

PINNACLE ENTERTAINMENT INC.

Form 10-Q

November 10, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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 number: 001-13641

PINNACLE ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

95-3667491

(State or other jurisdiction of incorporation or organization)

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

3980 Howard Hughes Parkway

Las Vegas, NV 89169

(Address of principal executive offices) (Zip Code)

(702) 541-7777

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

As of the close of business on November 7, 2014, the number of outstanding shares of the registrant's common stock was 59,979,853.

PINNACLE ENTERTAINMENT, INC.

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PART I

Item 1. Financial Statements

PINNACLE ENTERTAINMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(amounts in thousands, except per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Revenues:				
Gaming	\$503,620	\$371,624	\$1,477,041	\$847,650
Food and beverage	31,259	22,692	89,228	50,228
Lodging	14,485	9,677	39,077	20,509
Retail, entertainment and other	18,935	14,934	50,912	34,414
Total revenues	568,299	418,927	1,656,258	952,801
Expenses and other costs:				
Gaming	271,306	203,599	785,903	474,432
Food and beverage	29,648	19,858	82,559	43,807
Lodging	6,715	3,981	18,309	10,130
Retail, entertainment and other	9,184	7,416	20,448	16,744
General and administrative	111,369	84,519	323,784	185,758
Depreciation and amortization	60,152	39,528	177,236	85,183
Pre-opening, development and other costs	1,598	63,086	11,917	87,851
Write-downs, reserves and recoveries, net	1,135	12,130	4,359	14,259
Total expenses and other costs	491,107	434,117	1,424,515	918,164
Operating income (loss)	77,192	(15,190)	231,743	34,637
Interest expense, net	(62,498)	(48,500)	(191,290)	(105,420)
Loss on early extinguishment of debt	—	(30,830)	(8,234)	(30,830)
Loss from equity method investments	—	—	—	(92,181)
Income (loss) from continuing operations before income taxes	14,694	(94,520)	32,219	(193,794)
Income tax (expense) benefit	(6,975)	47,378	(8,072)	51,766
Income (loss) from continuing operations	7,719	(47,142)	24,147	(142,028)
Income (loss) from discontinued operations, net of income taxes	4,771	(133,275)	5,096	(128,887)
Net income (loss)	12,490	(180,417)	29,243	(270,915)
Net loss attributable to non-controlling interest	(16)	(11)	(52)	(36)
Net income (loss) attributable to Pinnacle Entertainment, Inc.	\$12,506	\$(180,406)	\$29,295	\$(270,879)
Net income (loss) per common share—basic				
Income (loss) from continuing operations	\$0.13	\$(0.80)	\$0.41	\$(2.43)
Income (loss) from discontinued operations, net of income taxes	0.08	(2.27)	0.09	(2.20)
Net income (loss) per common share—basic	\$0.21	\$(3.07)	\$0.50	\$(4.63)
Net income (loss) per common share—diluted				
Income (loss) from continuing operations	\$0.13	\$(0.80)	\$0.39	\$(2.43)
Income (loss) from discontinued operations, net of income taxes	0.08	(2.27)	0.08	(2.20)
Net income (loss) per common share—diluted	\$0.21	\$(3.07)	\$0.47	\$(4.63)

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Number of shares—basic	59,817	58,777	59,560	58,548
Number of shares—diluted	61,800	58,777	61,493	58,548

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(amounts in thousands)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income (loss)	\$12,490	\$(180,417)	\$29,243	\$(270,915)
Comprehensive income (loss)	12,490	(180,417)	29,243	(270,915)
Comprehensive loss attributable to non-controlling interest	(16)	(11)	(52)	(36)
Comprehensive income (loss) attributable to Pinnacle Entertainment, Inc.	\$12,506	\$(180,406)	\$29,295	\$(270,879)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (amounts in thousands, except share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154,989	\$ 191,938
Accounts receivable, net of allowance for doubtful accounts of \$6,151 and \$5,178	24,945	33,569
Inventories	8,740	8,193
Income tax receivable, net	16,891	17,397
Prepaid expenses and other assets	26,582	20,871
Deferred income taxes	7,662	7,662
Assets of discontinued operations held for sale	20,687	322,548
Total current assets	260,496	602,178
Restricted cash	5,667	11,592
Land, buildings, vessels and equipment, net	3,044,296	3,036,515
Goodwill	919,282	919,282
Equity method investments	2,000	1,975
Intangible assets, net	534,515	500,084
Other assets, net	81,858	87,800
Total assets	\$ 4,848,114	\$ 5,159,426
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 57,441	\$ 69,036
Accrued interest	69,654	49,318
Accrued compensation	74,135	77,322
Accrued taxes	58,900	38,348
Other accrued liabilities	110,326	96,273
Current portion of long-term debt	11,006	16,006
Liabilities of discontinued operations held for sale	277	26,103
Total current liabilities	381,739	372,406
Long-term debt less current portion	3,982,253	4,364,045
Other long-term liabilities	40,107	31,321
Deferred income taxes	173,002	166,484
Total liabilities	4,577,101	4,934,256
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock—\$1.00 par value, 250,000 shares authorized, none issued or outstanding		—
Common stock—\$0.10 par value, 100,000,000 authorized, 59,979,853 and 59,197,606 shares outstanding, net of treasury shares	6,635	6,557
Additional paid-in capital	1,092,418	1,075,896
Accumulated deficit	(768,754)	(798,049)
Accumulated other comprehensive income	390	390
Treasury stock, at cost, 6,374,882 of treasury shares	(71,090)	(71,090)
Total Pinnacle stockholders' equity	259,599	213,704
Non-controlling interest	11,414	11,466
Total stockholders' equity	271,013	225,170

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Total liabilities and stockholders' equity	\$4,848,114	\$5,159,426
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See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

(amounts in thousands)

	Capital Stock			Accumulated	Other	Treasury	Total	Non-Controlling	Total
	Number	Common	Additional	Accumulated	Comprehensive	Stock	Pinnacle	Interest	Stockholders'
	of	Stock	Paid-In	Deficit	Income		Stockholders'		Equity
	Shares		Capital				Equity		
Balance as of January 1, 2014	59,198	\$ 6,557	\$ 1,075,896	\$ (798,049)	\$ 390	\$ (71,090)	\$ 213,704	\$ 11,466	\$ 225,170
Net income	—	—	—	29,295	—	—	29,295	(52)	29,243
Share-based compensation	—	—	10,126	—	—	—	10,126	—	10,126
Common stock issuance and option exercises	782	78	6,396	—	—	—	6,474	—	6,474
Balance as of September 30, 2014	59,980	\$ 6,635	\$ 1,092,418	\$ (768,754)	\$ 390	\$ (71,090)	\$ 259,599	\$ 11,414	\$ 271,013

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 (amounts in thousands)

	For the nine months ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$29,243	\$(270,915)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	177,236	97,727
(Gain) loss on sale or disposal of assets	(1,327)	) 2,336
Loss from equity method investments	—	92,181
Loss on early extinguishment of debt	8,234	30,830
Reserve on uncollectible loan receivable	—	1,760
Impairment of indefinite-lived intangible assets	—	10,000
Impairment of buildings, vessels and equipment	5,132	144,722
Amortization of debt issuance costs and debt discounts	8,370	4,324
Share-based compensation expense	10,126	8,550
Changes in operating assets and liabilities:		
Receivables, net	6,008	2,593
Prepaid expenses and other	(7,801)	) 9,848
Accounts payable, accrued expenses and other	35,306	(4,121)
Net cash provided by operating activities	270,527	129,835
Cash flows from investing activities:		
Capital expenditures	(188,722)	) (188,457)
Payments for business combinations, net of cash acquired	—	(1,749,736)
Net proceeds from sale of discontinued operations held for sale	258,507	29,246
Equity method investments, inclusive of capitalized interest	(25)	) (2,732)
Purchase of held-to-maturity debt securities	—	(5,853)
Proceeds from matured investments	—	4,428
Proceeds from sale of property and equipment	103	318
Purchase of intangible assets	(25,000)) —
Escrow refund	25,000	—
Loans receivable, net	(317)	) (6,346)
Restricted cash	5,925	—
Net cash provided by (used in) investing activities	75,471	(1,919,132)
Cash flows from financing activities:		
Proceeds from credit facility	217,600	1,651,702
Repayments under credit facility	(612,837)	) (5,122)
Proceeds from issuance of long-term debt	—	850,000
Repayments of long-term debt	—	(567,462)
Proceeds from common stock options exercised, net	6,352	8,488
Distribution to non-controlling interest minority owner	—	(911)
Debt issuance and other financing costs	(699)	) (41,073)
Net cash provided by (used in) financing activities	(389,584)	) 1,895,622
Change in cash and cash equivalents	(43,586)) 106,325
Cash and cash equivalents at the beginning of the period	198,575	101,792

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Cash and cash equivalents at the end of the period	\$154,989	\$208,117
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$162,652	\$59,521
Cash payments (refund) related to income taxes, net	(2,036	) 2,229
Decrease in construction-related deposits and liabilities	(17,270	) (2,473
Increase in accrued liabilities associated with recognized intangible asset	25,000	—

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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PINNACLE ENTERTAINMENT, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

Note 1—Summary of Significant Accounting Policies

Basis of Presentation and Organization: Pinnacle Entertainment, Inc. is an owner, operator and developer of casinos and related hospitality and entertainment facilities. References in these footnotes to “Pinnacle,” the “Company,” “we,” “our” or “us” refer to Pinnacle Entertainment, Inc. and its subsidiaries, except where stated or the context otherwise indicates.

We own and operate 15 gaming entertainment properties, located in Colorado, Indiana, Iowa, Louisiana, Mississippi, Missouri, Nevada and Ohio. We also hold a majority interest in the racing license owner, as well as a management contract, for Retama Park Racetrack outside of San Antonio, Texas. In addition to these properties, we own and operate a live and televised poker tournament series under the trade name Heartland Poker Tour. Our reporting segments are as follows:

Midwest segment, which includes:

Ameristar Council Bluffs	Council Bluffs, Iowa
Ameristar East Chicago	East Chicago, Indiana
Ameristar Kansas City	Kansas City, Missouri
Ameristar St. Charles	St. Charles, Missouri
Belterra	Florence, Indiana
Belterra Park	Cincinnati, Ohio
River City	St. Louis, Missouri

South segment, which includes:

Ameristar Vicksburg	Vicksburg, Mississippi
Boomtown Bossier City	Bossier City, Louisiana
Boomtown New Orleans	New Orleans, Louisiana
L'Auberge Baton Rouge	Baton Rouge, Louisiana
L'Auberge Lake Charles	Lake Charles, Louisiana

West segment, which includes:

Ameristar Black Hawk	Black Hawk, Colorado
Cactus Petes	Jackpot, Nevada
Horseshu	Jackpot, Nevada

We have classified certain of our assets and liabilities as held for sale in our unaudited Condensed Consolidated Balance Sheets and included the related results of operations in discontinued operations. The operating results of Lumière Place Casino, HoteLumière, the Four Seasons Hotel St. Louis, and related excess land parcels (collectively the “Lumière Place Casino and Hotels”) have been reclassified as discontinued operations. In April 2014, we completed the sale of the ownership interests in the Lumière Place Casino and Hotels. For further information, see Note 7, “Discontinued Operations.” The unaudited Condensed Consolidated Statements of Cash Flows have not been adjusted for discontinued operations.

Principles of Consolidation: The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions of the Securities and Exchange Commission (the “SEC”) to the Quarterly Report on Form 10-Q and, therefore, do not include all information and notes necessary for complete financial statements in conformity with the instructions for generally accepted accounting principles in the United States (“GAAP”). The results for the periods indicated are unaudited, but reflect all adjustments that management considers necessary for a fair presentation of operating results. The unaudited Condensed Consolidated Financial Statements

include the accounts of Pinnacle Entertainment, Inc. and its subsidiaries. Investments in unconsolidated affiliates in which we have the ability to exercise significant influence are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

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The results of operations for interim periods are not indicative of a full year of operations. These unaudited Condensed Consolidated Financial Statements and notes thereto should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2013.

Use of Estimates: The preparation of unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and (iii) the reported amounts of revenues and expenses during the reporting period. Estimates used by us include, among other things, the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, estimated income tax provisions, the evaluation of the future realization of deferred tax assets, determining the adequacy of reserves for self-insured liabilities and our customer loyalty programs, estimated cash flows in assessing the recoverability of long-lived assets, asset impairments, goodwill and intangible assets, contingencies and litigation, and estimates of the forfeiture rate and expected life of share-based awards and stock price volatility when computing share-based compensation expense. Actual results may differ from those estimates.

Fair Value: Fair value measurements affect our accounting and impairment assessments of our long-lived assets, investments in unconsolidated affiliates, assets acquired in an acquisition, goodwill, and other intangible assets. Fair value measurements also affect our accounting for certain financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs.

The following table presents a summary of fair value measurements by level for certain liabilities measured at fair value on a recurring basis in the unaudited Condensed Consolidated Balance Sheets:

	Total Fair Value (in millions)	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
As of September 30, 2014				
Liabilities:				
Deferred compensation	\$0.6	\$0.6	\$—	\$—
As of December 31, 2013				
Liabilities:				
Deferred compensation	\$0.8	\$0.8	\$—	\$—

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The following table presents a summary of fair value measurements by level for certain financial instruments not measured at fair value on a recurring basis in the unaudited Condensed Consolidated Balance Sheets for which it is practicable to estimate fair value:

	Total Carrying Value (in millions)	Total Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
As of September 30, 2014					
Assets:					
Held-to-maturity securities	\$14.8	\$30.1	\$—	\$26.7	\$3.4
Promissory notes	\$11.5	\$18.5	\$—	\$18.5	\$—
Liabilities:					
Long-term debt	\$3,993.3	\$4,066.8	\$—	\$4,066.8	\$—
As of December 31, 2013					
Assets:					
Held-to-maturity securities	\$14.8	\$30.1	\$—	\$26.7	\$3.4
Promissory notes	\$9.5	\$16.5	\$—	\$16.5	\$—
Liabilities:					
Long-term debt	\$4,380.1	\$4,511.9	\$—	\$4,511.9	\$—

The estimated fair values for certain of our long-term held-to-maturity securities and our long-term promissory notes were based on Level 2 inputs using observable market data for comparable instruments in establishing prices.

The estimated fair values for certain of our long-term held-to-maturity securities were based on Level 3 inputs using a present value of future cash flow valuation technique that relies on management assumptions and qualitative observations. Key significant unobservable inputs in this technique include discount rate risk premiums and probability-weighted cash flow scenarios.

The estimated fair values of our long-term debt includes the fair value of our senior notes, senior subordinated notes, senior secured credit facility and term loans were based on Level 2 inputs of observable market data on comparable debt instruments on or about September 30, 2014 and December 31, 2013.

The fair values of our short term financial instruments approximate the carrying values due to their short term nature.

Land, Buildings, Vessels and Equipment: Land, buildings, vessels and equipment are stated at cost. Land includes land not currently being used in our operations, which totaled \$35.7 million at September 30, 2014. We capitalize the costs of improvements that extend the life of the asset. We expense maintenance and repair costs as incurred. Gains or losses on the disposition of land, buildings, vessels and equipment are included in the determination of income.

We review the carrying value of our land, buildings, vessels and equipment used in our operations whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from its use and eventual disposition. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset.

Development costs directly associated with the acquisition, development and construction of a project are capitalized as a cost of the project, during the periods in which activities necessary to get the property ready for its intended use are in progress. The costs incurred for development projects are carried at cost. Interest costs associated with development projects are capitalized as part of the cost of the constructed asset. When no debt is incurred specifically

for a project, interest is capitalized on amounts expended for the project using our weighted-average cost of borrowing. Capitalization of interest ceases when the project, or discernible portion of the project, is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. For further discussion, see Note 2, "Long-Term Debt."

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The following table presents a summary of our land, buildings, vessels and equipment:

	September 30, 2014	December 31, 2013
	(in millions)	
Land, buildings, vessels and equipment:		
Land and land improvements	\$391.7	\$391.7
Buildings, vessels and improvements	2,649.8	2,492.2
Furniture, fixtures and equipment	693.5	633.1
Construction in progress	118.5	175.6
Land, buildings, vessels and equipment, gross	3,853.5	3,692.6
Less: accumulated depreciation	(809.2	) (656.1)
Land, buildings, vessels and equipment, net	\$3,044.3	\$3,036.5

Equity Method Investments: We apply equity method accounting for investments when we do not control the investee, but have the ability to exercise significant influence over its operating and finance policies. Equity method investments are recorded at cost, with the allocable portion of the investee's income or loss reported in earnings, and adjusted for capital contributions to and distributions from the investee. Distributions in excess of equity method earnings, if any, are recognized as a return of investment and recorded as investing cash flows in the unaudited Condensed Consolidated Statements of Cash Flows. We review our equity investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an other-than-temporary decline in value.

Goodwill and Other Intangible Assets: Goodwill and other indefinite-lived intangible assets are subject to an annual assessment for impairment during the fourth quarter, or more frequently if there are indications of possible impairment, by applying a qualitative and/or quantitative fair-value-based test. There were no impairments to goodwill or intangible assets recognized during the nine months ended September 30, 2014. During the third quarter of 2013, we recorded an impairment of \$10.0 million on our Boomtown Bossier City gaming license. During the nine months ended September 30, 2014, we recorded a \$50.0 million intangible asset related to Belterra Park's video lottery terminal ("VLT") license. Such amount is included in "Intangible assets, net" in our unaudited Condensed Consolidated Balance Sheet. As of September 30, 2014, we have made payments of \$25.0 million for Belterra Park's VLT license and have accrued \$25.0 million for the remaining amount due in 2015. Such amount is included in "Other accrued liabilities" in our unaudited Condensed Consolidated Balance Sheet.

Customer Loyalty Programs: We offer incentives to our customers through our mychoice customer loyalty program. Under the mychoice customer loyalty program, customers earn points based on their level of play that may be redeemed for various benefits, such as cash back, dining, or hotel stays, among others. The reward credit balance under the plan will be forfeited if the customer does not earn any reward credits over the prior six-month period. In addition, based on their level of play, customers can earn additional benefits without redeeming points, such as a car lease, among other items. In April 2014, we expanded the mychoice loyalty program to all Ameristar properties as part of the integration of the Ameristar properties, and now we offer benefits solely through the mychoice customer loyalty program.

We accrue a liability for the estimated cost of providing these benefits as the benefits are earned. Estimates and assumptions are made regarding cost of providing the benefits, breakage rates, and the mix of goods and services customers will choose. We use historical data to assist in the determination of estimated accruals. Changes in estimates or customer redemption habits could produce significantly different results. At September 30, 2014 and December 31, 2013, we had accrued \$26.3 million and \$18.9 million, respectively, for the estimated cost of providing mychoice benefits. As of December 31, 2013, we had accrued \$12.8 million for the estimated cost of providing benefits under Ameristar Casinos, Inc. ("Ameristar") customer loyalty program. Such amounts are included in "Other accrued liabilities" in our unaudited Condensed Consolidated Balance Sheets.

Revenue Recognition. Gaming revenues consist of the net win from gaming activities, which is the difference between amounts wagered and amounts paid to winning patrons. Food and beverage, lodging, retail, entertainment, and other operating revenues are recognized as products are delivered or services are performed.

The retail value of food and beverage, lodging and other services furnished to guests on a complimentary basis is included in total revenues and then deducted as promotional allowances in calculating revenues. The estimated cost of providing such promotional allowances is primarily included in gaming expenses. Complimentary revenues that have been excluded from the accompanying unaudited Condensed Consolidated Statements of Operations were as follows:

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	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Food and beverage	\$35.2	\$28.1	\$102.1	\$61.7
Lodging	15.4	14.9	46.6	29.3
Other	4.9	3.7	13.0	9.3
Total promotional allowances	\$55.5	\$46.7	\$161.7	\$100.3

The costs to provide such complimentary benefits were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Promotional allowance costs included in gaming expense	\$42.1	\$31.8	\$119.4	\$72.2

Gaming Taxes: We are subject to taxes based on gross gaming revenues in the jurisdictions in which we operate, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on our gaming revenues and are recorded as a gaming expense in the unaudited Condensed Consolidated Statements of Operations, which were as follow:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Gaming taxes	\$142.1	\$105.3	\$416.4	\$244.1

Pre-opening, Development and Other Costs: Pre-opening, development and other costs consist of payroll costs to hire, employ and train the workforce prior to opening an operating facility; marketing campaigns prior to and commensurate with the opening; legal and professional fees related to the project but not otherwise attributable to depreciable assets; lease payments; real estate taxes; acquisition costs; restructuring costs; and other costs prior to the opening of an operating facility. Pre-opening, development and other costs are expensed as incurred. Pre-opening, development and other costs consist of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Ameristar acquisition (1)	\$(0.2)	\$62.3	\$2.2	\$86.0
Belterra Park (2)	0.8	0.3	8.2	0.5
Other (3)	1.0	0.5	1.5	1.4
Total pre-opening, development and other costs	\$1.6	\$63.1	\$11.9	\$87.9

(1) Amounts principally comprised of legal and advisory expenses, severance charges and other costs and expenses related to the financing and integration of the acquisition of Ameristar.

(2) Belterra Park opened on May 1, 2014.

(3) Includes \$0.9 million of cost associated with our evaluation of a REIT spin-off transaction.

Earnings per Share: The computation of basic and diluted earnings per share ("EPS") is based on net income divided by the basic weighted average number of common shares and diluted weighted average number of common shares,

respectively. Diluted earnings per share reflect the additional dilution from all potentially dilutive securities, such as in-the-money stock options and restricted stocks units. Out-of-money stock options were excluded from calculation of diluted earnings per share because including them would have been anti-dilutive, and totaled 1.8 million and 1.5 million shares for the three and nine months ended September 30, 2014.

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For the three and nine months ended September 30, 2013, we recorded losses from continuing operations. Accordingly, the potential dilution from the assumed exercise of stock options is anti-dilutive. As a result, basic earnings per share is equal to diluted earnings per share for the periods. For the three and nine months ended September 30, 2013, securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share amounted to 1.9 million and 1.6 million shares, respectively.

Reclassifications: The unaudited Condensed Consolidated Financial Statements reflect certain reclassifications to prior year amounts to conform to classification in the current period. These reclassifications had no effect on the previously reported net losses.

Recently Issued Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued an amendment to the accounting guidance for income taxes which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss (“NOL”) carryforward, a similar tax loss, or a tax credit carryforward exists. The objective in issuing this amendment is to eliminate diversity in practice resulting from a lack of guidance on this topic in current GAAP. Under the amendment, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward except under certain conditions. The amendment is effective for fiscal years beginning after December 15, 2013, and for interim periods within those years, and should be applied to all unrecognized tax benefits that exist as of the effective date. We adopted this guidance during the first quarter of 2014 and it did not have a material impact on our consolidated financial statements.

In April 2014, the FASB issued an accounting standards update in connection with reporting discontinued operations and disclosures of disposals of components of entities. The accounting standards update changes the criteria for reporting discontinued operations. Under the amendment a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (i) the component of an entity or group of components of an entity meets the criteria to be classified as held for sale; (ii) the component of an entity or group of components of an entity is disposed of by sale; and (iii) the component of an entity or group of components of an entity is disposed of other than by sale. This new guidance is effective prospectively for all disposals (or classifications as held for sale) of components of an entity and all business activities, on acquisition, that are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. We are currently evaluating the impact of adopting this accounting standards update on our consolidated financial statements.

In May 2014, as part of its ongoing efforts to assist in the convergence of GAAP and International Financial Reporting Standards, the FASB issued a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer obtains control of promised services or goods in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. The new standard will be effective for fiscal years beginning after December 15, 2016. We are currently evaluating the impact of adopting this accounting standard on our consolidated financial statements.

In June 2014, the FASB issued an accounting standards update with respect to performance share awards. This accounting standards update requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and

should represent the compensation cost attributable to the period or periods for which the requisite service has already been rendered. The effective date for this update is for the annual and interim periods beginning after December 15, 2015. Early application is permitted. We are currently evaluating the impact of adopting this accounting standards update on our consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of any such proposed or revised standards would have on our unaudited Condensed Consolidated Financial Statements.

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Note 2—Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2014		
	Outstanding Principal	Unamortized (Discount) Premium	Long-Term Debt, Net
	(in millions)		
Senior Secured Credit Facility:			
Revolving Credit Facility	\$564.9	\$—	\$564.9
Term B-2 Loans due 2020	830.0	(22.3)	807.7
6.375% Senior Notes due 2021	850.0	—	850.0
7.50% Senior Notes due 2021	1,040.0	55.6	1,095.6
7.75% Senior Subordinated Notes due 2022	325.0	—	325.0
8.75% Senior Subordinated Notes due 2020	350.0	—	350.0
Other	0.1	—	0.1
Total debt including current maturities	3,960.0	33.3	3,993.3
Less current maturities	(11.0)	—	(11.0)
Total long-term debt	\$3,949.0	\$33.3	\$3,982.3
	December 31, 2013		
	Outstanding Principal	Unamortized (Discount) Premium	Long-Term Debt, Net
	(in millions)		
Senior Secured Credit Facility:			
Revolving Credit Facility	\$493.6	\$—	\$493.6
Term B-1 Loans due 2016	202.0	(7.7)	194.3
Term B-2 Loans due 2020	1,094.5	(26.0)	1,068.5
6.375% Senior Notes due 2021	850.0	—	850.0
7.50% Senior Notes due 2021	1,040.0	58.6	1,098.5
7.75% Senior Subordinated Notes due 2022	325.0	—	325.0
8.75% Senior Subordinated Notes due 2020	350.0	—	350.0
Other	0.1	—	0.1
Total debt including current maturities	4,355.2	24.9	4,380.1
Less current maturities	(16.0)	—	(16.0)
Total long-term debt	\$4,339.2	\$24.9	\$4,364.1

Senior Secured Credit Facility: In August 2013, we entered into an Amended and Restated Credit Agreement (“Credit Facility”), which amended and restated our Fourth Amended and Restated Credit Agreement dated as of August 2, 2011, as amended. The Credit Facility consists of (i) \$1.6 billion of term loans comprised of \$500.0 million of Tranche B-1 term loans and \$1.1 billion in Tranche B-2 term loans and (ii) a \$1 billion revolving credit commitment. As of September 30, 2014, we fully repaid the outstanding principal balances of our Tranche B-1 term loans and had approximately \$564.9 million drawn under the revolving credit facility. Additionally, we had approximately \$12.7 million committed under letters of credit. The Credit Facility was entered into in connection with our acquisition of Ameristar. The outstanding principal on the Tranche B-2 term loans have been discounted on issuance for the reduction in the proceeds received when the transaction was consummated.

6.375% Senior Notes due 2021: In August 2013, we issued \$850.0 million in aggregate principal amount of 6.375% senior notes due 2021 (“6.375% Notes”) to fund the acquisition of Ameristar. The 6.375% Notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears on February 1st and August 1st, commencing on February 1, 2014. The 6.375% Notes

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mature on August 1, 2021. Net of initial purchasers' fees and various costs and expenses, proceeds from the offering were approximately \$835.0 million.

7.50% Senior Notes due 2021: As part of the acquisition of Ameristar, we assumed \$1.04 billion in aggregate principal amount 7.50% Senior Notes due 2021 ("7.50% Notes") that were originally issued by Ameristar. The 7.50% Notes bear interest at a rate of 7.50% per year, payable semi-annually in arrears on April 15th and October 15th of each year. The 7.50% Notes mature on April 15, 2021. The 7.50% Notes were recorded at fair value as part of the purchase price allocation with a premium of \$72.8 million. In addition, a consent fee payment to the holders of the 7.50% Notes at acquisition was included as a discount component of the total carrying value. For further details on the Ameristar business combination purchase price allocation, see Note 6, "Investments and Acquisition activities."

7.75% Senior Subordinated Notes due 2022: In March 2012, we issued \$325.0 million in aggregate principal amount of 7.75% senior subordinated notes due 2022 ("7.75% Notes"). The 7.75% Notes were issued at par with interest payable on April 1st and October 1st of each year. The 7.75% Notes mature on April 1, 2022. Net of initial purchasers' fees and various costs and expenses, proceeds from the offering were approximately \$318.3 million.

8.75% Senior Subordinated Notes due 2020: In May 2010, we issued \$350.0 million in aggregate principal amount of 8.75% senior subordinated notes due 2020 ("8.75% Notes"). The 8.75% Notes were issued at par with interest payable on May 15th and November 15th of each year. The 8.75% Notes mature on May 15, 2020. Net of the initial purchasers' fees and various costs and expenses, proceeds from the offering were approximately \$341.5 million.

Loss on early extinguishment of debt: During the second quarter of 2014, we incurred a \$8.2 million loss related to the redemption of our then existing Tranche B-1 term loans. The loss included the write off of previously unamortized debt issuance costs and original issuance discount costs.

During the third quarter of 2013, we recorded a \$30.8 million loss related to the early redemption of our 8.625% Senior Notes due 2017 and the amendment and restatement of our Credit Facility. The loss included premiums and the write-off of previously unamortized debt issuance costs and original issuance discount costs.

Interest expense, net of capitalized interest and interest income was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Interest expense	\$62.8	\$49.7	\$194.3	\$108.0
Interest income	—	(0.2)	(0.3)	(0.4)
Capitalized interest	(0.3)	(1.0)	(2.7)	(2.2)
Interest expense, net	\$62.5	\$48.5	\$191.3	\$105.4

Interest expense is capitalized on internally constructed assets at our overall weighted average cost of borrowing. Interest expense increased due to the additional debt incurred to fund our acquisition of Ameristar and other development projects. The increase in capitalized interest for the nine months ended September 30, 2014, is attributable to interest expense capitalization on our recently completed Belterra Park development and a hotel tower development at our Boomtown New Orleans property, which is currently expected to open by the end of 2014.

Note 3—Income Taxes

Our effective income tax rate for continuing operations for the three and nine months ended September 30, 2014 was 47.5%, or an expense of \$7.0 million, and 25.1% or an expense of \$8.1 million, respectively, as compared to an effective tax rate of 50.1%, or a benefit of \$47.4 million, and 26.7% or a benefit of \$51.8 million, respectively, for the

corresponding prior-year periods. Our tax rate differs from the statutory rate of 35.0% due to the effects of permanent items, the recording of a valuation allowance release, deferred tax expense on tax amortization of indefinite-lived intangible assets, state taxes and a reserve for unrecognized tax benefits. Our income tax rate for the nine months ended September 30, 2014 included a tax benefit from the release of \$3.0 million of our valuation allowance as a result of additional deferred tax liabilities recognized from the preparation of the Ameristar pre-acquisition tax returns during the second quarter of 2014. Our state tax provision represents taxes in the jurisdiction of Indiana, Louisiana and the city jurisdictions in Missouri where we have no valuation allowance.

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Note 4—Employee Benefit Plans

Share-based Compensation: As of September 30, 2014, we had approximately 7.1 million share-based awards outstanding, including common stock options, restricted stock units and performance stock units which are detailed below. In addition, we had approximately 0.9 million share-based awards available for grant. We recorded share-based compensation expense as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in millions)			
Share-based compensation expense	\$1.4	\$3.1	\$10.1	\$8.2

Stock options: The following table summarizes information related to our common stock options:

	Number of Stock Options	Weighted Average Exercise Price
Options outstanding at January 1, 2014	5,509,246	\$14.01
Granted	894,180	\$23.41
Exercised	(458,545)	\$13.58
Canceled or forfeited	(292,813)	\$20.09
Options outstanding at September 30, 2014	5,652,068	\$15.22
Options exercisable at September 30, 2014	3,130,278	\$12.77
Expected to vest after September 30, 2014	1,898,726	\$18.55

The unamortized compensation costs not yet expensed related to stock options totaled approximately \$18.2 million at September 30, 2014, and the weighted average period over which the costs are expected to be recognized is approximately two years. The aggregate amount of cash we received from the exercise of stock options was \$6.4 million and \$8.5 million for the nine months ended September 30, 2014, and 2013, respectively. The associated shares were newly issued common stock. The following information is provided for our stock options:

	For the nine months ended	
	September 30,	
	2014	2013
Weighted-average grant date fair value	\$8.93	\$10.53

Restricted Stock Units: The following table summarizes information related to our restricted stock units:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at January 1, 2014	629,518	\$20.11
Granted	579,918	\$23.55
Vested	(186,788)	\$19.45
Canceled or forfeited	(105,915)	\$22.59
Unvested shares at September 30, 2014	916,733	\$22.29

Unamortized compensation costs not yet expensed attributable to non-vested shares totaled approximately \$18.1 million at September 30, 2014, and the weighted average period over which the costs are expected to be recognized is approximately two years.

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Performance Stock Units: The following table summarizes information related to our performance stock units:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at January 1, 2014	431,858	\$22.79
Granted	123,283	\$26.50
Canceled or forfeited	(34,819)	\$23.14
Unvested shares at September 30, 2014	520,322	\$23.64

Note 5—Write-downs, reserves and recoveries, net

Net write-downs, reserves and recoveries consist of \$1.1 million and \$4.4 million in losses during the three and nine months ended September 30, 2014, respectively. The losses related to a \$2.9 million lease abandonment charge from the consolidation of our Las Vegas headquarters recognized during the second quarter of 2014 and net losses from the disposal or abandonment of slot and other equipment at our properties in the normal course of business during the nine months ended September 30, 2014.

During the three and nine months ended September 30, 2013, we recognized net losses of \$12.1 million and \$14.3 million, respectively. During the third quarter of 2013, we recognized an impairment loss of our Boomtown Bossier City gaming license of \$10.0 million. The fair value of the license was calculated using discounted cash flows using Level 3 inputs.

Note 6—Investments and Acquisition Activities

Acquisition of Ameristar Casinos, Inc.: On August 13, 2013, we completed the acquisition of Ameristar pursuant to an Agreement and Plan of Merger, dated December 20, 2012, as amended. Upon completion of the acquisition, Ameristar was merged with and into Pinnacle and ceased to exist as a separate entity.

The purchase price totaled \$1.8 billion (excluding assumed debt). The purchase price was comprised of the following (in thousands):

Consideration for Ameristar equity	\$962,428
Repayment of Ameristar debt	878,828
	\$1,841,256

We are required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill, of which \$176.9 million is deductible for tax purposes. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Ameristar. The determination of the fair values of the acquired assets and assumed liabilities requires significant judgment. Management finalized its valuation analysis during the second quarter of 2014.

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The following table reflects the August 13, 2013, allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed, with the excess recorded as goodwill (in thousands).

Current and other assets	\$ 152,165
Property and equipment	1,783,735
Goodwill	860,805
Intangible assets	524,200
Other non-current assets	39,496
Total assets	\$3,360,401
Current liabilities	179,493
Deferred tax liabilities	218,646
Other long-term liabilities	8,109
Debt	1,112,897
Total liabilities	1,519,145
Net assets acquired	\$1,841,256

Of the \$860.8 million of goodwill, approximately \$551.1 million has been assigned to the Midwest reporting segment, approximately \$231.5 million has been assigned to the South reporting segment, and approximately \$78.2 million has been assigned to the West reporting segment.

The following table summarizes the August 13, 2013, fair value of acquired property and equipment.

	As Recorded at Fair Value (in thousands)
Land and land improvements	\$ 162,770
Buildings, vessels and improvements	1,308,151
Furniture, fixtures and equipment	158,999
Construction in progress (a)	153,815
Total property and equipment acquired	\$1,783,735

(a) Included in acquired construction in progress were the assets of the Ameristar Casino Resort Spa Lake Charles development. These assets were sold in November 2013. See Note 7, "Discontinued Operations," for further detail.

The following table summarizes the August 13, 2013, fair value acquired intangible assets.

	As Recorded at Fair Value (in thousands)
Trade names	\$ 187,000
Gaming licenses	258,800
Player relationships	74,000
Favorable leasehold interests	4,400
Total intangible assets acquired	\$ 524,200

ACDL Investment: We have a minority ownership interest in Asian Coast Development (Canada), Ltd. ("ACDL"). During 2013, we recorded impairments of approximately \$94.0 million fully impairing the remaining asset carrying value of our investments in ACDL. We have discontinued accounting for our investment in ACDL under the equity method and will not provide for additional losses until our share of future net income, if any, equals the share of net losses not recognized during the period the equity method was suspended.

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Equity Method Investment: As of September 30, 2014, we have invested \$2.0 million in Farmworks, a land re-utilization project in downtown St. Louis, included in “Equity method investment” in our unaudited Condensed Consolidated Balance Sheet. This investment is accounted for under the equity method.

Retama Park Racetrack: On January 29, 2013, we acquired 75.5% of the equity of Pinnacle Retama Partners, LLC (“PRP”). The acquisition of the equity was accounted for as a business combination. The purchase price for the equity was allocated based upon estimated fair values of the assets, with the excess of the purchase price over the estimated fair value of the assets acquired recorded as goodwill. The purchase price allocation includes goodwill of \$3.3 million and other intangibles of \$5.0 million.

As of September 30, 2014, PRP held \$11.5 million in promissory notes issued by Retama Development Corporation (“RDC”), a local government corporation of the City of Selma, Texas, included in “Other Assets, net” in our unaudited Condensed Consolidated Balance Sheets. The promissory notes have long-term contractual maturities and are collateralized by Retama Park Racetrack assets. The contractual terms of these promissory notes include interest payments due at maturity. We have not recorded accrued interest on these promissory notes because uncertainty exists as to RDC's ability to make interest payments.

As of September 30, 2014, we held, at amortized cost, \$11.4 million in local government corporation bonds, with long-term contractual maturities, issued by RDC, a local government corporation of the City of Selma, Texas, included in “Other Assets, net” in our unaudited Condensed Consolidated Balance Sheets. It is not likely that we will be required to sell these investments prior to the recovery of the amortized cost.

Note 7—Discontinued Operations

Discontinued operations consists of disposal groups classified as held for sale and measured at the lower of their carrying values or the fair value less cost to sell. The fair value of the assets to be sold was determined using a market approach using Level 2 inputs, as defined in Note 1, “Summary of Significant Accounting Policies.”

Lumiere Place Casino and Hotels: In August 2013, we entered into an Equity Interest Purchase Agreement to sell the ownership interests in certain of our subsidiaries, which own and operate the Lumière Place Casino and Hotels. During the third quarter of 2013, we recorded an impairment charge totaling \$144.6 million, to reduce the carrying value of the assets to their net realizable value, less costs to sell. In April 2014, we completed the sale of the ownership interests in these subsidiaries for net cash consideration of \$252.3 million, net of approximately \$11.0 million in cash acquired by the buyer, subject to a net working capital adjustment. In July 2014, we agreed to a final working capital adjustment in which we refunded approximately \$2.0 million in cash proceeds back to the buyer.

Ameristar Casino Lake Charles: In July 2013, we entered into an agreement to sell all of the equity interests of our subsidiary, which was developing the Ameristar Lake Charles development project. In November 2013, we closed the sale of the equity interests of our subsidiary. At closing, we received approximately \$180.0 million in cash that excludes \$35.0 million of deferred consideration, of which \$25.0 million is restricted cash subject to release by the Louisiana Gaming Control Board and \$10.0 million is in the form of a note receivable from the buyer, due in July 2016. In April 2014, the Louisiana Gaming Control Board approved a resolution releasing us from the requirement to hold the \$25.0 million of restricted cash. In August 2014, we entered into a settlement agreement with the buyer in which we received \$4.8 million from escrow. The recovery of these proceeds and adjustments to our cost to sell estimates resulted in the recognition of an approximate \$2.3 million gain during the three months ended September 30, 2014.

Boomtown Reno: In August 2014, we closed the sale of the membership interest of PNK (Reno), LLC, which owns 27 acres of the excess land surrounding Boomtown Reno. At closing, we received approximately \$3.5 million in cash,

resulting in a gain of \$2.4 million. As of September 30, 2014, we continue to hold 783 acres of excess land surrounding Boomtown Reno. During the third quarter of 2014, we entered into agreement to sell this land, subject to a due diligence period.

Atlantic City: During the third quarter of 2013, we completed the sale of our land holdings in Atlantic City, New Jersey for total consideration of approximately \$29.5 million. We expect no material ongoing financial impact from Atlantic City.

Springfield, Massachusetts: We own approximately 40 acres of land in Springfield, Massachusetts, originally purchased by Ameristar for a possible future casino resort. During the first quarter of 2014, we entered into an option agreement to sell this land. As of September 30, 2014, this option has not been exercised.

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Total discontinued operations: Revenues and net income (loss) from discontinued operations are summarized as follows:

	For the three months ended September 30,		For the nine months ended, September 30,	
	2014	2013	2014	2013
	(in millions)			
Revenues	\$—	\$44.2	\$41.0	\$139.2
Income (loss) before income taxes	4.9	(140.9	) 5.2	(131.8
Income tax benefit (expense)	(0.1	) 7.6	(0.1	) 2.9
Income (loss) from discontinued operations, net of taxes	\$4.8	\$(133.3	) \$5.1	\$(128.9

Net assets for entities and operations included in discontinued operations are summarized as follows:

	September 30, 2014	December 31, 2013
	(in millions)	
Assets:		
Land, buildings, vessels and equipment, net	\$11.8	\$275.3
Other assets, net	8.9	47.2
Total assets	\$20.7	\$322.5
Liabilities:		
Total liabilities	\$0.3	\$26.1
Net assets	\$20.4	\$296.4

Note 8—Commitments and Contingencies

Guaranteed Maximum Price Agreement for Belterra Park: In January 2013, we entered into an Agreement for Guaranteed Maximum Price Construction Services with a general contractor for the mobilization, demolition, site work and foundation work for Belterra Park. This agreement provides, among other things, that the general contractor will complete the initial work for a total guaranteed maximum price of approximately \$20.1 million. In July 2013, we entered into an amendment to the agreement with the general contractor, which provides that the guaranteed date of completion for the Belterra Park project is May 1, 2014 and the total guaranteed maximum price for the construction of the Belterra Park project is approximately \$131.0 million, which includes the \$20.1 million described above.

Guaranteed Maximum Price Agreement for Boomtown New Orleans: In February 2013, we entered into an Agreement for Guaranteed Maximum Price Construction Services with a general contractor for the construction of a 150-guestroom hotel tower at our Boomtown New Orleans property for a total guaranteed maximum price of approximately \$14.2 million.

Self-Insurance: We self-insure various levels of general liability and workers' compensation at all of our properties and medical coverage at most of our properties. Insurance reserves include accruals for estimated settlements for known claims, as well as accruals for estimates of claims not yet made. At September 30, 2014 and December 31, 2013, we had total self-insurance accruals of \$26.7 million and \$26.2 million, respectively, which are included in "Other accrued liabilities" in our unaudited Condensed Consolidated Balance Sheets.

Indiana Tax Dispute: In 2008, the Indiana Department of Revenue (the "IDR") commenced an examination of our Indiana income tax filings for the years 2005, 2006, and 2007. In 2010, we received a proposed assessment in the amount of \$7.3 million, excluding interest and penalties. We filed a protest requesting abatement of all taxes, interest and penalties and had two hearings with the IDR where we provided additional facts and support. At issue is whether income and gains from certain asset sales, including the sale of the Hollywood Park Racetrack in 1999, and other

transactions outside of Indiana, such as the Aztar merger termination fee in 2006, which we reported on our Indiana state tax returns for the years 2000 through 2007, resulted in business income subject to apportionment. In April 2012, we received a supplemental letter of findings from the IDR that denied our protest on most counts. In the supplemental letter of findings, the IDR did not raise any new technical arguments or advance any new theory that would alter our judgment regarding the recognition or measurement of the unrecognized tax benefit related to this audit. We believe that our tax return position is sustainable on the merits. In June 2012, we filed a tax appeal petition with the Indiana tax court to set aside the final assessment. In August 2013, we filed a Motion for Partial

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Summary Judgment on the 1999 Hollywood Park sale. We asked the court to grant summary judgment in our favor based on the technical merit of Indiana tax law. In January 2014, oral arguments were held at the Indiana Tax Court regarding our motion for summary judgment.

Other: We are a party to a number of other pending legal proceedings. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, cash flows or results of operations.

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Note 9—Consolidating Condensed Financial Information

Our subsidiaries (excluding subsidiaries with approximately \$62.9 million in cash and other assets as of September 30, 2014, that include a majority interest in the licensee of Retama Park Racetrack and certain other subsidiaries) have fully, unconditionally, jointly, and severally guaranteed the payment of all obligations under our senior and senior subordinated notes and our Credit Facility. Separate financial statements and other disclosures regarding the subsidiary guarantors are not included herein because management has determined that such information is not material to investors. In lieu thereof, we include the following:

	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated	
	(in millions)					
For the three months ended September 30, 2014						
Statement of Operations						
Revenues:						
Gaming	\$—	\$ 503.6	\$—	\$—	\$503.6	
Food and beverage	—	31.3	—	—	31.3	
Lodging	—	14.5	—	—	14.5	
Retail, entertainment and other	0.1	18.8	—	—	18.9	
	0.1	568.2	—	—	568.3	
Expenses:						
Gaming	—	271.3	—	—	271.3	
Food and beverage	—	29.6	—	—	29.6	
Lodging	—	6.7	—	—	6.7	
Retail, entertainment and other	—	9.2	—	—	9.2	
General and administrative	24.1	87.2	0.1	—	111.4	
Pre-opening, development and other costs	0.7	0.8	0.1	—	1.6	
Depreciation and amortization	1.3	58.9	—	—	60.2	
Write-downs, reserves and recoveries, net	—	1.1	—	—	1.1	
	26.1	464.8	0.2	—	491.1	
Operating income (loss)	(26.0	) 103.4	(0.2	) —	77.2
Equity earnings of subsidiaries	69.7	—	—	(69.7) —	
Interest expense, net	(62.7) 0.2	—	—	(62.5)
Income (loss) from continuing operations before inter-company activity and income taxes	(19.0	) 103.6	(0.2	) (69.7	) 14.7
Management fee and inter-company interest	38.5	(38.5) —	—	—	
Income tax expense	(7.0) —	—	—	(7.0)
Income (loss) from continuing operations	12.5	65.1	(0.2	) (69.7	) 7.7
Income from discontinued operations, net of taxes	—	4.8	—	—	4.8	
Net income (loss)	\$ 12.5	\$ 69.9	\$ (0.2) \$(69.7) \$ 12.5	

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	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated	
(in millions)						
For the nine months ended September 30, 2014						
Statement of Operations						
Revenues:						
Gaming	\$—	\$ 1,477.0	\$—	\$—	\$1,477.0	
Food and beverage	—	89.2	—	—	89.2	
Lodging	—	39.1	—	—	39.1	
Retail, entertainment and other	0.1	50.8	—	—	50.9	
	0.1	1,656.1	—	—	1,656.2	
Expenses:						
Gaming	—	785.9	—	—	785.9	
Food and beverage	—	82.6	—	—	82.6	
Lodging	—	18.3	—	—	18.3	
Retail, entertainment and other	—	20.4	—	—	20.4	
General and administrative	75.4	248.2	0.2	—	323.8	
Pre-opening, development and other costs	3.3	8.3	0.3	—	11.9	
Depreciation and amortization	4.9	172.4	—	—	177.3	
Write-downs, reserves and recoveries, net	3.0	1.3	—	—	4.3	
	86.6	1,337.4	0.5	—	1,424.5	
Operating income (loss)	(86.5	) 318.7	(0.5	) —	231.7
Equity earnings of subsidiaries	210.8	—	—	(210.8) —	
Interest expense, net	(193.9) 2.6	—	—	(191.3)
Loss on early extinguishment of debt	(8.2) —	—	—	(8.2)
Income (loss) from continuing operations before inter-company activity and income taxes	(77.8	) 321.3	(0.5	) (210.8	) 32.2
Management fee and inter-company interest	115.1	(115.1) —	—	—	
Income tax expense	(8.1) —	—	—	(8.1)
Income (loss) from continuing operations	29.2	206.2	(0.5	) (210.8	) 24.1
Income (loss) from discontinued operations, net of taxes	—	5.2	(0.1) —	5.1	
Net income (loss)	\$29.2	\$ 211.4	\$ (0.6) \$(210.8) \$29.2	

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	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated	
			(in millions)			
For the three months ended September 30, 2013						
Statement of Operations						
Revenues:						
Gaming	\$—	\$ 371.6	\$—	\$—	\$371.6	
Food and beverage	—	22.7	—	—	22.7	
Lodging	—	9.7	—	—	9.7	
Retail, entertainment and other	—	14.9	—	—	14.9	
	—	418.9	—	—	418.9	
Expenses:						
Gaming	—	203.6	—	—	203.6	
Food and beverage	—	19.9	—	—	19.9	
Lodging	—	4.0	—	—	4.0	
Retail, entertainment and other	—	7.4	—	—	7.4	
General and administrative	22.3	62.1	0.1	—	84.5	
Pre-opening, development and other costs	62.3	0.6	0.2	—	63.1	
Depreciation and amortization	1.2	38.3	—	—	39.5	
Write-downs, reserves and recoveries, net	—	10.3	1.8	—	12.1	
	85.8	346.2	2.1	—	434.1	
Operating income (loss)	(85.8) 72.7	(2.1) —	(15.2)
Equity earnings of subsidiaries	(86.8) —	—	86.8	—)
Interest expense, net	(51.2) 2.7	—	—	(48.5)
Loss on early extinguishment of debt	(30.8) —	—	—	(30.8)
Income (loss) from continuing operations before inter-company activity and income taxes	(254.6) 75.4	(2.1) 86.8	(94.5)
Management fee and inter-company interest	26.8	(26.8) —	—	—)
Income tax benefit	47.4	—	—	—	47.4)
Income (loss) from continuing operations	(180.4) 48.6	(2.1) 86.8	(47.1)
Loss from discontinued operations, net of taxes	—	(133.3) —	—	(133.3)
Net income (loss)	\$(180.4) \$(84.7) \$(2.1) \$86.8	\$(180.4)

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	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated
(in millions)					
For the nine months ended September 30, 2013					
Statement of Operations					
Revenues:					
Gaming	\$—	\$ 847.7	\$—	\$—	\$847.7
Food and beverage	—	50.2	—	—	50.2
Lodging	—	20.5	—	—	20.5
Retail, entertainment and other	0.1	34.3	—	—	34.4
	0.1	952.7	—	—	952.8
Expenses:					
Gaming	—	474.4	—	—	474.4
Food and beverage	—	43.8	—	—	43.8
Lodging	—	10.1	—	—	10.1
Retail, entertainment and other	—	16.7	—	—	16.7
General and administrative	37.6	147.8	0.4	—	185.8
Pre-opening, development and other costs	86.1	1.4	0.4	—	87.9
Depreciation and amortization	3.8	81.4	—	—	85.2
Write-downs, reserves and recoveries, net	1.1	11.6	1.6	—	14.3
	128.6	787.2	2.4	—	918.2
Operating income (loss)	(128.5	) 165.5	(2.4	) —	34.6
Equity earnings of subsidiaries	(86.0	) —	—	86.0	—
Interest expense, net	(109.4	) 4.0	—	—	(105.4
Loss on early extinguishment of debt	(30.8	) —	—	—	(30.8
Loss from equity method investment	—	—	(92.2	) —	(92.2
Income (loss) from continuing operations before inter-company activity and income taxes	(354.7	) 169.5	(94.6	) 86.0	(193.8
Management fee and inter-company interest	32.0	(32.0) —	—	—
Income tax benefit	51.8	—	—	—	51.8
Income (loss) from continuing operations	(270.9	) 137.5	(94.6	) 86.0	(142.0
Loss from discontinued operations, net of taxes	—	(128.9) —	—	(128.9
Net income (loss)	\$(270.9) \$ 8.6	\$ (94.6) \$ 86.0	\$(270.9

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	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated
			(in millions)		
As of September 30, 2014					
Balance Sheet					
Current assets	\$37.5	\$ 178.2	\$ 24.1	\$—	\$239.8
Property and equipment, net	38.4	3,000.3	5.6	—	3,044.3
Goodwill	—	916.0	3.3	—	919.3
Intangible assets, net	—	529.5	5.0	—	534.5
Other non-current assets	60.9	4.4	24.2	—	89.5
Investment in subsidiaries	4,389.8	—	—	(4,389.8)	—
Assets of discontinued operations held for sale	3.5	17.2	0.7	(0.7)	20.7
Inter-company	—	281.7	—	(281.7)	—
Total assets	\$4,530.1	\$ 4,927.3	\$ 62.9	\$(4,672.2)	\$4,848.1
Current liabilities	\$83.1	\$ 298.0	\$ 0.3	\$—	\$381.4
Long-term debt (excluding current portion)	3,982.2	0.1	—	—	3,982.3
Other non-current liabilities	(75.3)	288.4	—	—	213.1
Liabilities of discontinued operations held for sale	—	0.3	—	—	0.3
Inter-company	280.5	—	1.2	(281.7)	—
Total liabilities	4,270.5	586.8	1.5	(281.7)	4,577.1
Total Pinnacle stockholders' equity	259.6	4,340.5	50.0	(4,390.5)	259.6
Non-controlling interest	—	—	11.4	—	11.4
Total equity	259.6	4,340.5	61.4	(4,390.5)	271.0
Total liabilities and stockholders' equity	\$4,530.1	\$ 4,927.3	\$ 62.9	\$(4,672.2)	\$4,848.1
As of December 31, 2013					
Balance Sheet					
Current assets	\$66.8	\$ 185.1	\$ 27.7	\$—	\$279.6
Property and equipment, net	47.7	2,983.1	5.7	—	3,036.5
Goodwill	—	916.0	3.3	—	919.3
Intangible assets, net	—	495.1	5.0	—	500.1
Other non-current assets	72.6	6.6	22.1	—	101.3
Investment in subsidiaries	4,508.3	—	—	(4,508.3)	—
Assets of discontinued operations held for sale	3.4	318.8	1.2	(0.8)	322.6
Inter-company	—	55.7	—	(55.7)	—
Total assets	\$4,698.8	\$ 4,960.4	\$ 65.0	\$(4,564.8)	\$5,159.4
Current liabilities	\$114.8	\$ 231.4	\$ 0.1	\$—	\$346.3
Long-term debt (excluding current portion)	4,363.9	0.1	—	—	4,364.0
Other non-current liabilities	(48.1)	245.9	—	—	197.8
Liabilities of discontinued operations held for sale	—	26.1	—	—	26.1
Inter-company	54.5	—	1.2	(55.7)	—

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Total liabilities	4,485.1	503.5	1.3	(55.7) 4,934.2
Pinnacle stockholder's equity	213.7	4,456.9	52.2	(4,509.1) 213.7
Non-controlling interest	—	—	11.5	—	11.5
Total equity	213.7	4,456.9	63.7	(4,509.1	) 225.2
Total liabilities and stockholders' equity	\$4,698.8	\$ 4,960.4	\$ 65.0	\$(4,564.8) \$5,159.4

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	Pinnacle Entertainment, Inc.	Guarantor Subsidiaries(a)	Non- Guarantor Subsidiaries(b)	Consolidating and Eliminating Entries	Pinnacle Entertainment, Inc. Consolidated
	(in millions)				
For the nine months ended September 30, 2014					
Statement of Cash Flows					
Cash provided by (used in) operating activities	\$ 111.3	\$ 163.1	\$ (3.9	) \$—	\$ 270.5
Capital expenditures	(9.8	) (178.9	) —	—	(188.7)
Purchase of intangible assets	—	(25.0	) —	—	(25.0)
Net proceeds from sale of discontinued operations	—	258.5	—	—	258.5
Escrow refund	—	25.0	—	—	25.0
Restricted cash	5.9	—	—	—	5.9
Intercompany and other	258.2	(258.8	) 0.4	—	(0.2)
Cash provided by (used in) investing activities	254.3	(179.2	) 0.4	—	75.5
Proceeds from credit facility	217.6	—	—	—	217.6
Repayments under credit facility	(146.3	) —	—	—	(146.3)
Repayments of long-term debt	(466.5	) —	—	—	(466.5)
Other	5.6	—	—	—	5.6
Cash used in financing activities	(389.6	) —	—	—	(389.6)
Change in cash and cash equivalents	(24.0	) (16.1	) (3.5	) —	(43.6)
Cash and cash equivalents, beginning of period	28.6	142.3	27.7	—	198.6
Cash and cash equivalents, end of period	\$ 4.6	\$ 126.2	\$ 24.2	\$—	\$ 155.0
For the nine months ended September 30, 2013					
Statement of Cash Flows					
Cash provided by (used in) operating activities	\$(1,873.5	) \$ 1,981.5	\$ 21.8	\$—	\$ 129.8
Capital expenditures	(3.7	) (184.8	) —	—	(188.5)
Payments for business combinations, net	—	(1,749.7	) —	—	(1,749.7)
Purchases of held-to-maturity debt securities, net	4.4	—	(5.8	) —	(1.4)
Net proceeds from sale of discontinued operations	—	29.2	—	—	29.2
Loans receivable, net	—	—	(6.3	) —	(6.3)
Other	—	—	(2.4	) —	(2.4)
Cash provided by (used in) investing activities	0.7	(1,905.3	) (14.5	) —	(1,919.1)
Proceeds from credit facility	1,651.7	—	—	—	1,651.7
Proceeds from issuance of long-term debt	850.0	—	—	—	850.0
Net repayments under credit facility	(5.1) —	—	—	(5.1)
Repayments of long-term debt	(567.5) —	—	—	(567.5)

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Other	(33.5) —	—	—	(33.5)
Cash provided by financing activities	1,895.6	—	—	—	1,895.6	
Change in cash and cash equivalents	22.8	76.2	7.3	—	106.3	
Cash and cash equivalents, beginning of period	5.5	73.5	22.8	—	101.8	
Cash and cash equivalents, end of period	\$28.3	\$149.7	\$30.1	\$—	\$208.1	

As of September 30, 2014, the following material subsidiaries are identified as guarantors of our senior and senior subordinated notes: Belterra Resort Indiana, LLC; Boomtown, LLC; Casino Magic, LLC; Louisiana-I Gaming; PNK (Baton Rouge) Partnership; PNK (BOSSIER CITY), Inc.; PNK Development 7, LLC; PNK Development 8, LLC; PNK Development 9, LLC; PNK (LAKE CHARLES), L.L.C.; PNK (Ohio), LLC; PNK (Ohio) II, LLC; (a)PNK (Ohio) III, LLC; PNK (River City), LLC; PNK (SAM), LLC; PNK (SAZ), LLC; Ameristar Casino Black Hawk, Inc.; Ameristar Casino Council Bluffs, Inc.; Ameristar Casino St. Charles, Inc.; Ameristar Casino Kansas City, Inc.; Ameristar Casino Vicksburg, Inc.; Cactus Pete's, Inc.; Ameristar East Chicago Holdings, LLC; Ameristar Casino East Chicago, LLC; and Ameristar Casino Springfield, LLC. In addition, certain other immaterial subsidiaries are also guarantors of our senior and senior subordinated notes.

Guarantor subsidiaries of our senior and senior subordinated notes exclude subsidiaries with approximately \$62.9 (b) million in cash and other assets as of September 30, 2014 that include a subsidiary that owns a majority interest in the licensee of Retama Park Racetrack and certain other subsidiaries.

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Note 10—Segment Information

We use Consolidated Adjusted EBITDA (as defined below) and Adjusted EBITDA for each segment (as defined below) to compare operating results among our segments and allocate resources. The following table highlights our Adjusted EBITDA for each segment and reconciles Consolidated Adjusted EBITDA to Income (loss) from continuing operations for the three and nine months ended September 30, 2014, and 2013.

	For the three months ended September 30, 2014		For the nine months ended September 30, 2014	
	2013	2013	2014	2013
	(in millions)			
Revenues:				
Midwest segment (a)	\$305.1	\$194.5	\$881.8	\$368.7
South segment (a)	202.6	192.2	606.2	549.8
West segment (a)	58.5	30.3	162.8	30.3
	566.2	417.0	1,650.8	948.8
Corporate and other	2.2	1.9	5.4	4.0
Total revenues	\$568.4	\$418.9	\$1,656.2	\$952.8
Adjusted EBITDA (b):				
Midwest segment (a)	\$86.5	\$55.3	\$260.8	\$100.4
South segment (a)	56.3	56.5	183.0	150.4
West segment (a)	22.2	10.6	59.5	10.6
	165.0	122.4	503.3	261.4
Corporate expenses and other (c)	(23.5	) (19.8	) (68.0	) (31.2
Consolidated Adjusted EBITDA (b)	\$141.5	\$102.6	\$435.3	\$230.2
Other benefits (costs):				
Depreciation and amortization	(60.2	) (39.5	) (177.2	) (85.2
Pre-opening, development and other costs	(1.6	) (63.1	) (11.9	) (87.9
Non-cash share-based compensation expense	(1.4	) (3.1	) (10.1	) (8.2
Write-downs, reserves and recoveries, net	(1.1	) (12.1	) (4.4	) (14.3
Interest expense, net	(62.5	) (48.5	) (191.3	) (105.4
Loss from equity method investment	—	—	—	(92.2
Loss on early extinguishment of debt	—	(30.8	) (8.2	) (30.8
Income tax benefit (expense)	(7.0	) 47.4	(8.1	) 51.8
Income (loss) from continuing operations	\$7.7	\$(47.1	) \$24.1	\$(142.0
			For the nine months ended September 30,	
			2014	2013
			(in millions)	
Capital expenditures:				
Midwest segment (a)			\$137.1	\$100.7
South segment (a)			37.7	57.3
West segment (a)			3.4	0.8
Corporate and other, including development projects and discontinued operations			10.5	29.7
			\$188.7	\$188.5

(a) See Note 1, “Summary of Significant Accounting Policies,” for listing of properties included in each segment.

We define Consolidated Adjusted EBITDA as earnings before interest income and expense, income taxes,

(b) depreciation, amortization, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs,

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write-downs, reserves, recoveries, corporate-level litigation settlement costs, gain (loss) on sale of certain assets, loss on early extinguishment of debt, gain (loss) on sale of equity security investments, income (loss) from equity method investments, non-controlling interest and discontinued operations. We define Adjusted EBITDA for each operating segment as earnings before interest income and expense, income taxes, depreciation, amortization, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, inter-company management fees, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of discontinued operations, and discontinued operations. We define Adjusted EBITDA margin as Adjusted EBITDA for the segment divided by segment revenues. We use Consolidated Adjusted EBITDA and Adjusted EBITDA for each segment to compare operating results among our properties and between accounting periods. Consolidated Adjusted EBITDA and Adjusted EBITDA have economic substance because they are used by management as measures to analyze the performance of our business and are especially relevant in evaluating large, long-lived casino-hotel projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We eliminate the results from discontinued operations at the time they are deemed discontinued. We also review pre-opening, development and other costs separately, as such expenses are also included in total project costs when assessing budgets and project returns, and because such costs relate to anticipated future revenues and income. We believe that Consolidated Adjusted EBITDA and Adjusted EBITDA are useful measures for investors because they are indicators of the performance of ongoing business operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value of companies within our industry. In addition, our credit agreement and bond indentures require compliance with financial measures similar to Consolidated Adjusted EBITDA. Consolidated Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, or as an alternative to any other measure provided in accordance with GAAP. Our calculations of Adjusted EBITDA and Consolidated Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Corporate expenses represent payroll, professional fees, travel expenses and other general and administrative expenses not directly related to our casino and hotel operations. Beginning in the 2013 third quarter, we changed the methodology used to allocate corporate expenses to our reportable segments. Historically, we allocated direct and some indirect expenses incurred at the corporate headquarters to each property. Expenses incurred at the corporate headquarters that were related to property operations, but not directly attributable to a specific property, were allocated, typically on a pro rata basis, to each property. Only the remaining corporate expenses that were not related to an operating property were retained in the Corporate expense category. Under our new methodology, (c) only corporate expenses that are directly attributable to a property were allocated to each applicable property. All other costs incurred relating to management and consulting services provided by corporate headquarters to the properties are now allocated to those properties based on their respective share of the monthly consolidated net revenues in the form of a management fee. The corporate management fee is excluded in the calculation of segment Adjusted EBITDA and is completely eliminated in any consolidated financial results. The change in methodology increases Adjusted EBITDA for the reportable segments with a corresponding increase in corporate expense, resulting in no impact to Consolidated Adjusted EBITDA.

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Note 11—Subsequent Events

In November 2014, we announced that our Board of Directors approved a plan to pursue a separation of our operating assets and real estate assets into two publicly traded companies, subject to the successful resolution of various contingencies. We intend to carry out the proposed separation of our real estate assets through the creation of a newly formed, publicly traded, real estate investment trust (“REIT” or “Prop Co”), the common stock of which would be distributed to Pinnacle stockholders in a tax-free spin-off (“REIT transaction”), with Pinnacle remaining an operating entity (“Op Co”) following the transaction. The completion of the REIT transaction is subject to the successful resolutions of various contingencies, including, but not limited to, approval by the required gaming regulators, obtaining a private letter ruling from the U.S. Internal Revenue Service, and completion of financing transactions for both Prop Co and Op Co.

Under the plan being pursued, Prop Co will initially own the real estate assets of Pinnacle, with most of the assets being leased back to Op Co for use by its subsidiaries through a triple net Master Lease Agreement. The terms of that Master Lease Agreement, including key items like rent structure and coverage, have yet to be determined. We expect that Prop Co will pursue growth of its portfolio and annual dividend distribution through real property acquisitions, with a broad mandate in the gaming, leisure and entertainment industries. After the proposed separation, Op Co, through its licensed subsidiaries, would operate gaming entertainment centers in the facilities leased from Prop Co and own other assets, including its gaming licenses, gaming equipment, and other non-casino assets and equity interests.

We expect to complete the REIT transaction in 2016 with REIT election for corporate tax purposes occurring shortly thereafter. However, there can be no assurance that we will be able to complete the proposed REIT transaction in 2016 or at all.

In November 2014, in connection with our plan to pursue a REIT transaction, the Company’s Board of Directors adopted a short-term REIT protection shareholder rights plan to prohibit ownership of more than 9.8% of its outstanding common stock in order to safeguard our ability to pursue a pro rata dividend in the proposed Prop Co spin-off transaction under Section 355 of the Internal Revenue Code of 1986.

Under the shareholder rights plan, any person or group that acquires beneficial ownership of 9.8% or more of Pinnacle common stock without Board approval would be subject to significant dilution. The rights will expire upon the earliest of (i) November 6, 2016, (ii) the first business day after the closing of the proposed Prop Co spin-off transaction, or (iii) the time at which the rights are redeemed or exchanged under the shareholder rights plan. We intend to submit the shareholder rights plan for ratification by the Company’s stockholders at the Company’s 2015 Annual Meeting of Stockholders.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, the unaudited Condensed Consolidated Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

EXECUTIVE SUMMARY

Pinnacle Entertainment, Inc. (“Pinnacle”) is an owner, operator and developer of casinos and related hospitality and entertainment facilities. We own and operate 15 gaming entertainment properties, located in Colorado, Indiana, Iowa, Louisiana, Mississippi, Missouri, Nevada and Ohio. We also hold a majority interest in the racing license owner, as well as a management contract, for Retama Park Racetrack outside of San Antonio, Texas. In addition to these properties, we own and operate a live and televised poker tournament series under the trade name Heartland Poker Tour. We aggregate into the following reportable segments:

Midwest segment, which includes:

Ameristar Council Bluffs	Location Council Bluffs, Iowa
Ameristar East Chicago	East Chicago, Indiana
Ameristar Kansas City	Kansas City, Missouri
Ameristar St. Charles	St. Charles, Missouri
Belterra	Florence, Indiana
Belterra Park	Cincinnati, Ohio
River City	St. Louis, Missouri

South segment, which includes:

Ameristar Vicksburg	Location Vicksburg, Mississippi
Boomtown Bossier City	Bossier City, Louisiana
Boomtown New Orleans	New Orleans, Louisiana
L'Auberge Baton Rouge	Baton Rouge, Louisiana
L'Auberge Lake Charles	Lake Charles, Louisiana

West segment, which includes:

Ameristar Black Hawk	Location Black Hawk, Colorado
Cactus Petes	Jackpot, Nevada
Horseshu	Jackpot, Nevada

We own and operate gaming entertainment properties, all of which include gaming and dining facilities, and most of which include hotel, retail and other amenities. In addition, we manage a racetrack and own and operate a poker tour. Our operating results are highly dependent on the volume of customers at our properties, which, in turn, affects the price we can charge for our hotel rooms and other amenities. While we do provide casino credit in several gaming jurisdictions, most of our revenue is cash-based, with customers wagering with cash or paying for non-gaming services with cash or credit cards. Our properties generate significant operating cash flow. Our industry is capital-intensive, and we rely on the ability of our properties to generate operating cash flow to pay interest, repay debt costs and fund maintenance capital expenditures.

Our mission is to increase stockholder value. We seek to increase revenues through enhancing the guest experience by providing them with their favorite games, restaurants, hotel accommodations, entertainment and other amenities in attractive surroundings with high-quality guest service and guest rewards programs. We seek to improve cash flow by

focusing on operational excellence and efficiency while meeting our guests' expectations of value. Our long-term strategy includes disciplined capital expenditures to improve and maintain our existing properties, while growing the number and quality of our facilities by pursuing gaming entertainment opportunities we can improve, develop, or acquire such as the acquisition of Ameristar Casinos, Inc. in August 2013 ("Ameristar"). We intend to diversify our guest demographics and revenue sources by growing our portfolio of operating properties both domestically and internationally, while remaining gaming and entertainment centric. We intend to implement these strategies either alone or with third parties when we believe it benefits our stockholders to do so. In making decisions, we consider our stockholders, guests, team members and other constituents in the communities in which we operate.

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RESULTS OF OPERATIONS

The following table highlights our results of operations for the three and nine months ended September 30, 2014 and 2013. As discussed in Note 10, Segment Information, to our unaudited Condensed Consolidated Financial Statements, we report segment operating results based on revenues and Adjusted EBITDA. Such segment reporting is on a basis consistent with how we measure our business and allocate resources internally. See Note 10, "Segment Information," to our unaudited Condensed Consolidated Financial Statements for more information regarding our segment information.

The following table highlights our Adjusted EBITDA for each segment and reconciles Consolidated Adjusted EBITDA (defined below) to income (loss) from continuing operations in accordance with U.S. GAAP.

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Revenues:				
Midwest segment (a)	\$305.1	\$194.5	\$881.8	\$368.7
South segment (a)	202.6	192.2	606.2	549.8
West segment (a)	58.5	30.3	162.8	30.3
	566.2	417.0	1,650.8	948.8
Corporate and other	2.2	1.9	5.4	4.0
Total revenues	\$568.4	\$418.9	\$1,656.2	\$952.8
Adjusted EBITDA (b):				
Midwest segment (a)	\$86.5	\$55.3	\$260.8	\$100.4
South segment (a)	56.3	56.5	183.0	150.4
West segment (a)	22.2	10.6	59.5	10.6
	165.0	122.4	503.3	261.4
Corporate and other (c)	(23.5)	(19.8)	(68.0)	(31.2)
Consolidated Adjusted EBITDA (b)	\$141.5	\$102.6	\$435.3	\$230.2
Other benefits (costs):				
Depreciation and amortization	(60.2)	(39.5)	(177.2)	(85.2)
Pre-opening, development and other costs	(1.6)	(63.1)	(11.9)	(87.9)
Non-cash share-based compensation expense	(1.4)	(3.1)	(10.1)	(8.2)
Write-downs, reserves and recoveries, net	(1.1)	(12.1)	(4.4)	(14.3)
Interest expense, net	(62.5)	(48.5)	(191.3)	(105.4)
Loss from equity method investment	—	—	—	(92.2)
Loss on early extinguishment of debt	—	(30.8)	(8.2)	(30.8)
Income tax benefit (expense)	(7.0)	47.4	(8.1)	51.8
Income (loss) from continuing operations	\$7.7	\$(47.1)	\$24.1	\$(142.0)

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

(b) We define Consolidated Adjusted EBITDA as earnings before interest income and expense, income taxes, depreciation, amortization, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, corporate-level litigation settlement costs, gain (loss) on sale of certain assets, loss on early extinguishment of debt, gain (loss) on sale of equity security investments, income (loss) from equity method investments, non-controlling interest and discontinued operations. We define Adjusted EBITDA for each operating segment as earnings before interest income and expense, income taxes, depreciation, amortization, pre-opening, development and other costs, non-cash share-based compensation, asset impairment costs, write-downs, reserves, recoveries, inter-company management fees, gain (loss) on sale of certain assets, gain (loss) on early extinguishment of debt, gain (loss) on sale of discontinued operations, and discontinued operations. We define Adjusted EBITDA margin as Adjusted EBITDA for the segment divided by segment revenues. We use

Consolidated Adjusted EBITDA and Adjusted EBITDA for each segment to compare operating results among our properties and between accounting periods.

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Consolidated Adjusted EBITDA and Adjusted EBITDA have economic substance because they are used by management as measures to analyze the performance of our business and are especially relevant in evaluating large, long-lived casino-hotel projects because they provide a perspective on the current effects of operating decisions separated from the substantial non-operational depreciation charges and financing costs of such projects. We eliminate the results from discontinued operations at the time they are deemed discontinued. We also review pre-opening, development and other costs separately, as such expenses are also included in total project costs when assessing budgets and project returns, and because such costs relate to anticipated future revenues and income. We believe that Consolidated Adjusted EBITDA and Adjusted EBITDA are useful measures for investors because they are indicators of the performance of ongoing business operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare operating performance and value of companies within our industry. In addition, our credit agreement and bond indentures require compliance with financial measures similar to Consolidated Adjusted EBITDA. Consolidated Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, or as an alternative to any other measure provided in accordance with GAAP. Our calculations of Adjusted EBITDA and Consolidated Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Corporate expenses represent unallocated payroll, professional fees, travel expenses and other general and (c)administrative expenses not directly related to our casino and hotel operations. Other includes the Retama Park Racetrack (which we manage) and the Heartland Poker Tour.

Change to Corporate Expense Accounting Methodology

Beginning in the third quarter of 2013, we changed the methodology used to allocate corporate expenses to our reportable segments. Historically, we allocated direct and some indirect expenses incurred at the corporate headquarters to each property. Expenses incurred at the corporate headquarters that were related to property operations, but not directly attributable to a specific property, were allocated, typically on a pro rata basis, to each property. Only the remaining corporate expenses that were not related to an operating property were retained in the Corporate expense category. Under our new methodology, only corporate expenses that are directly attributable to a property are allocated to each applicable property. All other costs incurred relating to management and consulting services provided by corporate headquarters to the properties are now allocated to those properties based on their respective share of the monthly consolidated net revenues in the form of a management fee. The corporate management fee is excluded in the calculation of segment Adjusted EBITDA and is completely eliminated in any consolidated financial results. The change in methodology increases Adjusted EBITDA for the nine months ended September 30, 2013, and the related margin for the reportable segments with a corresponding increase in the nine months ended September 30, 2013, corporate expense, resulting in no impact to Consolidated Adjusted EBITDA.

Consolidated Overview

In the 2014 third quarter, income from continuing operations was \$7.7 million. Revenues increased by \$149.4 million, or 35.7% year over year, to \$568.3 million. Consolidated Adjusted EBITDA was \$141.5 million, an increase of \$39.0 million, or 38.0%, year over year. For the three and nine months ended September 30, 2014, results reflect revenues of \$287.2 million and \$846.9 million, respectively, from the operations of the acquired Ameristar properties. The 2013 third quarter's results reflect revenues of \$150.4 million from the operations of Ameristar for the 49 days that followed the completion of the transaction on August 13, 2013.

The Company's revenue consists mostly of gaming revenue, which is primarily from slot machines and to a smaller extent, table games. The slot revenue represented approximately 79% and 78% of gaming revenue in 2013 and 2012, respectively. In analyzing the performance of our properties, the key indicators related to gaming revenue are slot handle and table game drop (which are volume indicators) and win or hold percentage.

Slot handle or video lottery terminal (“VLT”) handle represents the total amount wagered in a slot machine or VLT, and table games drop represents the total amount of cash and net markers issued that are deposited in gaming table drop boxes. Win represents the amount of wagers retained by us and recorded as casino revenue, and hold represents win as a percentage of slot handle, VLT handle or table games drop. Given the stability in our slot and VLT hold percentages, we have not experienced any significant impact on our results from operations as a result of changes in hold percentages.

For table games, customers usually purchase cash chips at the gaming tables. The cash and markers (extensions of credit granted to certain credit worthy customers) are deposited in the gaming table’s drop box. Table game win is the amount of drop that is retained and recorded as casino gaming revenue, with liabilities recognized for funds deposited by customers

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before gaming play occurs and for unredeemed gaming chips. Our table game hold percentages are fairly stable. Therefore, changes in table game hold percentages do not typically have a material impact on our earnings.

Segment comparison of the three and nine months ended September 30, 2014 and 2013

Midwest Segment

	For the three months ended		Percentage change 2014 vs. 2013	For the nine months ended		Percentage change 2014 vs. 2013
	September 30, 2014	2013		September 30, 2014	2013	
	(in millions)					
Gaming revenues	\$275.0	\$175.0	57.1	% \$798.5	\$330.5	141.6 %
Total revenues	305.1	194.5	56.9	% 881.8	368.7	139.2 %
Operating income	52.2	36.0	45.0	% 156.9	64.2	144.4 %
Adjusted EBITDA	86.5	55.3	56.4	% 260.8	100.4	159.8 %

In the Midwest segment, revenues increased by \$110.6 million, or 56.9% year over year, to \$305.1 million in the 2014 third quarter. Adjusted EBITDA increased by \$31.2 million or 56.4% to \$86.5 million. Adjusted EBITDA margin was 28.3%, a decrease of 10 basis points year over year.

For the three and nine months ended September 30, 2014, the Midwest segment's year-over-year improvements were due to the acquisition of the Ameristar properties. For the three and nine months ended September 30, 2014, Ameristar properties contributed \$203.9 million and \$604.2 million, respectively, to Midwest segment net revenues compared with \$106.3 million for the three and nine months ended September 30, 2013.

Midwest segment results were also positively impacted by an improvement in revenue trends and profitability at Ameristar Council Bluffs and Ameristar St. Charles, and stable revenue trends and improved profitability at Ameristar Kansas City. Belterra Resort continues to see revenue pressure from increased regional competition, however, a focus on cost control limited the impact that the decline in revenue had on Adjusted EBITDA.

For the three and nine months ended September 30, 2014, Belterra Park contributed \$17.0 million and \$31.2 million in net revenue, respectively. However, Midwest segment Adjusted EBITDA was negatively impacted by the operating results at Belterra Park during the three and nine months ended September 30, 2014.

South Segment

	For the three months ended		Percentage change 2014 vs. 2013	For the nine months ended		Percentage change 2014 vs. 2013
	September 30, 2014	2013		September 30, 2014	2013	
	(in millions)					
Gaming revenues	\$180.2	\$171.4	5.1	% \$542.5	\$491.9	10.3 %
Total revenues	202.6	192.2	5.4	% 606.2	549.8	10.3 %
Operating income	35.8	30.4	17.8	% 122.8	95.5	28.6 %
Adjusted EBITDA	56.3	56.5	(0.4)	)% 183.0	150.4	21.7 %

In the South segment, revenues increased by \$10.4 million, or 5.4% year over year, to \$202.6 million in the 2014 third quarter. Adjusted EBITDA decreased by \$0.2 million, or 0.4% year over year, to \$56.3 million. Adjusted EBITDA margin was 27.8%, a decrease of 160 basis points year over year.

During the three and nine months ended September 30, 2014, South segment results were positively impacted by the continued ramp up and refinement of the cost structure at L'Auberge Baton Rouge. Core demand trends remain strong in Lake Charles, however, the property experienced low table hold percentage in its high limit business and incurred \$1.7 million of costs associated with a team member retention program, implemented in the third quarter of 2014, both of which negatively affected Adjusted EBITDA and margin percentage. During the three and nine months ended September 30, 2014, Boomtown New Orleans operating performance negatively impacted South Segment results and Boomtown Bossier City experienced declines in revenue due to a challenging market-wide revenue environment.

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We have continued construction of a 150-guestroom hotel tower at our Boomtown New Orleans property. We expect the hotel tower to open by the end of 2014.

West Segment

	For the three months ended September 30,		Percentage change 2014 vs. 2013	For the nine months ended September 30,		Percentage change 2014 vs. 2013
	2014	2013		2014	2013	
	(in millions)					
Gaming revenues	\$48.5	\$25.2	92.5	% \$136.0	\$25.2	NM
Total revenues	58.5	30.3	93.1	% 162.8	30.3	NM
Operating income	15.2	7.6	100.0	% 38.8	7.6	NM
Adjusted EBITDA	22.2	10.6	109.4	% 59.5	10.6	NM
NM — Not Meaningful						

During the third quarter of 2014, West segment revenues were \$58.5 million, Adjusted EBITDA was \$22.2 million, and Adjusted EBITDA margin was 37.9%.

For the three and nine months ended September 30, 2014, the West segment's year-over-year improvements were due to the timing of the acquisition of the Ameristar properties, which comprise 100% of the total West segment results. Adjusted EBITDA was negatively impacted by \$0.4 million of severance expense due to operation leadership changes.

Other factors affecting income (loss) from continuing operations

The following is a description of the other costs and benefits affecting income (loss) from continuing operations for the three and nine months ended September 30, 2014, and 2013, respectively:

	For the three months ended September 30,		Percentage change 2014 vs. 2013	For the nine months ended September 30,		Percentage change 2014 vs. 2013	
	2014	2013		2014	2013		
	(in millions)						
Other (costs) benefits:							
Corporate expenses and other	\$(23.5	) \$(19.8	) 18.7	% \$(68.0	) \$(31.2	) 117.9	%
Depreciation and amortization	(60.2	) (39.5	) 52.4	% (177.2	) (85.2	) 108.0	%
Pre-opening and development costs	(1.6	) (63.1	) (97.5	)% (11.9	) (87.9	) (86.5)%
Share-based compensation expense	(1.4	) (3.1	) (54.8	)% (10.1	) (8.2	) 23.2	%
Write-downs, reserves and recoveries, net	(1.1	) (12.1	) (90.9	)% (4.4	) (14.3	) (69.2)%
Loss from equity method investment	—	—	NM	—	(92.2	) NM	
Loss on early extinguishment of debt	—	(30.8	) NM	(8.2	) (30.8	) NM	
Interest expense, net	(62.5	) (48.5	) 28.9	% (191.3	) (105.4	) 81.5	%
Income tax benefit (expense)	(7.0	) 47.4	(114.8	)% (8.1	) 51.8	(115.6)%
NM — Not Meaningful							

Corporate expenses and other is principally comprised of corporate overhead expenses, the Heartland Poker Tour and the Retama Park management operations. For the nine months ended September 30, 2014, the increase in corporate expenses was

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primarily driven by the acquisition of Ameristar, the change in allocation methodology for corporate expenses, implemented in the 2013 third quarter, and \$7.3 million in additional expenses from referendum opposition costs and severance.

For the three months ended September 30, 2014, the increase in corporate expenses was primarily driven by \$3.7 million in additional expenses from referendum opposition costs and severance.

The increases in corporate expenses for the three and nine months ended September 30, 2014, were partially offset by the realization of synergies from the Ameristar merger and integration.

Depreciation and amortization expense increased for the three and nine months ended September 30, 2014, as compared to the prior-year periods due to the acquisition of Ameristar and the opening of Belterra Park in May 2014.

Pre-opening, development and other costs for the three and nine months ended September 30, 2014, and 2013 consists of the following:

	For the three months ended September 30, 2014		For the nine months ended September 30, 2014	
	2013		2013	
	(in millions)			
Ameristar acquisition (1)	\$ (0.2)	\$ 62.3	\$ 2.2	\$ 86.0
Belterra Park (2)	0.8	0.3	8.2	0.5
Other (3)	1.0	0.5	1.5	1.4
Total pre-opening, development and other costs	\$ 1.6	\$ 63.1	\$ 11.9	\$ 87.9

(1) Amounts principally comprised of legal and advisory expenses, severance charges and other costs and expenses related to the financing and integration of the acquisition of Ameristar.

(2) Belterra Park opened on May 1, 2014.

(3) Includes \$0.9 million of cost associated with our evaluation of a REIT spin-off transaction.

Share-based compensation expense for the nine months ended September 30, 2014, increased primarily due to new stock awards to employees associated with the Ameristar transaction. For the three months ended September 30, 2014, share-based compensation expense decreased as certain performance share award are no longer expected to vest. Write-downs, reserves and recoveries consist of \$1.1 million and \$4.4 million in losses during the three and nine months ended September 30, 2014, respectively. The losses related to a \$2.9 million lease abandonment charge from the consolidation of our Las Vegas headquarters recognized during the second quarter of 2014 and net losses from the disposal or abandonment of slot and other equipment at our properties in the normal course of business during the nine months ended September 30, 2014.

During the three and nine months ended September 30, 2013, we recognized net losses of \$12.1 million and \$14.3 million, respectively. During the third quarter of 2013, we recognized an impairment loss of our Boomtown Bossier City gaming license of \$10.0 million.

Interest expense consists of the following:

	For the three months ended September 30, 2014		For the nine months ended September 30, 2014	
	2013		2013	
	(in millions)			
Interest expense	\$ 62.8	\$ 49.7	\$ 194.3	\$ 108.0
Interest income	—	(0.2)	(0.3)	(0.4)
Capitalized interest	(0.3)	(1.0)	(2.7)	(2.2)
Total interest expense, net	\$ 62.5	\$ 48.5	\$ 191.3	\$ 105.4

The increase in gross interest expense is attributable to the additional debt incurred to fund our acquisition of Ameristar and other development projects. The increase in capitalized interest for the nine months ended September 30, 2014 is

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attributable to interest expense capitalization on our recently completed Belterra Park development and a hotel tower development at our Boomtown New Orleans property, which is currently expected to open by the end of 2014.

Loss on equity method investment: We have a minority ownership interest in Asian Coast Development (Canada), Ltd. (“ACDL”). During 2013, we recorded impairments of approximately \$94.0 million fully impairing the remaining asset carrying value of our investment in ACDL.

Loss on early extinguishment of debt: During the second quarter of 2014, we incurred a \$8.2 million loss related to the redemption of our then existing Tranche B-1 term loans. The loss included the write off of previously unamortized debt issuance costs and original issuance discount costs.

During the third quarter of 2013, we recorded a \$30.8 million loss related to the early redemption of our 8.625% Senior Notes due 2017 and the amendment and restatement of our Credit Facility. The loss included premiums and the write-off of previously unamortized debt issuance costs and original issuance discount costs.

Income taxes: Our effective tax rate for continuing operations for the three and nine months ended September 30, 2014, was 47.5%, or an expense of \$7.0 million, and 25.1%, or an expense of \$8.1 million, respectively, as compared to an effective tax rate of 50.1%, or a benefit of \$47.4 million, and 26.7% or a benefit of \$51.8 million, respectively, for the corresponding prior-year periods. Our tax rate differs from the statutory rate of 35.0% due to the effects of permanent items, the recording of a valuation allowance release, deferred tax expense on tax amortization of indefinite-lived intangible assets, state taxes and a reserve for unrecognized tax benefits. Our income tax rate for the nine months ended September 30, 2014, included a tax benefit from the release of \$3.0 million of our valuation allowance as a result of additional deferred tax liabilities recognized from the preparation of the Ameristar pre-acquisition tax returns during the second quarter of 2014. Our state tax provision represents taxes in the jurisdiction of Indiana, Louisiana and the city jurisdictions in Missouri where we have no valuation allowance.

Discontinued operations: Discontinued operations consists of disposal groups classified as held for sale and measured at the lower of its carrying value or the fair value less cost to sell.

Lumiere Place Casino and Hotels: In August 2013, we entered into an Equity Interest Purchase Agreement to sell the ownership interests in certain of our subsidiaries, which own and operate the Lumière Place Casino, the Four Seasons Hotel St. Louis and HoteLumière and related excess land parcels in St. Louis, Missouri. During the third quarter of 2013, we recorded an impairment charge totaling \$144.6 million, to reduce the carrying value of the assets to their net realizable value, less costs to sell. In April 2014, we completed the sale of the ownership interests in these subsidiaries for cash consideration of \$252.3 million, net of approximately \$11.0 million in cash acquired by the buyer, subject to a net working capital. In July 2014, we agreed to a final working capital adjustment in which we refunded approximately \$2.0 million in cash proceeds back to the buyer.

Ameristar Casino Lake Charles: In July 2013, we entered into an agreement to sell all of the equity interests of our subsidiary, which was developing the Ameristar Lake Charles development project. In November 2013, we closed the sale of the equity interests of our subsidiary. At closing, we received approximately \$180.0 million in cash that excludes \$35.0 million of deferred consideration, of which \$25.0 million is restricted cash subject to release by the Louisiana Gaming Control Board and \$10.0 million is in the form of a note receivable from the buyer, due in July 2016. In April 2014, the Louisiana Gaming Control Board approved a resolution releasing us from the requirement to hold the \$25.0 million of restricted cash. In August 2014, we entered into a settlement agreement with the buyer in which we received \$4.8 million from escrow. The recovery of these proceeds and adjustments to our cost to sell estimates resulted in the recognition of an approximate \$2.3 million gain during the three months ended September 30, 2014.

Boomtown Reno: In August 2014, we closed the sale of the membership interest of PNK (Reno), LLC, which owns 27 acres of the excess land surrounding Boomtown Reno. At closing, we received approximately \$3.5 million in cash, resulting in a gain of \$2.4 million. As of September 30, 2014, we continue to hold 783 acres of excess land

surrounding Boomtown Reno. During the third quarter of 2014, we entered into agreement to sell this land, subject to a due diligence period.

Atlantic City: During the third quarter of 2013, we completed the sale of our land holdings in Atlantic City, New Jersey for total consideration of approximately \$29.5 million. We expect no material ongoing financial impact from Atlantic City.

Springfield, Massachusetts: We own approximately 40 acres of land in Springfield, Massachusetts, originally purchased by Ameristar as the site of a possible future casino resort. During the first quarter of 2014, we entered into an option agreement to sell this land. As of September 30, 2014, this option has not been exercised.

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Total discontinued operations: Revenues and net income (loss) from discontinued operations are summarized as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Revenues	\$—	\$44.2	\$41.0	\$139.2
Income (loss) before income taxes	4.9	(140.9	) 5.2	(131.8
Income tax benefit (expense)	(0.1	) 7.6	(0.1	) 2.9
Income (loss) from discontinued operations, net of taxes	\$4.8	\$(133.3	) \$5.1	\$(128.9

Net assets for entities and operations included in discontinued operations are summarized as follows:

	September 30, 2014	December 31, 2013
	(in millions)	
Assets:		
Land, buildings, vessels and equipment, net	\$11.8	\$275.3
Other assets, net	8.9	47.2
Total assets	\$20.7	\$322.5
Liabilities:		
Total liabilities	\$0.3	\$26.1
Net assets	\$20.4	\$296.4

Customer Loyalty Programs

We offer incentives to our customers through our mychoice customer loyalty program. Under the mychoice customer loyalty program, customers earn points based on their level of play that may be redeemed for various benefits, such as cash back, dining, or hotel stays, among others. The reward credit balance under the plan will be forfeited if the customer does not earn any reward credits over the prior six-month period. In addition, based on their level of play, customers can earn additional benefits without redeeming points, such as a car lease, among other items. In April 2014, we expanded the mychoice loyalty program to all Ameristar properties as part of the integration of the Ameristar properties, and now we offer benefits solely through the mychoice customer loyalty program.

We accrue a liability for the estimated cost of providing these benefits as the benefits are earned. Estimates and assumptions are made regarding cost of providing the benefits, breakage rates, and the mix of goods and services customers will choose. We use historical data to assist in the determination of estimated accruals. Changes in estimates or customer redemption habits could produce significantly different results. At September 30, 2014, and December 31, 2013, we had accrued \$26.3 million and \$18.9 million, respectively, for the estimated cost of providing mychoice benefits. As of December 31, 2013, we had accrued \$12.8 million for the estimated cost of providing benefits under Ameristar customer loyalty program.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014, we held \$155.0 million of cash and cash equivalents and \$5.7 million of restricted cash. As of September 30, 2014, we had approximately \$564.9 million drawn on our \$1.0 billion revolving credit facility and had approximately \$12.7 million committed under various letters of credit. During the 2014 third quarter, the Company retired \$107 million in aggregate principal amount of term loans. The debt retired in the 2014 third quarter was accomplished principally with cash flow from operations.

We generally produce significant positive cash flows from operations, though this is not always reflected in our reported net income due to large non-cash charges such as depreciation. However, our ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, funding of construction of our

development projects and our compliance with covenants contained in our credit agreement and the indentures governing our senior subordinated notes

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and senior notes.

	For the nine months ended September 30,		Percentage Increase/(Decrease) 2014 vs. 2013	
	2014	2013		
	(in millions)			
Net cash provided by operating activities	\$270.5	\$129.8	108.4	%
Net cash provided by (used in) investing activities	\$75.5	\$(1,919.1)	(103.9)	%
Net cash provided by (used in) financing activities	\$(389.6)	\$1,895.6	(120.6)	%

NM — Not Meaningful

Operating Cash Flow

Our cash provided by operating activities increased for the nine months ended September 30, 2014, as compared to the prior-year period, as a result of the August 2013 acquisition of Ameristar.

Investing Cash Flow

The following is a summary of our capital expenditures by segment or development project:

	For the nine months ended September 30,	
	2014	2013
	(in millions)	
Midwest segment	\$137.1	\$100.7
South segment	37.7	57.3
West segment	3.4	0.8
Other	10.5	29.7
Total capital expenditures	\$188.7	\$188.5

We opened our Belterra Park property in May 2014. We have a guaranteed maximum price agreement of \$131.0 million with the general contractor for Belterra Park. As of September 30, 2014, we have spent approximately \$199.4 million of the \$209 million budget, excluding land and capitalized interest costs.

We are currently constructing a 150-guestroom hotel tower at our Boomtown New Orleans property. As of September 30, 2014, we spent approximately \$16.7 million to date of the \$20 million budget, excluding land and capitalized interest costs. We expect the project will remain on budget. The opening of the project has been delayed due to certain construction related issues. We now expect the hotel tower to open by the end of 2014.

Our intention is to use existing cash resources, expected cash flows from operations and funds available under our Credit Facility to fund operations, maintain existing properties, make necessary debt service payments, and fund the development of our projects. In the event that our future cash flows from operations do not match the levels we currently anticipate, whether due to downturns in the economy or otherwise, we may need to raise funds through the capital markets, if possible. The Company is currently evaluating conducting an equity offering of up to approximately \$1 billion, the proceeds of which would be used to repay existing debt and for other general corporate purposes. There can be no assurance that we will be able to raise the funds associated with the contemplated equity offering due to economic conditions or otherwise and upon acceptable terms or at all.

Our ability to borrow under our Credit Facility is contingent upon, among other things, meeting customary financial and other covenants. If we are unable to borrow under our Credit Facility, or if our operating results are adversely affected because of a reduction in consumer spending, or for any other reason, our ability to maintain our existing properties or complete our ongoing projects may be affected unless we sell assets, enter into leasing arrangements, or take other measures to find additional financial resources. There is no certainty that we will be able to do so on terms that are favorable to the Company or at all.

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We may face significant challenges if conditions in the economy and financial markets worsen, the effect of which could adversely affect consumer confidence and the willingness of consumers to spend money on leisure activities. Because of the current economic environment, certain of our customers may curtail the frequency of their visits to our casinos and may reduce the amounts they wager and spend when compared to similar statistics in better economic times. All of these effects could have a material adverse effect on our liquidity.

In November 2014, we announced that our Board of Directors approved a plan to pursue a separation of our operating assets and real estate assets into two publicly traded companies. We intend to carry out the proposed separation of our real estate assets through the creation of a newly formed, publicly traded, real estate investment trust (“REIT” or “Prop Co”), the common stock of which would be distributed to Pinnacle stockholders in a tax-free spin-off (“REIT transaction”), with Pinnacle remaining an operating entity (“Op Co”) following the transaction. The completion of the REIT transaction is subject to the successful resolutions of various contingencies, including, but not limited to, approval by the required gaming regulators, and obtaining a private letter ruling from the U.S. Internal Revenue Service.

Under the plan being pursued, Prop Co will initially own the real estate assets of Pinnacle, with most of the assets being leased back to Op Co for use by its subsidiaries through a triple net Master Lease Agreement. The terms of that Master Lease Agreement, including key items like rent structure and coverage, have yet to be determined. We expect that Prop Co will pursue growth of its portfolio and annual dividend distribution through real property acquisitions, with a broad mandate in the gaming, leisure and entertainment industries. After the proposed separation, Op Co, through its licensed subsidiaries, would operate gaming entertainment centers in the facilities leased from Prop Co and own other assets, including its gaming licenses, gaming equipment, and other non-casino assets and equity interests. We expect to complete the REIT transaction in 2016, with REIT election for corporate tax purposes occurring shortly thereafter. However, there can be no assurance that we will be able to complete the proposed REIT transaction in 2016 or at all.

In advance of the proposed REIT Transaction, the Company expects to pursue financing in order to enhance the Company’s financial flexibility. In addition financing transactions will be required to effect the proposed REIT Transaction. We do not currently have commitments from underwriters or lenders for such financing transactions. To the extent that market conditions deteriorate, we may be unable to complete the financings on terms acceptable to us or at all and therefore may be unable to complete the proposed REIT Transaction.

In November 2014, the Company’s Board of Directors adopted a short-term REIT protection shareholder rights plan to prohibit ownership of more than 9.8% of its outstanding common stock in order to safeguard our ability to pursue a pro rata dividend in the proposed Prop Co spin-off transaction under Section 355 of the Internal Revenue Code of 1986.

Under the shareholder rights plan, any person or group that acquires beneficial ownership of 9.8% or more of Pinnacle common stock without Board approval would be subject to significant dilution. The rights will expire upon the earliest of (i) November 6, 2016, (ii) the first business day after the closing of the proposed Prop Co spin-off transaction, or (iii) the time at which the rights are redeemed or exchanged under the shareholder rights plan. We intend to submit the shareholder rights plan for ratification by the Company’s stockholders at the Company’s 2015 Annual Meeting of Stockholders.

Financing Cash Flow

Credit Facility

In August 2013, we entered into an Amended and Restated Credit Agreement (“Credit Facility”), which consists of (i) \$1.6 billion of term loans comprised of \$500 million of Tranche B-1 term loans and \$1.1 billion in Tranche B-2

term loans and (ii) a \$1 billion revolving credit commitment. As of September 30, 2014, we had approximately \$564.9 million drawn under the \$1 billion revolving credit facility and approximately \$12.7 million committed under various letters of credit under our Credit Facility. The Credit Facility was entered into in connection with the merger with Ameristar (the “Merger”) and replaced our Fourth Amended and Restated Credit Agreement, as amended. As of September 30, 2014, we fully repaid the outstanding principal balances of our Tranche B-1 term loans.

Since completing the Merger, the Company has retired approximately \$770 million of aggregate principal amount of term loans through September 2014, including the aggregate principal outstanding of Tranche B-1 term loans, for a net total principal reduction of approximately \$570 million after giving effect to incremental revolving credit facility drawings during that time period. Among other sources, proceeds from the sale of Ameristar Lake Charles in November 2013, proceeds from the sale of the Lumière Place Casino and Hotels in April 2014 and \$25 million in proceeds from the April 2014 Louisiana Gaming Control Board resolution relieving us of the requirement to hold restricted cash in connection with the Golden Nugget Lake Charles development were used to repay aggregate principal amounts outstanding on our term loans.

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Subject to acceleration and mandatory pre-payment provisions in the Credit Facility, the outstanding loans are due to be paid as follows: (i) the revolving credit loans are due and payable in full on August 13, 2018; and (ii) the Tranche B-2 term loans are subject to 0.25% quarterly principal amortization requirements and the remaining principal outstanding is due and payable in full on August 13, 2020; provided, that such date shall be accelerated to November 15, 2019, if any portion of our 8.75% Senior Subordinated Notes due 2020 are outstanding on November 19, 2019.

The Credit Facility permits us, in the future, to increase the commitments under the revolving credit facility and to obtain term loan commitments, in each case from existing or new lenders that are willing to commit to such an increase, so long as we are in pro-forma compliance with the Credit Facility's financial and other covenants, including a consolidated senior secured debt ratio and a consolidated total leverage ratio.

The proceeds of the Credit Facility may be used to: (i) pay the consideration for the Merger; (ii) repay in full all existing indebtedness of Pinnacle, Ameristar and their respective subsidiaries as of the date of the Credit Facility, other than specified existing indebtedness and other indebtedness permitted to remain outstanding under the terms of the Credit Facility; (iii) pay the fees, costs and expenses related to the transactions contemplated by the Credit Facility, the loan documents related thereto and the acquisition documents related to the Merger; and (iv) for the working capital and general corporate purposes of Pinnacle and its subsidiaries.

The Credit Facility requires quarterly repayments with respect to the term loans in amounts equal to 0.25% of the outstanding principal of such loans. We are obligated to make mandatory prepayments of indebtedness under the Credit Facility from the net proceeds of certain debt offerings, certain asset sales and dispositions and certain casualty events, subject in certain cases to its right to reinvest proceeds. In addition, we will be required to prepay borrowings under the Credit Facility with a percentage of our "excess cash flow" (as defined in the Credit Facility). We have the option to prepay all or a portion of the indebtedness under the Credit Facility at any time without penalty.

The term loans bear interest, at our option, at either a LIBOR rate plus 2.75% or at a base rate plus 1.75% and in no event will the LIBOR rate be less than 1.00%. The revolving credit facility bears interest, at our option, at either a LIBOR rate plus a margin ranging from 1.75% to 2.75% or at a base rate plus a margin ranging from 0.75% to 1.75%, in either case based on our consolidated total leverage ratio, which in general is the ratio of consolidated total debt (less excess cash, as defined in the Credit Facility) to annualized adjusted EBITDA.

The Credit Facility has, among other things, financial covenants and other affirmative and negative covenants. As of September 30, 2014, the Credit Facility requires compliance with the following ratios so long as there are outstanding borrowings under our revolving credit facility: (1) maximum consolidated total leverage ratio of 7.75 to 1.00 (as defined in the Credit Facility); (2) minimum consolidated interest coverage ratio (as defined in the Credit Facility) of 2.00 to 1.00; and (3) maximum consolidated senior secured debt ratio (as defined in the Credit Facility) of 3.25 to 1.00. In addition, the Credit Facility has covenants that limit the amount of senior unsecured debt we may incur to \$3.5 billion, unless our maximum consolidated total leverage ratio is less than 6.00 to 1.00. The maximum consolidated total leverage ratio and maximum senior secured debt ratio are subject to change at each fiscal quarter until December 31, 2017. As of September 30, 2014, we were in compliance with each of these ratios, and compliance with these ratios does not have a material impact on our financial flexibility, including our ability to incur new indebtedness.

The obligations under the Credit Facility are secured by most of our assets and the assets of our domestic restricted subsidiaries, including a pledge of the equity interests in our domestic subsidiaries (except where such pledge is prohibited by gaming regulations) and, if and when formed or acquired, by a pledge of up to 66% of the then-outstanding equity interests of our foreign restricted subsidiaries. Subsidiaries with approximately \$62.9 million in total assets as of September 30, 2014, (which includes a subsidiary that owns a majority interest in the license of

Retama Park Racetrack, among others) and each of our foreign subsidiaries are currently unrestricted subsidiaries for purposes of the Credit Facility.

The Credit Facility provides for customary events of default, in certain cases with corresponding grace periods, including payment defaults, cross defaults with certain other indebtedness to third parties, breaches of covenants and bankruptcy events. In the case of a continuing event of default, the lenders may, among other remedies, accelerate the payment of all obligations due from us to the lenders, charge the default rate of interest on all then outstanding or thereafter incurred obligations, and terminate the lenders' commitments to make any further loans or issue any further letters of credit. In the event of certain defaults, the commitments of the lenders will be automatically terminated and all outstanding obligations of the Company will automatically become due. In addition, the lenders may take possession of, and enforce our rights with respect to, our collateral, including selling the collateral.

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Senior and Senior Subordinated Indebtedness

As of September 30, 2014, we had outstanding \$350 million aggregate principal amount of 8.75% senior subordinated notes due 2020 (“8.75% Notes”), \$325 million aggregate principal amount of 7.75% senior subordinated notes due 2022 (“7.75% Notes”), \$850 million aggregate principal amount of 6.375% senior notes due 2021 (“6.375% Notes”), and \$1.040 billion aggregate principal amount of 7.50% senior notes due 2021 (“7.50% Notes”).

6.375% Senior Notes due 2021

On August 5, 2013, we closed an offering of \$850 million of 6.375% Notes, which offering was done by PNK Finance Corp., a wholly-owned unrestricted subsidiary of Pinnacle under the Company's indentures and Credit Facility. The 6.375% Notes were issued in a private offering conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (“Securities Act”), at a price equal to par. Net of the initial purchasers' fees and various costs and expenses, net proceeds from the offering were approximately \$835 million. We used the net proceeds from the offering together with the proceeds from our Credit Facility (which is described above), to finance the aggregate cash consideration for the merger with Ameristar, pay transaction fees and expenses, redeem our 8.625% Senior Unsecured Notes due 2017 and provide working capital and funds for general corporate purposes.

In connection with the offering of the 6.375% Notes, we filed a Registration Statement on Form S-4 under the Securities Act in April 2014 to exchange the 6.375% Notes for a new issue of substantially identical notes registered under the Securities Act. The 6.375% Notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears in cash on February 1 and August 1, commencing on February 1, 2014. The 6.375% Notes will mature on August 1, 2021.

Upon the consummation of the Merger, PNK Finance Corp. merged with and into the Company and ceased to be a separate entity. In addition, upon consummation of the Merger, Pinnacle and certain of its subsidiaries (including certain subsidiaries that were subsidiaries of Ameristar prior to the consummation of the Merger) (collectively referred to as the “Note Guarantors”), the Company assumed the obligations of PNK Finance Corp., and the Note Guarantors guaranteed the obligations of Pinnacle thereunder.

7.50% Senior Notes due 2021

The 7.50% Notes bear interest at a rate of 7.50% per year, payable semi-annually in arrears in cash on April 15 and October 15. The 7.50% Notes mature on April 15, 2021. The 7.50% Notes and the guarantees of the 7.50% Notes are senior unsecured obligations of Pinnacle and the Note Guarantors, respectively, and rank equally with or senior to, in right of payment, all existing or future unsecured indebtedness of Pinnacle and each Guarantor, respectively, but will be effectively subordinated in right of payment to the Credit Facility and any future secured indebtedness, to the extent of the value of the assets securing such indebtedness.

8.75% Senior Subordinated Notes due 2020 and 7.75% Senior Subordinated Notes due 2022

The 8.75% Notes and 7.75% Notes are unsecured senior subordinated obligations and rank subordinate in right of payment to all of our and our subsidiary guarantors' existing and future indebtedness, except indebtedness that expressly provides that it ranks equal or subordinate in right of payment to the 8.75% Notes and 7.75% Notes. The 8.75% Notes and 7.75% Notes are guaranteed on a senior subordinated basis by certain of our current and future domestic restricted subsidiaries. The 8.75% Notes and the 7.75% Notes are subordinated to our 6.375% Notes, 7.50% Notes and our Credit Facility.

The 6.375% Notes and 7.50% Notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future senior debt, including debt under our Credit Facility. The 6.375% Notes and 7.50% Notes are, however, effectively subordinated to our Credit Facility, which is secured by a first priority lien, as well as any other secured debt which may be issued in the future. The 6.375% Notes and 7.50% Notes are guaranteed on a senior basis by certain of our current and future domestic restricted subsidiaries. The 6.375% Notes and 7.50% Notes rank senior to our 8.75% Notes and 7.75% Notes.

Under the indenture governing the 6.375% Notes, among other debt baskets, we are permitted to incur the greater of \$3.0 billion or 3.5x Consolidated EBITDA (as defined in the indenture) in senior indebtedness and secured indebtedness. Under the indenture governing the 7.50% Notes, among other baskets, we are permitted to incur the greater of \$1.8 billion or 3.5x Consolidated EBITDA (as defined in the indenture) in senior indebtedness and secured indebtedness. Under the indentures governing the 8.75% Notes and 7.75% Notes, we are permitted to incur the greater of \$1.5 billion or 2.5x Consolidated EBITDA (as defined in the indentures) in senior indebtedness. Under these senior secured indebtedness baskets, we are permitted in certain circumstances to incur senior unsecured indebtedness. In addition, the indentures include other debt

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incurrence baskets, including a permitted refinancing basket and a general debt basket, the most restrictive of which permits the greater of \$100 million or 5% of Consolidated Net Tangible Assets (as defined in the 7.50% Indenture). Under the indentures, we may also incur additional indebtedness if, after giving effect to the indebtedness proposed to be incurred, our Consolidated Coverage Ratio (essentially, a ratio of adjusted EBITDA to interest expense) for a trailing four-quarter period on a pro forma basis (as defined in the indentures) would be at least 2.0 to 1.0. Our Consolidated Coverage Ratio (as defined in the indentures) was above 2.0 to 1.0 as of September 30, 2014.

As part of the consent solicitation in connection with the 7.50% Notes, we agreed to certain amendments to the indenture governing the 7.50% Notes that have the effect of reducing our capacity to make payments on subordinated obligations, make dividends or distributions and repurchase stock, make investments and make other restricted payments from and after the closing of the Ameristar transaction. In particular, the amendments reduce the restricted payment capacity based on Consolidated Net Income (as defined in the indenture) to zero effective immediately after the effective time of the Ameristar transaction and the general restricted payment basket to \$75 million from \$150 million under the indenture governing the 7.50% Notes. We also obtained the consent from holders of the 7.50% Notes to amend the indenture to provide that to the extent that the net proceeds of the sale of the Ameristar Lake Charles development and Lumière Place Casino and Hotels are used to repay indebtedness under our Credit Facility, such repayment will reduce dollar-for-dollar the \$1.8 billion threshold amount only but not the 3.50x Consolidated EBITDA threshold amount, in determining the amount of indebtedness permitted to be incurred under our Credit Facility pursuant to the indenture governing the 7.50% Notes.

The 7.50% Notes, 8.75% Notes, 6.375% Notes, and 7.75% Notes become callable at a premium over their face amount on April 15, 2015, May 15, 2015, August 5, 2016, and April 1, 2017, respectively. Such premiums decline periodically as the notes progress towards their respective maturities. All of our notes are redeemable prior to their first call dates at a price that reflects a yield to the first call that is equivalent to the applicable Treasury bond yield plus 0.5 percentage points.

As of September 30, 2014, we were in compliance with the financial covenant ratios under the Credit Facility and indentures governing the Company's 8.75% Notes, 7.75% Notes, 6.375% Notes and 7.50% Notes and compliance with these financial covenant ratios does not have a material impact on our financial flexibility, including our ability to incur new indebtedness based on our operating plans.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

There were no material changes during the three months ended September 30, 2014 to our contractual obligations and commitments as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES

A description of our critical accounting estimates can be found in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013. For a more extensive discussion of our accounting policies, see Note 1, "Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. There were no newly identified critical accounting policies and estimates in the third quarter of 2014, nor were there any material changes to the critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. Except for the historical information contained herein, the matters addressed in this Quarterly Report on Form 10-Q, as well as in other reports filed with or furnished to the SEC or statements made by us, may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. From time to time, we may provide oral or written forward-looking statements in our other periodic reports on Form 10-Q, Form 8-K, Form 10-K, press releases and other materials released to the public. All forward-looking statements made in this Quarterly Report on Form 10-Q and any documents we incorporate by reference are made pursuant to the Act. Words such as, but not limited to, "believes," "expects," "anticipates," "estimates," "intends," "plans," "purposes," "could," "may," "will," "would," "might," "could be," "may be," "is likely to," "is expected to," "is anticipated to," "is intended to," "is planned to," "is proposed to," "is possible to," "is probable to," "is likely to occur," "is expected to occur," "is anticipated to occur," "is intended to occur," "is planned to occur," "is proposed to occur," "is possible to occur," "is probable to occur," and similar expressions are intended to identify forward-looking statements. Such forward-looking statements, which may include, without limitation, statements regarding expected results of operations and future operating performance and future growth, the Company's intention to separate its real estate assets into a REIT and the timing thereof, the ability of the Company to complete financing transactions in connection with the proposed REIT transaction, the potential advantages, benefits and impact of, and opportunities created by, the proposed REIT transaction, the ability of the Company to obtain a private letter ruling from the U.S. Internal Revenue Service regarding the proposed REIT transaction, the ability of each of the Company (post-spin) and Prop Co to conduct and expand their respective businesses following the proposed spin-off, the adequacy of resources to fund development and expansion projects, liquidity, financing options, including the state of the capital markets and our ability to access the capital markets, the state of the credit markets and economy, cash needs, cash reserves, operating and capital expenses, expense reductions, the sufficiency of insurance coverage, anticipated marketing costs at various projects, the expected benefits of the Company's marketing programs; the future outlook of Pinnacle and the gaming industry and pending regulatory and legal matters, the ability of the Company to continue to meet its financial and other covenants governing its indebtedness, the expected synergies, cost savings and benefits of the Ameristar transaction, including the expected accretive effect of the transaction on the Company's financial results and profit, prospective performance and opportunities, the budgets, completion and opening schedules of the Company's various projects, including the Boomtown New Orleans hotel tower project, the facilities, features and amenities of the Company's various projects the ability of the Company to sell or otherwise dispose of discontinued operations, the Company's anticipated future capital expenditures, the Company's ability to successfully implement marketing programs to increase revenue at the Company's properties, the Company's ability to achieve the expected financial objectives and returns of L'Auberge Baton Rouge and Belterra Park, the Company's ability to improve operations and performance at Belterra Park and Boomtown New Orleans, and the ability of ACDL's Vietnamese subsidiary to operate the property, are all subject to a variety of risks and uncertainties that could cause actual results to differ materially from those anticipated by us. This can occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Factors that may cause our actual performance to differ materially from that contemplated by such forward-looking statements include, among others, the various risk factors discussed above, in addition to general domestic and international economic and political conditions as well as market conditions in our industry. For more information on the potential factors that could affect our operating results and financial condition in addition to the risk factors described above, review our other filings (other than any portion of such filings that are furnished under applicable SEC Rules rather than filed) with the SEC, including this quarterly report on Form 10-Q, our Annual Report on Form 10-K and the risk factors described therein. Factors that may cause our actual performance to differ materially from that contemplated by such forward-looking statements include, among others:

although we are pursuing a plan to separate our real estate assets from our operating assets, the plan is subject to the successful resolution of various contingencies and we may not be successful in executing such plan on the time frame currently contemplated, or at all;

legislative or other actions affecting REITs could have a negative effect on the proposed REIT transaction;

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there is no assurance that we will successfully complete contemplated financings, and therefore we may be unable to complete the proposed REIT transaction;

our shareholders rights agreement may not preserve Prop Co's ability to elect REIT status;

our business is particularly sensitive to reductions in consumers' discretionary spending as a result of any downturns in the economy or other changes we cannot accurately predict;

the gaming industry is competitive and increased competition, including through legislative legalization or expansion

of gaming by states in or near where we own properties or through Native American gaming facilities and Internet gaming, could adversely affect our financial results;

we face risks associated with growth and acquisitions;

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we expect to incur substantial expenses related to the integration of Ameristar's business into our business and our future results could suffer if we cannot effectively manage the expanded operations following the transaction;

we may experience an impairment of its goodwill which could adversely affect our financial condition and results of operations;

- our present indebtedness and projected future borrowings could adversely affect our financial health; future cash flows may not be sufficient to meet our obligations, and we may have difficulty obtaining additional financing; and we may experience adverse effects of interest rate fluctuations;

our indebtedness imposes restrictive covenants on us;

to service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control and our ability to obtain additional financing on commercially reasonable terms may be limited;

our substantial development plans for capital-intensive projects will require us to borrow significant amounts under our amended and restated credit facility and, depending on which projects are pursued to completion, may cause us to incur substantial additional indebtedness;

subsequent phases to certain of our existing projects and potential enhancements at our properties may require us to raise additional capital;

insufficient or lower-than-expected results generated from our new developments and acquired properties may negatively affect the market for our securities;

rising operating costs at our gaming properties could have a negative impact on our business;

the global financial crisis and recession have affected our business and financial condition, and may continue to affect us in ways that we currently cannot accurately predict;

we derive a large portion of our revenues from our casinos located in Louisiana and Missouri and are especially subject to certain risks, including economic and competitive risks, associated with the conditions in those areas and in the states from which we draw patrons;

we are engaged from time to time in one or more construction and development projects, and many factors could prevent us from completing them as planned, including the escalation of construction costs beyond increments anticipated in our construction budgets;

our industry is highly regulated, which makes us dependent on obtaining and maintaining gaming licenses and subjects us to potentially significant fines and penalties;

potential changes in the regulatory environment could harm our business, including legislation prohibiting tobacco smoking;

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

we face many other risks associated with our minority interest investment in ACDL, such as Ho Tram Project Company Limited's ability to operate the property, and business and regulatory risks, among other risks, inherent in investing in an entity conducting gaming operations in Vietnam;

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

adverse weather conditions, road construction, gasoline shortages and other factors affecting our facilities and the areas in which we operating could make it more difficult for potential customers to travel to our properties and deter customers from visiting our properties;

our results of operations and financial condition could be materially adversely affected by the occurrence of natural disasters, such as hurricanes, or other catastrophic events, including war and terrorism;

natural disasters have made it more challenging for us to obtain similar levels of Weather Catastrophe Occurrence/Named Windstorm, Flood and Earthquake insurance coverage for our properties;

we may incur property or other losses that are not adequately covered by insurance, which may harm our results of operations;

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our reputation and business may be harmed from cyber security events (including breaches and attacks) and we may be subject to legal claims if there is a loss, disclosure or misappropriation of or access to our customers' or our business partners' or our team members' or own information or other breaches of our information;

our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security system and all of our slot machines are controlled by computers and reliant on electrical power to operate; some of our casinos are located on leased property. If we default on one or more leases, the applicable lessor could terminate the affected leases and we could lose possession of such affected casinos;

we are subject to litigation which, if adversely determined, could cause us to incur substantial losses;

work stoppages, organizing drives and other labor problems could interrupt our future profits;

we face environmental and archaeological regulation of our real estate;

climate change, regulations and greenhouse effects could adversely impact our operations and markets;

we are subject to extensive governmental regulations that impose restrictions on the ownership and transfer of our securities; and

the market price for our common stock may be volatile, and you may not be able to sell our stock at a favorable price or at all.

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, please see the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained in this Quarterly Report on Form 10-Q, as well as the "Risk Factors" and "Management Discussion and Analysis of Financial Condition and Results of Operations" sections contained in our Annual Report on Form 10-K for the year ended December 31, 2013 and review our other filings (other than any portion of such filings that are furnished under applicable SEC rules rather than filed) with the SEC. All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Form 10-Q. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

At times, we are exposed to market risk from adverse changes in interest rates with respect to the short-term floating interest rate on borrowings under our Credit Facility. As of September 30, 2014, we had approximately \$12.7 million committed under various letters of credit under our Credit Facility and approximately \$564.9 million in revolver and base rate borrowings under our Credit Facility. Any borrowings outstanding under our revolving Credit Facility accrue interest at LIBOR plus a margin determined by our current consolidated leverage ratio, which margin was 2.75% as of September 30, 2014. As of September 30, 2014, we had approximately \$830.0 million outstanding under these term loans. The term loans bear interest at a LIBOR rate plus 2.75% and carry a 1.0% LIBOR floor. The revolving credit facility bears interest, at our option, at either a LIBOR rate plus a margin ranging from 1.75% to 2.75% or at a base rate plus a margin ranging from 0.75% to 1.75%, in either case based on our consolidated total leverage ratio.

As of September 30, 2014, for every 10 basis points decrease in LIBOR, our annual interest expense would decrease approximately \$0.6 million, assuming constant debt levels. If LIBOR rates were to increase by one percentage point, our annual interest expense would increase by approximately \$6.9 million, assuming constant debt levels.

The table below provides the principal cash flows and related weighted average interest rates by contractual maturity dates for our debt obligations at September 30, 2014. At September 30, 2014, we did not hold any material investments in market-risk-sensitive instruments of the type described in Item 305 of Regulation S-K.

Liabilities	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
	(in thousands)							
Credit Facility	\$—	\$—	\$—	\$—	\$—	\$564,918	\$564,918	\$551,838
Interest Rate	2.93	% 2.93	% 2.93	% 2.93	% 2.93	% 2.93	% 2.93	%
Term B2 Loan	\$2,750	\$11,000	\$11,000	\$11,000	\$11,000	\$783,249	\$829,999	\$819,624
Interest Rate	3.75	% 3.75	% 3.75	% 3.75	% 3.75	% 3.75	% 3.75	%
6.375% Notes	\$—	\$—	\$—	\$—	\$—	\$850,000	\$850,000	\$884,000
Interest Rate	6.375	% 6.375	% 6.375	% 6.375	% 6.375	% 6.375	% 6.375	%
7.50% Notes	\$—	\$—	\$—	\$—	\$—	\$1,040,000	\$1,040,000	\$1,091,355
Fixed Rate	7.50	% 7.50	% 7.50	% 7.50	% 7.50	% 7.50	% 7.50	%
7.75% Notes	\$—	\$—	\$—	\$—	\$—	\$325,000	\$325,000	\$349,375
Fixed Rate	7.75	% 7.75	% 7.75	% 7.75	% 7.75	% 7.75	% 7.75	%
8.75% Notes	\$—	\$—	\$—	\$—	\$—	\$350,000	\$350,000	\$369,250
Fixed Rate	8.75	% 8.75	% 8.75	% 8.75	% 8.75	% 8.75	% 8.75	%
Other	\$1	\$6	\$7	\$8	\$8	\$60	\$90	\$90
Fixed rate	10.00	% 10.00	% 10.00	% 10.00	% 10.00	% 10.00	% 10.00	%

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Item 4. Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of September 30, 2014. Based on this evaluation, the Company's management, including the CEO and the CFO, concluded that, as of September 30, 2014, the Company's disclosure controls and procedures were effective, in that they provide a reasonable level of assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

Item 1. Legal Proceedings

During the three months ended September 30, 2014, there were no material developments with respect to the litigation described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014, under the heading “Legal Proceedings” and to which reference should be made.

Item 1A. Risk Factors

The following are new risk factors that should be read in conjunction with the risk factors set forth under Part I, Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Although we are pursuing a plan to separate our real estate assets from our operating assets, the plan is subject to the successful resolution of various contingencies and we may not be successful in executing such plan on the time frame currently contemplated, or at all.

On November 6, 2014, we announced that our Board of Directors approved a plan to pursue a separation of our operating assets and real estate assets into two publicly traded companies. We intend to pursue this proposed separation of our real estate assets through the distribution to our stockholders in a tax-free spin-off of a newly formed publicly traded real estate investment trust (“Prop Co”), with the Company remaining as the entity operating our gaming and leisure business (“Op Co”) following the such transaction (the “Proposed REIT Transaction”). The Proposed REIT Transaction is complex and there are significant implementation and operational complexities to address before we separate our real estate assets into a REIT including, among other things, obtaining a favorable private letter ruling (“PLR”) from the U.S. Internal Revenue Service (the “IRS”) regarding certain aspects of the Proposed REIT Transaction, obtaining required gaming regulatory approvals, entering into a master lease agreement and certain other agreements between Prop Co and Op Co, completing certain financings relating to the Proposed REIT Transaction and completing certain internal reorganizations to successfully position Prop Co and Op Co for the Proposed REIT Transaction. Even if Prop Co is ultimately able to qualify as a REIT, there is no assurance that the tax laws, regulations or interpretations thereof will not change in a manner that could be disadvantageous to our stockholders, and the future stockholders of Prop Co, or adversely affect the intended benefits of the Proposed REIT Transaction.

Our plan is contingent on successfully resolving such conditions. The timing and outcome of many of the conditions are beyond our control. Furthermore, our Board of Directors may decide not to pursue the Proposed REIT Transaction, or to delay the Proposed REIT Transaction. There is no assurance as to if, or when, the Proposed REIT Transaction will be consummated or, if consummated, whether such transaction will be successful.

Further, we face a number of risks in connection with the Proposed REIT transaction, including, but not limited to:

if any event, change or other circumstance occurs that results in the termination of the Proposed REIT Transaction, or otherwise results in a failure to complete the Proposed REIT Transaction, such occurrence could negatively impact our stock price; and

we expect to incur a number of non-recurring transaction fees and other costs associated with completing the Proposed REIT Transaction that will be substantial, as well as significant non-cash charges related to debt issuance write-offs and asset impairment charges, that will have an adverse impact on our results of operations.

The completion of the Proposed REIT Transaction is contingent, among the other items mentioned above, on receipt of final approval by our Board of Directors, execution of definitive documentation, receipt of legal and accounting opinions, and other customary conditions. We may, at any time and for any reason until the Proposed REIT Transaction is complete, abandon the Proposed REIT Transaction separation or modify or change the terms of the Proposed REIT Transaction.

Legislative or other actions affecting REITs could have a negative effect on the Proposed REIT Transaction.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the "Treasury"). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us and our ability to complete the Proposed REIT Transaction or the intended benefits of the Proposed REIT Transaction. We cannot predict how

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changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect Prop Co's ability to qualify to be taxed as a REIT or the U.S. federal income tax consequences to Prop Co's investors and it of such qualification.

On February 26, 2014, House Ways and Means Committee Chairman David Camp released a proposal (the "Camp Proposal") for comprehensive tax reform. The Camp Proposal includes a number of provisions that, if enacted, would have an adverse effect on corporations seeking to make an election to be taxed as a REIT. These include the following: (i) if the stock of a corporation is distributed in a tax-free spin-off under section 355 of the Code, such corporation will not be eligible to make an election to be taxed as a REIT for the ten-year period following the taxable year in which the spin-off occurs, (ii) if a corporation elects to be taxed as a REIT, such corporation will be required to recognize certain built-in gains inherent in its property as if all its assets were sold at their fair market value immediately before the close of the taxable year immediately before the corporation became taxed as a REIT, and (iii) any dividend made to satisfy the REIT requirement that a REIT must not have any earnings and profits accumulated during non-REIT years by the end of its first tax year as a REIT must be made in cash instead of a combination of cash and stock. Provisions (i) and (ii), if enacted in their current form, would apply to REIT elections and tax-free spin-off distributions made on or after February 26, 2014. If enacted in its current form, the Camp Proposal would materially and adversely affect Prop Co's ability to make an election to be taxed as a REIT. It is uncertain whether the Camp Proposal, in its current form as it relates to Prop Co, or any other legislation affecting REITs and entities desiring to elect REIT status will be enacted and whether any such legislation will apply to Prop Co because of its proposed effective date or otherwise.

There is no assurance that we will successfully complete contemplated financings, and therefore we may be unable to complete the Proposed REIT Transaction.

In advance of the Proposed REIT Transaction, we expect to pursue financing in order to enhance the Company's financial flexibility. In addition, financing transactions will be required to effect the Proposed REIT Transaction. We do not currently have commitments from underwriters or lenders for such financing transactions. To the extent that market conditions deteriorate, we may be unable to complete the financings on terms acceptable to us, or at all, and therefore may be unable to complete the Proposed REIT Transaction.

Our Rights Agreement may not preserve Prop Co's ability to elect REIT status.

In November 2014, we entered a Rights Agreement in an effort to protect stockholder value by attempting to provide for the preservation of Prop Co's REIT status by limiting ownership concentration that could threaten Prop Co's REIT status. The exercisability of the Rights is triggered only after a person or group has exceeded beneficial ownership of in excess of 9.8% of our common stock, as calculated in accordance with the Rights Agreement (the "Ownership Threshold"), therefore the Rights Agreement, by its terms, cannot prevent a stockholder from exceeding the Ownership Threshold and thereby threatening Prop Co's REIT status. Nevertheless, we expect that the potential for substantial dilution to a person or group that exceeds the Ownership Threshold will strongly discourage a stockholder from exceeding such Ownership Threshold and becoming an Acquiring Person, as defined in the Rights Agreement.

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Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of Pinnacle Entertainment, Inc., as amended, is hereby incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on May 9, 2005. (SEC File No. 001-13641).
3.2	Restated Bylaws of Pinnacle Entertainment, Inc., as of May 24, 2011, are hereby incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 26, 2011. (SEC File No. 001-13641).
10.1†*	Separation Agreement and General Release, dated as of September 4, 2014, by and between Pinnacle Entertainment, Inc. and Michelle Shriver.
10.2†	Employment Agreement, dated as of August 18, 2014, between Pinnacle Entertainment, Inc. and Anthony M. Sanfilippo is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 21, 2014. (SEC File No. 001-13641).
10.3†	Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement, dated as of August 18, 2014, between Pinnacle Entertainment, Inc. and Anthony M. Sanfilippo is hereby incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 21, 2014. (SEC File No. 001-13641).
10.4†	Stock Option Grant Notice and Stock Option Agreement, dated as of August 18, 2014, between Pinnacle Entertainment, Inc. and Anthony M. Sanfilippo is hereby incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 21, 2014. (SEC File No. 001-13641).
10.5*	First Amendment to the Fourth Amended and Restated Shareholders Agreement, dated as of September 5, 2014, by and among PNK Development 18, LLC, PNK Development 31, LLC, Asian Coast Development (Canada) Ltd., Harbinger II S.à r.l., Blue Line ACDL, Inc., Breakaway ACDL, Inc., Credit Distressed Blue Line Master Fund, Ltd., Global Opportunities Breakaway Ltd., and Harbinger China Dragon Intermediate Fund, L.P.
11*	Statement re: Computation of Per Share Earnings.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32**	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
101*	

Financial statements from Pinnacle's Entertainment, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language):

- (i) unaudited Condensed Consolidated Statements of Operations;
- (ii) unaudited Condensed Consolidated Statements of Comprehensive Income (Loss);
- (iii) unaudited Condensed Consolidated Balance Sheets;
- (iv) unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity;
- (v) unaudited Condensed Consolidated Statements of Cash Flows; and
- (vi) Notes to unaudited Condensed Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

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SIGNATURE

Pursuant to the requirements 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.

Date: November 10, 2014

PINNACLE ENTERTAINMENT, INC.
(Registrant)
By: /s/ Carlos A. Ruisanchez
Carlos A. Ruisanchez
President and Chief Financial Officer
(Authorized Officer, Principal Financial Officer and
Principal Accounting Officer)

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(i)

unaudited Condensed Consolidated Statements of Operations;

(ii)

unaudited Condensed Consolidated Statements of Comprehensive Income (Loss);

(iii)

unaudited Condensed Consolidated Balance Sheets;

(iv)

unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity;

(v)

unaudited Condensed Consolidated Statements of Cash Flows; and

(vi)

Notes to unaudited Condensed Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.