$ 19,185</u> | <u>\$ 4,700</u> | <u>\$ 107,267</u> |
| For the year ended December 31, 2018 | <u>\$ 45,634</u> | <u>\$ 15,942</u> | <u>\$ 6,599</u> | <u>\$ 68,175</u> |
| For the year ended December 31, 2017 | <u>\$ 9,665</u> | <u>\$ 18,011</u> | <u>\$ 1,787</u> | <u>\$ 29,463</u> |

- (1) Capital expenditures in the Casinos segment exclude non-cash purchases of property and equipment of approximately \$19.1 million, \$8.8 million, and \$1.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

- (2) Capital expenditures in the Distributed Gaming segment exclude non-cash purchases of property and equipment of approximately \$3.6 million, \$3.5 million, and \$2.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 17 – Selected Quarterly Financial Information (Unaudited):

The following tables present selected quarterly financial information:

| | Year ended December 31, 2019 | | | |
|---|------------------------------|------------|----------------------|-----------------------|
| | First ⁽¹⁾ | Second | Third ⁽²⁾ | Fourth ⁽²⁾ |
| <i>(In thousands, except per share amounts)</i> | | | | |
| Revenues | \$ 239,892 | \$ 248,070 | \$ 243,314 | \$ 242,134 |
| Income from operations | 11,714 | 14,022 | 9,881 | 10,500 |
| Net loss | (8,018) | (14,408) | (9,447) | (7,672) |
| Basic loss per share | \$ (0.29) | \$ (0.52) | \$ (0.34) | \$ (0.28) |
| Diluted loss per share | \$ (0.29) | \$ (0.52) | \$ (0.34) | \$ (0.28) |

| | Year ended December 31, 2018 | | | |
|---|------------------------------|------------|------------|-----------------------|
| | First | Second | Third | Fourth ⁽²⁾ |
| <i>(In thousands, except per share amounts)</i> | | | | |
| Revenues | \$ 214,789 | \$ 216,543 | \$ 210,337 | \$ 210,125 |
| Income from operations | 16,681 | 19,095 | 9,723 | 5,468 |
| Net income (loss) | 3,930 | 3,594 | (3,124) | (25,314) |
| Basic income (loss) per share | \$ 0.14 | \$ 0.13 | \$ (0.11) | \$ (0.90) |
| Diluted income (loss) per share ⁽²⁾ | \$ 0.13 | \$ 0.12 | \$ (0.11) | \$ (0.90) |

- (1) Results included the operating results of the Laughlin Entities from January 14, 2019, following the completion of the Laughlin Acquisition.
- (2) For all four quarters of 2019 and the third and fourth quarters of 2018, the Company generated a net loss. Accordingly, the effect of all potential common share equivalents was anti-dilutive, and therefore all such shares were excluded from the computation of diluted weighted average shares outstanding and diluted loss per share for this period. The number of potential common share equivalents was 1,048, 740, 730 and 1,168 for the first, second, third and fourth quarters of 2019, respectively. The number of potential common share equivalents was 1,870 and 1,028 for the third and fourth quarters of 2018, respectively.

Because net income (loss) per share amounts are calculated using the weighted-average number of common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters in the tables above may not equal the total net income (loss) per share amounts for the year.

Note 18 – Subsequent Events

The Company's management evaluates subsequent events through the date of issuance of the consolidated financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the consolidated financial statements as of and for the year ended December 31, 2019.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

a. Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the requirements of the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2019, the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2019.

b. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, our independent registered public accounting firm, as stated in their report in Part II, Item 8 of this Annual Report on Form 10-K.

As discussed elsewhere in this Annual Report on Form 10-K, on January 14, 2019, we acquired the Laughlin Entities. In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting for the fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting includes only the internal control activities of the Laughlin Entities related to accounts payable and property and equipment.

We have included the financial results of the Laughlin Entities in the consolidated financial statements from the date of acquisition. Total revenue from the Laughlin Entities excluded from our assessment of internal controls represented approximately 9.3% of our consolidated total revenue in 2019. The Laughlin Entities' total assets, excluding property and equipment, goodwill and intangibles, totaled 1.0% of total consolidated assets as of December 31, 2019.

c. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item regarding the members of our Board of Directors and our audit committee, including our audit committee financial expert, will be included in our definitive Proxy Statement to be filed with the SEC in connection with our 2020 annual meeting of shareholders (the “Proxy Statement”) under the headings “Corporate Governance,” “Executive Officers,” “Election of Directors” and “Ownership of Securities,” and is incorporated herein by reference.

We have adopted a code of ethics applicable to all of our employees (including our principal executive officer, principal financial officer and principal accounting officer). The code of ethics is designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The full text of our code of ethics is published in the “Investors-Governance” section of our website at www.goldenent.com.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the Proxy Statement under the headings “Director Compensation” and “Executive Compensation,” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item with respect to security ownership of certain beneficial owners will be included in the Proxy Statement under the heading “Ownership of Securities,” and is incorporated herein by reference.

The following table provides certain information as of December 31, 2019 with respect to our equity compensation plans:

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column) |
|---|--|---|---|
| Golden Entertainment, Inc. 2015 Incentive Award Plan ⁽¹⁾ | 2,994,527 | \$ 11.80 | 1,280,100 |
| 2007 Lakes Stock Option and Compensation Plan | 131,994 | 7.35 | — |
| Total | <u>3,126,521</u> | <u>\$ 11.61</u> | <u>1,280,100</u> |

(1) As of December 31, 2019, we had 661,258 RSUs and 376,328 PSUs outstanding that do not have an exercise price; therefore, the weighted-average exercise price per share only relates to outstanding stock options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be included in the Proxy Statement under the headings “Certain Relationships and Related Transactions” and “Corporate Governance,” and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be included in the Proxy Statement under the heading “Independent Registered Public Accounting Firm” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Golden Entertainment, Inc. Consolidated Financial Statements (including related notes to Consolidated Financial Statements) filed in Part II of this report are listed below:

Reports of Independent Registered Public Accounting Firms
 Consolidated Balance Sheets as of December 31, 2019 and 2018
 Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017
 Consolidated Statements of Shareholders' Equity for the years ended December 31, 2019, 2018 and 2017
 Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
 Notes to Consolidated Financial Statements

(a)(2) Schedule II – Valuation and Qualifying Accounts

We have omitted all other financial statement schedules because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements.

**GOLDEN ENTERTAINMENT, INC.
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
 (In thousands)**

| | <u>Balance at Beginning of Period</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance at End of Period</u> |
|---|---|-----------------|-----------------|-------------------------------------|
| Deferred income tax valuation allowance: | | | | |
| Year Ended December 31, 2019 | \$ 23,276 | \$ 13,376 | \$ — | \$ 36,652 |
| Year Ended December 31, 2018 | 6,983 | 16,293 | — | 23,276 |
| Year Ended December 31, 2017 | 18,109 | — | (11,126) | 6,983 |

(a)(3) Exhibits:

| <u>Exhibit Number</u> | <u>Exhibit Description</u> | <u>Incorporated by Reference</u> | | | | <u>Filed or Furnished Herewith</u> |
|---------------------------|--|----------------------------------|-----------------|----------------|--------------------|--|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | |
| 2.1 | Membership Interest Purchase Agreement, dated as of June 10, 2017, by and among Golden Entertainment, Inc., W2007/ACEP Managers Voteco, LLC, and W2007/ACEP Holdings, LLC. | 8-K | 000-24993 | 2.1 | 6/12/2017 | |
| 2.2 | Purchase Agreement, dated as of July 14, 2018, by and between Golden Entertainment, Inc. and Marnell Gaming, LLC | 8-K | 000-24993 | 2.1 | 7/16/2018 | |
| 3.1 | Amended and Restated Articles of Incorporation of Golden Entertainment, Inc. | 8-K | 000-24993 | 3.1 | 8/4/2015 | |
| 3.2 | Fifth Amended and Restated Bylaws of Golden Entertainment, Inc. | 8-K | 000-24993 | 3.2 | 8/4/2015 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
|----------------|---|---------------------------|-----------|---------|-------------|-----------------------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 4.1 | Indenture, dated as of April 15, 2019, between Golden Entertainment, Inc., the Guarantors party thereto and Wilmington Trust, National Association, as trustee | 10-Q | 000-24993 | 4.1 | 5/10/2019 | |
| 4.2 | Form of 7.625% Senior Note due 2026 of Golden Entertainment, Inc. (attached as Exhibit A to the Indenture incorporated by reference to Exhibit 4.1 to Golden Entertainment, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 10, 2019) | 10-Q | 000-24993 | 4.1 | 5/10/2019 | |
| 4.3 | Description of Registered Securities | | | | | X |
| 10.1 | First Lien Credit Agreement, dated as of October 20, 2017, by and among Golden Entertainment, Inc. (as borrower), the subsidiaries of Golden Entertainment, Inc. party thereto, JPMorgan Chase Bank, N.A. (as administrative agent and collateral agent) and the other lenders party thereto. | 8-K | 000-24993 | 10.3 | 10/23/2017 | |
| 10.1.1 | Incremental Joinder Agreement No. 1, dated as of June 11, 2018, by and among Golden Entertainment, Inc. (as borrower), the subsidiaries of Golden Entertainment, Inc. party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A. (as administrative agent) | 8-K | 000-24993 | 10.1 | 6/12/2018 | |
| 10.1.2 | Incremental Joinder Agreement No. 2, dated as of November 8, 2018, by and among Golden Entertainment, Inc. (as borrower), the subsidiaries of Golden Entertainment, Inc. party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A. (as administrative agent). | 10-Q | 000-24993 | 10.1 | 11/9/2018 | |
| 10.2 | Amended and Restated Ground Lease by and between Evitts Resort, LLC and the State of Maryland to the use of the Department of Natural Resources, effective August 3, 2012. | 8-K | 000-24993 | 10.2 | 8/9/2012 | |
| 10.3 | Registration Rights Agreement, dated as of July 31, 2015, by and between Golden Entertainment, Inc. and The Blake L. Sartini and Delise F. Sartini Family Trust | 8-K | 000-24993 | 10.2 | 8/4/2015 | |
| 10.4 | Stockholders Agreement, dated as of January 14, 2019, by and between Golden Entertainment, Inc. and the stockholders party thereto. | 8-K | 000-24993 | 10.1 | 1/15/2019 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
|----------------|---|---------------------------|-----------|---------|-------------|-----------------------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.5 | Noncompetition Agreement, dated as of July 31, 2015, between Golden Entertainment, Inc. and Blake L. Sartini | 8-K | 000-24993 | 10.4 | 8/4/2015 | |
| 10.6 | Noncompetition Agreement, dated as of July 31, 2015, between Golden Entertainment, Inc. and Lyle A. Berman | 8-K | 000-24993 | 10.3 | 8/4/2015 | |
| 10.7# | Employment Agreement, dated as of October 1, 2015, by and between Golden Entertainment, Inc. and Blake Sartini | 8-K | 000-24993 | 10.1 | 10/5/2015 | |
| 10.7.1# | First Amendment to Employment Agreement, dated as of February 9, 2016, by and between Golden Entertainment, Inc. and Blake L. Sartini | 10-K | 000-24993 | 10.11.1 | 3/14/2016 | |
| 10.7.2# | Second Amendment to Employment Agreement, dated as of March 14, 2018, by and between Golden Entertainment, Inc. and Blake L. Sartini | 10-Q | 000-24993 | 10.1 | 5/10/2018 | |
| 10.8# | Employment Agreement, dated as of November 15, 2016, by and between Golden Entertainment, Inc. and Charles Protell | 8-K | 000-24993 | 10.2 | 11/17/2016 | |
| 10.8.1# | First Amendment to Employment Agreement, dated as of March 10, 2017, by and between Golden Entertainment, Inc. and Charles Protell | 10-K | 000-24993 | 10.12.1 | 3/16/2017 | |
| 10.8.2# | Second Amendment to Employment Agreement, dated as of March 14, 2018, by and between Golden Entertainment, Inc. and Charles Protell | 10-Q | 000-24993 | 10.3 | 5/10/2018 | |
| 10.8.3# | Third Amendment to Employment Agreement, dated as of August 5, 2019, by and between Golden Entertainment, Inc. and Charles Protell | 10-Q | 000-24993 | 10.1 | 11/8/2019 | |
| 10.9# | Employment Agreement, dated as of October 1, 2015, by and between Golden Entertainment, Inc. and Stephen Arcana | 8-K | 000-24993 | 10.2 | 10/5/2015 | |
| 10.9.1# | First Amendment to Employment Agreement, dated as of February 9, 2016, by and between Golden Entertainment, Inc. and Stephen Arcana | 10-K | 000-24993 | 10.12.1 | 3/14/2016 | |
| 10.9.2# | Second Amendment to Employment Agreement, dated as of March 10, 2017, by and between Golden Entertainment, Inc. and Stephen Arcana | 10-K | 000-24993 | 10.11.2 | 3/16/2017 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
|----------------|---|---------------------------|-----------|------------|-------------|-----------------------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.9.3# | Third Amendment to Employment Agreement, dated as of March 14, 2018, by and between Golden Entertainment, Inc. and Stephen Arcana | 10-Q | 000-24993 | 10.2 | 5/10/2018 | |
| 10.10# | Employment Agreement, dated as of October 11, 2016, by and between Golden Entertainment, Inc. and Sean Higgins | 10-K | 000-24993 | 10.14 | 3/16/2017 | |
| 10.11# | Amended and Restated Employment Agreement, dated as of March 10, 2017, by and between Golden Entertainment, Inc. and Blake L. Sartini II | 10-K | 000-24993 | 10.15 | 3/16/2017 | |
| 10.11.1# | First Amendment to Amended and Restated Employment Agreement, dated as of March 14, 2018, by and between Golden Entertainment, Inc. and Blake L. Sartini II | 10-Q | 000-24993 | 10.4 | 5/10/2018 | |
| 10.12# | 2007 Amended and Restated Stock Option and Compensation Plan | DEF 14A | 000-24993 | Appendix D | 6/24/2009 | |
| 10.12.1# | Form of Lakes Entertainment, Inc. Non-Qualified Stock Option Agreement (Employees) | 10-K | 000-24993 | 10.16.1 | 3/14/2016 | |
| 10.12.2# | Form of Lakes Entertainment, Inc. Option Agreement (Directors) | 10-K | 000-24993 | 10.16.2 | 3/14/2016 | |
| 10.12.3# | Form of Stock Option Grant Notice and Stock Option Award Agreement | 8-K | 000-24993 | 10.5 | 11/17/2016 | |
| 10.13# | Golden Entertainment, Inc. 2015 Incentive Award Plan | 8-K | 000-24993 | 10.1 | 9/2/2015 | |
| 10.13.1# | Form of Stock Option Grant Notice and Stock Option Agreement | 8-K | 000-24993 | 10.2 | 9/2/2015 | |
| 10.13.2# | Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement | 8-K | 000-24993 | 10.4 | 11/17/2016 | |
| 10.13.3# | Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement (time-based awards) | 10-Q | 000-24993 | 10.5 | 5/10/2018 | |
| 10.13.4# | Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement (LTIP awards) | 10-Q | 000-24993 | 10.6 | 5/10/2018 | |
| 10.14# | Golden Entertainment, Inc. Non-Employee Director Compensation Program | 10-Q | 000-24993 | 10.2 | 8/9/2018 | |
| 21 | Subsidiaries of Golden Entertainment, Inc. | | | | | X |
| 23.1 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 23.2 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed or Furnished Herewith |
|----------------|---|---------------------------|----------|---------|-------------|-----------------------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.1 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 101.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Calculation Definition Document | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X |

Management contract or compensatory plan or arrangement in which one or more executive officers or directors participates

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN ENTERTAINMENT, INC.
Registrant

By: /s/ BLAKE L. SARTINI

Blake L. Sartini
Chairman of the Board and
Chief Executive Officer

Dated as of March 13, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 13, 2020.

| <u>Name</u> | <u>Title</u> |
|---|---|
| <u>/s/ BLAKE L. SARTINI</u> Blake L. Sartini | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) |
| <u>/s/ CHARLES H. PROTELL</u> Charles H. Protell | President and Chief Financial Officer (Principal Financial Officer) |
| <u>/s/ THOMAS E. HAAS</u> Thomas E. Haas | Senior Vice President of Accounting (Principal Accounting Officer) |
| <u>/s/ LYLE A. BERMAN</u> Lyle A. Berman | Director |
| <u>/s/ ANN DOZIER</u> Ann Dozier | Director |
| <u>/s/ MARK A. LIPPARELLI</u> Mark A. Lipparelli | Director |
| <u>/s/ ANTHONY A. MARNELL III</u> Anthony A. Marnell III | Director |
| <u>/s/ ROBERT L. MIODUNSKI</u> Robert L. Miodunski | Director |
| <u>/s/ TERRENCE L. WRIGHT</u> Terrence L. Wright | Director |

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF
2002**

I, Blake L. Sartini, certify that:

1. I have reviewed this Annual Report on Form 10-K of Golden Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, 2020

By: /s/ BLAKE L. SARTINI

Blake L. Sartini
Chairman of the Board and
Chief Executive Officer

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF
2002**

I, Charles H. Protell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Golden Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, 2020

By: /s/ CHARLES H. PROTELL
Charles H. Protell
President and Chief Financial Officer

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF
FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Golden Entertainment, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2020

By: /s/ BLAKE L. SARTINI

Blake L. Sartini
Chairman of the Board and
Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Golden Entertainment, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2020

By: /s/ CHARLES H. PROTELL

Charles H. Protell
President and Chief Financial Officer

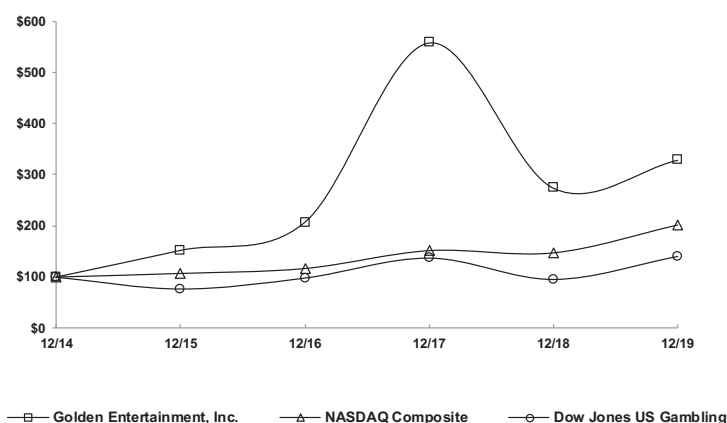
The foregoing certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. The foregoing certifications are not to be incorporated by reference into any filing of Golden Entertainment, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Performance Graph

The following performance graph compares the cumulative five-year shareholders' returns (based on appreciation of the market price of our common stock) on an indexed basis with NASDAQ Composite Index and the Dow Jones US Gambling Index, during the five years ended December 31, 2019. The graph plots the changes in value of an initial \$100 investment over the indicated time period, assuming all dividends are reinvested. The stock price performance in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Golden Entertainment, Inc., the NASDAQ Composite Index
and the Dow Jones US Gambling Index



Cumulative Total Returns - Year Ending December 31,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|----------|----------|----------|----------|----------|----------|
| Golden Entertainment, Inc. | \$100.00 | \$152.20 | \$207.13 | \$558.43 | \$274.00 | \$328.73 |
| NASDAQ Composite Index | 100.00 | 106.96 | 116.45 | 150.96 | 146.67 | 200.49 |
| Dow Jones US Gambling Index | 100.00 | 76.66 | 98.28 | 137.73 | 95.56 | 141.02 |

The performance graph should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Exchange Act of 1934, except to the extent the Company specifically incorporates the performance graph by reference therein.

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOARD OF DIRECTORS

Blake L. Sartini

Chairman of the Board and
Chief Executive Officer

Lyle A. Berman

Director; former Chairman of the
Board and Chief Executive Officer
of Lakes Entertainment, Inc.

Ann Dozier

Director; Senior Vice President,
Chief Information Officer of
Southern Glazer's Wine and
Spirits, LLC

Mark A. Lipparelli

Director; Chief Executive Officer
of Gioco Ventures; Former
Nevada State Senator, District 6

Anthony A. Marnell III

Director; Chairman, Chief
Executive Officer of Marnell
Gaming, LLC

Robert L. Miodunski

Director; former Chief Executive
Officer of American Gaming
Systems

Terrence L. Wright

Director; Chairman of the Board
of Westcor Land Title Insurance
Company

MANAGEMENT TEAM

Blake L. Sartini

Chairman of the Board and
Chief Executive Officer

Charles H. Protell

President, Chief Financial
Officer and Treasurer

Stephen A. Arcana

Executive Vice President and
Chief Operating Officer

Sean T. Higgins

Executive Vice President,
Government Affairs

Blake L. Sartini, II

Senior Vice President,
Distributed Gaming

Thomas E. Haas

Senior Vice President and
Chief Accounting Officer

Phyllis A. Gilland

Senior Vice President, General
Counsel and Secretary

PROPERTIES & BRANDS

CASINOS

The STRAT Casino, Hotel & SkyPod
Las Vegas, Nevada

Aquarius Casino Resort

Laughlin, Nevada

Edgewater Hotel Casino Resort

Laughlin, Nevada

Colorado Belle Hotel Casino Resort

Laughlin, Nevada

Arizona Charlie's Decatur

Las Vegas, Nevada

Arizona Charlie's Boulder

Las Vegas, Nevada

Pahrump Nugget Hotel Casino

Pahrump, Nevada

Gold Town Casino

Pahrump, Nevada

Lakeside Casino & RV Park

Pahrump, Nevada

Rocky Gap Casino Resort

Flintstone, Maryland

DISTRIBUTED GAMING

Golden Route Operations

Nevada and Montana

Nevada Tavern Brands

SG Bar

Sierra Gold

Sierra Junction

Sean Patrick's

PT's Ranch

PT's Brewing Company

PT's Gold

PT's Pub

PT's Place

STOCK TRANSFER INFORMATION

Broadridge Corporate Issuer
Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717

WEBSITE

GoldenEnt.com

TRADING SYMBOL

NASDAQ: GDEN

INVESTOR RELATIONS

JCIR

212.835.8500

gden@jcir.com

ANNUAL REPORTS

Copies of this Annual Report
and the Company's Annual
Report on Form 10-K may be
obtained without charge by
submitting a written request to:

Golden Entertainment, Inc.
c/o Investor Relations
6595 S Jones Blvd
Las Vegas, NV 89118



GOLDEN™

ENTERTAINMENT