

Bally's Park Place LLC (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

**SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Bally's Park Place LLC (Bally's Atlantic City)

BALANCE SHEETS

AS OF SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2020 (c) | 2019 (d) |
|-------------|--|----------|-------------|-------------|
| | <u>ASSETS:</u> | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents..... | 2 | \$12,261 | \$12,957 |
| 2 | Short-Term Investments..... | | 0 | 0 |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$2,071; 2019, \$3,140)..... | 2, 4, 12 | 3,209 | 4,778 |
| 4 | Inventories | 2 | 1,124 | 676 |
| 5 | Other Current Assets..... | 5 | 2,604 | 2,177 |
| 6 | Total Current Assets..... | | 19,198 | 20,588 |
| 7 | Investments, Advances, and Receivables..... | 6 | 2,532 | 8,772 |
| 8 | Property and Equipment - Gross..... | 2,7 | 54,501 | 101,235 |
| 9 | Less: Accumulated Depreciation and Amortization..... | 2,7 | (781) | (18,108) |
| 10 | Property and Equipment - Net..... | 2,7 | 53,720 | 83,127 |
| 11 | Other Assets..... | 8, 9 | 18,801 | 13,746 |
| 12 | Total Assets..... | | \$94,251 | \$126,233 |
| | <u>LIABILITIES AND EQUITY:</u> | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable..... | | \$4,171 | \$6,397 |
| 14 | Notes Payable..... | | 0 | 0 |
| | Current Portion of Long-Term Debt: | | | |
| 15 | Due to Affiliates..... | | | |
| 16 | External..... | | 0 | 0 |
| 17 | Income Taxes Payable and Accrued..... | | 0 | 0 |
| 18 | Other Accrued Expenses..... | 10 | 10,117 | 12,271 |
| 19 | Other Current Liabilities..... | 8 | 1,575 | 1,667 |
| 20 | Total Current Liabilities..... | | 15,863 | 20,335 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates..... | | 0 | 0 |
| 22 | External..... | | 0 | 0 |
| 23 | Deferred Credits | | 0 | 0 |
| 24 | Other Liabilities..... | 11 | 33,739 | 67,188 |
| 25 | Commitments and Contingencies..... | 13 | 0 | 0 |
| 26 | Total Liabilities..... | | 49,602 | 87,523 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... | | 44,649 | 38,710 |
| 28 | Total Liabilities and Equity..... | | \$94,251 | \$126,233 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2020 (c) | 2019 (d) |
|-------------|--|-------|-------------|-------------|
| | Revenue: | | | |
| 1 | Casino..... | | \$42,817 | \$82,252 |
| 2 | Rooms..... | | 19,345 | 34,194 |
| 3 | Food and Beverage..... | | 13,696 | 36,111 |
| 4 | Other..... | | 4,497 | 7,628 |
| 5 | Net Revenue..... | 12 | 80,355 | 160,185 |
| | Costs and Expenses: | | | |
| 6 | Casino..... | | 33,671 | 53,970 |
| 7 | Rooms, Food and Beverage..... | | 18,022 | 35,492 |
| 8 | General, Administrative and Other..... | | 32,421 | 44,290 |
| 9 | Total Costs and Expenses..... | | 84,114 | 133,752 |
| 10 | Gross Operating Profit..... | | (3,759) | 26,433 |
| 11 | Depreciation and Amortization..... | 2 | 2,259 | 4,598 |
| | Charges from Affiliates Other than Interest: | | | |
| 12 | Management Fees..... | | 0 | 0 |
| 13 | Other..... | 2 | 9,215 | 13,440 |
| 14 | Income (Loss) from Operations..... | | (15,233) | 8,395 |
| | Other Income (Expenses): | | | |
| 15 | Interest Expense - Affiliates..... | | 0 | 0 |
| 16 | Interest Expense - External..... | | (7,228) | (8,570) |
| 17 | CRDA Related Income (Expense) - Net..... | 13 | 59 | 332 |
| 18 | Nonoperating Income (Expense) - Net..... | | (38,724) | (348) |
| 19 | Total Other Income (Expenses)..... | | (45,893) | (8,586) |
| 20 | Income (Loss) Before Taxes | | (61,126) | (191) |
| 21 | Provision (Credit) for Income Taxes..... | | 1,255 | 0 |
| 22 | Net Income (Loss)..... | | (\$62,381) | (\$191) |

* Certain balances have been combined

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place LLC (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2020 (c) | 2019 (d) |
|-------------|--|-------|-------------|-------------|
| | Revenue: | | | |
| 1 | Casino..... | | \$26,001 | \$29,386 |
| 2 | Rooms..... | | 12,973 | 14,407 |
| 3 | Food and Beverage..... | | 5,481 | 14,002 |
| 4 | Other..... | | 2,592 | 2,979 |
| 5 | Net Revenue..... | 12 | 47,047 | 60,774 |
| | Costs and Expenses: | | | |
| 6 | Casino..... | | 13,785 | 18,850 |
| 7 | Rooms, Food and Beverage..... | | 7,242 | 12,690 |
| 8 | General, Administrative and Other..... | | 12,972 | 15,000 |
| 9 | Total Costs and Expenses..... | | 33,999 | 46,540 |
| 10 | Gross Operating Profit..... | | 13,048 | 14,234 |
| 11 | Depreciation and Amortization..... | 2 | (971) | 1,528 |
| | Charges from Affiliates Other than Interest: | | | |
| 12 | Management Fees..... | | 0 | 0 |
| 13 | Other..... | 2 | 2,436 | 4,850 |
| 14 | Income (Loss) from Operations..... | | 11,583 | 7,856 |
| | Other Income (Expenses): | | | |
| 15 | Interest Expense - Affiliates..... | | 0 | 0 |
| 16 | Interest Expense - External..... | | (1,312) | (2,921) |
| 17 | CRDA Related Income (Expense) - Net..... | 13 | 14 | 161 |
| 18 | Nonoperating Income (Expense) - Net..... | 1 | (5,889) | (439) |
| 19 | Total Other Income (Expenses)..... | | (7,187) | (3,199) |
| 20 | Income (Loss) Before Taxes | | 4,396 | 4,657 |
| 21 | Provision (Credit) for Income Taxes..... | | 1,255 | 0 |
| 22 | Net Income (Loss)..... | | \$3,141 | \$4,657 |

* Certain balances have been combined

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Bally's Park Place LLC (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND NINE MONTHS ENDED SEPTEMBER 30, 2020

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | Common Stock | | Preferred Stock | | Additional Paid-In Capital (g) | (h) | Retained Earnings (Accumulated Deficit) (i) | Total Stockholders' Equity (Deficit) (j) |
|-------------|--------------------------------------|-------|---------------|---------------|-----------------|---------------|---|-----|---|--|
| | | | Shares (c) | Amount (d) | Shares (e) | Amount (f) | | | | |
| 1 | Balance, December 31, 2018..... | | 100 | \$1 | 0 | \$0 | \$43,775 | | (\$5,829) | \$37,947 |
| 2 | Net Income (Loss) - 2019..... | | | | | | | | (7,678) | (7,678) |
| 3 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 4 | Dividends..... | | | | | | | | | 0 |
| 5 | Prior Period Adjustments..... | | | | | | | | | 0 |
| 6 | Equitization of Intercompany | | | | | | 10,607 | | | 10,607 |
| 7 | Adj. prior year-Rev. Recognition | | | | | | | | | 0 |
| 8 | Reclassification of Equity | | | | | | | | | 0 |
| 9 | | | | | | | | | | 0 |
| 10 | Balance, December 31, 2019..... | | 100 | 1 | 0 | 0 | 54,382 | 0 | (13,507) | 40,876 |
| 11 | Net Income (Loss) -Predecessor | | | | | | | | (69,549) | (69,549) |
| 12 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 13 | Dividends..... | | | | | | | | | 0 |
| 14 | Prior Period Adjustments..... | | (100) | (1) | | | | | | (1) |
| 15 | Equitization of Intercompany | | | | | | 18,147 | | | 18,147 |
| 16 | Net Income (Loss) -Successor | | | | | | | | 7,168 | 7,168 |
| 17 | Impact of Purchase Accounting | | | | | | (35,048) | | 83,056 | 48,008 |
| 18 | | | | | | | | | | 0 |
| 19 | Balance, September 30, 2020 | | 0 | \$0 | 0 | \$0 | \$37,481 | \$0 | \$7,168 | \$44,649 |

The accompanying notes are an integral part of the financial statements.
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Bally's Park Place LLC (Bally's Atlantic City)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2020 (c) | 2019 (d) |
|-------------|--|-------|-------------|-------------|
| 1 | CASH PROVIDED (USED) BY OPERATING ACTIVITIES.. | | (\$29,442) | \$6,691 |
| | CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| 2 | Purchase of Short-Term Investments | | | |
| 3 | Proceeds from the Sale of Short-Term Investments | | | |
| 4 | Cash Outflows for Property and Equipment..... | | (384) | (12,618) |
| 5 | Proceeds from Disposition of Property and Equipment..... | | | 26 |
| 6 | CRDA Obligations | | | (134) |
| 7 | Other Investments, Loans and Advances made..... | | | |
| 8 | Proceeds from Other Investments, Loans, and Advances | | 444 | 644 |
| 9 | Cash Outflows to Acquire Business Entities..... | | 0 | 0 |
| 10 | | | | |
| 11 | | | | |
| 12 | Net Cash Provided (Used) By Investing Activities..... | | 60 | (12,082) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| 13 | Proceeds from Short-Term Debt | | | |
| 14 | Payments to Settle Short-Term Debt..... | | | |
| 15 | Proceeds from Long-Term Debt | | | |
| 16 | Costs of Issuing Debt..... | | | |
| 17 | Payments to Settle Long-Term Debt..... | | | |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions... | | 0 | 0 |
| 19 | Purchases of Treasury Stock..... | | | |
| 20 | Payments of Dividends or Capital Withdrawals..... | | | |
| 21 | Change in Payable to / Receivable from affiliates | | 27,052 | 1,999 |
| 22 | | | | |
| 23 | Net Cash Provided (Used) By Financing Activities..... | | 27,052 | 1,999 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | | (2,330) | (3,392) |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | | 14,591 | 16,349 |
| 26 | Cash and Cash Equivalents at End of Period..... | | \$12,261 | \$12,957 |
| | CASH PAID DURING PERIOD FOR: | | | |
| 27 | Interest (Net of Amount Capitalized)..... | | \$5,605 | \$6,852 |
| 28 | Income Taxes..... | | \$0 | \$0 |

The accompanying notes are an integral part of the financial statements.
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Bally's Park Place LLC (Bally's Atlantic City)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2020 (c) | 2019 (d) |
|-------------|--|-------|-------------|-------------|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| 29 | Net Income (Loss)..... | | (\$62,381) | (\$191) |
| 30 | Depreciation and Amortization of Property and Equipment... | | 1,987 | 4,248 |
| 31 | Amortization of Other Assets..... | | 272 | 350 |
| 32 | Amortization of Debt Discount or Premium..... | | 0 | 0 |
| 33 | Deferred Income Taxes - Current | | 0 | 0 |
| 34 | Deferred Income Taxes - Noncurrent | | 0 | 0 |
| 35 | (Gain) Loss on Disposition of Property and Equipment..... | | 0 | 337 |
| 36 | (Gain) Loss on CRDA-Related Obligations..... | | (59) | (332) |
| 37 | (Gain) Loss from Other Investment Activities..... | | 0 | 0 |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks | | 2,351 | 700 |
| 39 | (Increase) Decrease in Inventories | | (435) | (97) |
| 40 | (Increase) Decrease in Other Current Assets..... | | (950) | (100) |
| 41 | (Increase) Decrease in Other Assets..... | | 3,736 | (320) |
| 42 | Increase (Decrease) in Accounts Payable..... | | (7,275) | (751) |
| 43 | Increase (Decrease) in Other Current Liabilities | | (1,341) | 1,893 |
| 44 | Increase (Decrease) in Other Liabilities | | 1,653 | 954 |
| 45 | Non-Cash Reorganization Loss / (Gain) | | 0 | 0 |
| 46 | Impairment of Assets | | 33,000 | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | | (\$29,442) | \$6,691 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | | |
|----|--|--|---------|------------|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | | |
| 48 | Additions to Property and Equipment..... | | (\$384) | (\$12,618) |
| 49 | Less: Capital Lease Obligations Incurred..... | | | 0 |
| 50 | Cash Outflows for Property and Equipment..... | | (\$384) | (\$12,618) |
| | ACQUISITION OF BUSINESS ENTITIES: | | | |
| 51 | Property and Equipment Acquired..... | | | |
| 52 | Goodwill Acquired..... | | | |
| 53 | Other Assets Acquired - net | | | |
| 54 | Long-Term Debt Assumed..... | | | |
| 55 | Issuance of Stock or Capital Invested..... | | | |
| 56 | Cash Outflows to Acquire Business Entities..... | | \$0 | \$0 |
| | STOCK ISSUED OR CAPITAL CONTRIBUTIONS: | | | |
| 57 | Total Issuances of Stock or Capital Contributions..... | | \$0 | \$0 |
| 58 | Less: Issuances to Settle Long-Term Debt..... | | 0 | 0 |
| 59 | Consideration in Acquisition of Business Entities..... | | 0 | 0 |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions..... | | \$0 | \$0 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place LLC (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 194,996 | \$7,905 | | |
| 2 | Food | 126,777 | 2,513 | | |
| 3 | Beverage | 1,888,311 | 3,777 | | |
| 4 | Travel | 0 | 0 | 42,528 | 6,687 |
| 5 | Bus Program Cash | 0 | 0 | | |
| 6 | Promotional Gaming Credits | 18,716 | 8,726 | | |
| 7 | Complimentary Cash Gifts | 36,730 | 1,748 | | |
| 8 | Entertainment | 0 | 0 | 468 | 59 |
| 9 | Retail & Non-Cash Gifts | 22,250 | 445 | 14,540 | 1,454 |
| 10 | Parking | 0 | 0 | 194,628 | 584 |
| 11 | Other | 124,312 | 622 | 15,889 | 397 |
| 12 | Total | 2,412,092 | \$25,736 | 268,053 | \$9,181 |

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

| Line (a) | Description (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 123,020 | \$5,146 | 0 | \$0 |
| 2 | Food | 17,979 | 887 | 0 | 0 |
| 3 | Beverage | 386,726 | 774 | 0 | 0 |
| 4 | Travel | 0 | 0 | 18,952 | 2,389 |
| 5 | Bus Program Cash | 0 | 0 | 0 | 0 |
| 6 | Promotional Gaming Credits | 4,511 | 5,176 | 0 | 0 |
| 7 | Complimentary Cash Gifts | 20,855 | 1,076 | 0 | 0 |
| 8 | Entertainment | 0 | 0 | 11 | 2 |
| 9 | Retail & Non-Cash Gifts | 14,232 | 285 | 7,107 | 711 |
| 10 | Parking | 0 | 0 | 114,140 | 342 |
| 11 | Other | 79,207 | 396 | 12,417 | 310 |
| 12 | Total | 646,530 | \$13,740 | 152,627 | \$3,754 |

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

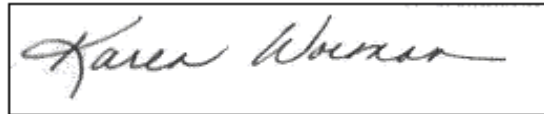
**Bally's Park Place LLC (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

11/16/2020

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

Bally's Park Place LLC (Bally's Atlantic City)
Casino Licensee

BALLY’S PARK PLACE LLC (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION

On July 20, 2020, Eldorado Resorts, Inc. (“Eldorado”) completed the merger in which a wholly-owned subsidiary of Eldorado merged with and into Caesars Entertainment Corporation (“Former Caesars”) with Former Caesars surviving as a wholly-owned subsidiary of Eldorado (the “Merger”) pursuant to the Agreement and Plan of Merger dated as of June 24, 2019 (as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 15, 2019, the “Merger Agreement”). In connection with the Merger, Caesars Entertainment Corporation changed its name to “Caesars Holdings, Inc.” and Eldorado Resorts, Inc. converted into a Delaware corporation and changed its name to “Caesars Entertainment, Inc.”

Bally’s Atlantic City Hotel & Casino is a casino hotel resort located in Atlantic City, New Jersey, owned and operated by Bally’s Park Place LLC (“Bally’s Atlantic City”), consolidated subsidiary of ‘Caesars Holding Inc.’ which is a subsidiary of ‘Caesars Entertainment Inc.’ (CEI). Bally’s Atlantic City is licensed by the New Jersey Division of Gaming Enforcement (“DGE”) and is subject its rules and regulations. The license is under review and under current law no longer expires.

Effect of the COVID-19 Public Health Emergency

Portions from Caesars Entertainment Q1 2020 10-Q filing issued on May 11, 2020 appear below. For full COVID-19 footnote please see Caesars Entertainment Corporation Q1 2020 filing.

A novel strain of coronavirus (“COVID-19”) was declared a public health emergency by the United States Department of Health and Human Services on January 31, 2020. On March 13, 2020, the President of the United States issued a proclamation declaring a national emergency concerning COVID-19. As a result of the public health emergency, we began to receive statutory orders for the closure of certain properties, on March 16, 2020, we announced the temporary shutdown of our owned properties in North America. COVID-19 is present in nearly all regions around the world and has resulted in travel restrictions and business slowdowns or shutdowns in affected areas. Our properties remained closed until July 2, 2020. Uncertainty remains as to how COVID-19 will continue to affect our business and it is difficult to gauge how long it will take for our operations to recover to the levels prior to the closure.

CEC paid furloughed employees for the first two weeks of the closure period, after which employees were able to use their available paid time off. CEC is paying 100% of medical insurance premiums for each furloughed employee enrolled in the Caesars health benefit plans were extended to September 30, 2020 or the date that such employee returns to work. The estimated paid time off and medical benefits are recorded in General, Administrative and Other expenses in the statement of income.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy. Two provisions of the CARES Act will serve to aid CEC’s liquidity position, the employee retention credit and the deferral of employer-related FICA taxes. First, the employee retention credit provides employers a refundable federal tax credit equal to 50% of the first \$10,000 of qualified wages and benefits paid to employees while they are not performing services after March 12, 2020 and before January 1, 2021. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. Second, employers are permitted to defer the employer share of social security taxes otherwise owed on dates beginning March 27, 2020 and ending December 31, 2020. Half of the total deferred payments are payable on December 31, 2021 and the remaining half are payable on December 31, 2022. CEC intends to take full advantage of this tax deferral provision. The amount of the deferral is based on wages paid from April through December 2020.

Due to the impact of the ongoing COVID-19 public health emergency on the Company’s results of operations, in June 2020 the Company obtained waivers on the financial covenants in its former credit facility agreement and obtained a waiver of the financial covenant in the credit agreement by and among Caesars Resort Collection, LLC and the lenders thereunder (the “CRC Credit Agreement”). Furthermore, the Company obtained waivers from VICI in relation to annual capital expenditure requirements during the period from June 1, 2020 until December 31, 2020.

BALLY'S PARK PLACE LLC (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The extent of the ongoing and future effects of the COVID-19 public health emergency on the Company's business and the casino resort industry generally is uncertain, but the Company expects that it will continue to have a significant impact on its business, results of operations and financial condition. The extent and duration of the impact of COVID-19 will ultimately depend on future developments, including but not limited to, the duration and severity of the outbreak, restrictions on operations imposed by governmental authorities, the potential for authorities reimposing stay at home orders or additional restrictions in response to continued developments with the COVID-19 public health emergency, the Company's ability to adapt to evolving operating procedures, the impact on consumer demand and discretionary spending, the length of time it takes for demand to return and the Company's ability to adjust its cost structures for the duration of the outbreak's effect on its operations.

As per New Jersey Governor Phil Murphy's approval, we reopened our doors on July 2, 2020 at a maximum capacity of 25% on the casino floor. Health screenings which include temperature checks and answering questions about potential contact with COVID-19 are required for all employees upon entering the building. Health screenings include answering questions about potential contact with Covid-19 are required for customers entering the building. Hand Sanitizer stations are also installed throughout all of our properties. Per Governor Murphy's mandate, food and beverage offerings are limited to take-out or outdoor dining a maximum capacity of 25%.

VICI Regional Lease Agreement/Exercise Call Right Option

VICI exercised its call right option to purchase Harrah's Atlantic City, including the Waterfront Conference Center, Harrah's New Orleans and Harrah's Laughlin. As a result of this transaction, the Company reentered into a new agreement with VICI, now referred to as the Regional Lease. The Regional Lease payments are allocated to the properties based upon EBITDA contribution. See note 8 for a revised lease payment schedule.

Sports Book Operation

Effective September 10, 2020, Sportsbook operation at Harrah's Atlantic City is operated by William Hill. Sportsbook revenues for brick and mortar operations will not be shown in gaming revenues. Profit share will be recorded on the Statement of Income.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Companies financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

Principles of Consolidation - The accompanying consolidated financial statement schedules include the account balances of the Company and its wholly owned subsidiaries. As a result, all material intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value.

Receivables - The Company issues credit to approved casino customers following investigations of creditworthiness. Business or economic conditions or other significant events could affect the collectability of these receivables. Accounts receivable are typically noninterest bearing and are initially recorded at cost.

Marker play represents a portion of the Company's overall games volume. The Company maintains strict controls over the issuance of markers and aggressively pursue collection from those customers who fail to pay their marker balances timely. These collection efforts include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the

BALLY’S PARK PLACE LLC (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

United States. Markers are not legally enforceable instruments in some foreign countries, but the United States’ assets of foreign customers may be reached to satisfy judgments entered in the United States. The Company considers the likelihood and difficulty of enforceability, among other factors, when the Company issues credit to customers who are not residents of the United States.

Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. The Company reserves an estimated amount for gaming receivables that may not be collected to reduce the Company’s receivables to their net carrying amount. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for allowance for doubtful accounts.

Inventories - Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or market value.

Long-Lived Assets - Additions to property and equipment are stated at cost. The Companies capitalize the costs of improvements that extend the life of the asset. The Companies expense maintenance and repair costs as incurred. Gains or losses on the disposition of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete, or construction activity is suspended for more than a brief period of time.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the related lease as follows:

Useful Lives

| | |
|-------------------------------------|-----------------|
| Land improvements | 12 years |
| Buildings | 5 to 40 years |
| Building and leasehold improvements | 3 to 30 years |
| Furniture, fixtures, and equipment | 2.5 to 12 years |

Sale of Bally’s Atlantic City – On April 24th, 2020, Caesars Entertainment Corporation and VICI Properties announced the sale of Bally's Atlantic City to Twin River Worldwide Holdings Inc. Following the sale, Caesars Atlantic City will operate Wild Wild West Casino. This transaction is subject to regulatory approvals and other closing conditions. In association with this sale, we recorded an impairment charge to buildings within Property and equipment, net in the amount of \$33,000 during the nine months ended September 30, 2020 as the carrying value was higher than the fair value.

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database decreasing due to the merger with a gross carrying value of \$1,700 and \$7,000 as of September 30, 2020 and 2019, respectively, with accumulated amortization of \$0 and \$933 as of September 30, 2020 and 2019, respectively. The customer database was determined to have a 7-year life based upon attrition rates and computations of incremental value derived from existing relationships.

Adoption of New Revenue Recognition Standard - In May 2014, the FASB issued a new standard related to revenue recognition, Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, and all related amendments. We adopted the standard effective January 1, 2018, using the full retrospective method, which requires the Company to recast each prior reporting period presented consistent with the new standard.

Caesars Rewards, formally known as Total Rewards, affects revenue from our four core businesses: casino entertainment, food and beverage, rooms and hotel, and other business operations. Previously, the Company accrued a liability based on the estimated cost of fulfilling the redemption of Reward Credits, after consideration of estimated

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forfeitures (referred to as "breakage"), based upon the cost of historical redemptions. Upon adoption of the new accounting standard, Reward Credits are no longer recorded at cost, and a deferred revenue model is used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This results in a portion of casino revenues being recorded as deferred revenue as Reward Credits are earned. Revenue is recognized in a future period based on when and for what good or service the Reward Credits are redeemed (e.g., a hotel room).

Additionally, we previously recorded promotional allowances in a separate line item within net revenues. As part of adopting the new standard, promotional allowances are no longer presented separately. Alternatively, revenue is recognized based on relative standalone selling prices for transactions with more than one performance obligation. For example, when a casino customer is given a complimentary room, we are required to allocate a portion of the casino revenues earned from the customer to rooms revenues based on the standalone selling price of the room. As a result of this change, we are reporting substantially lower casino revenues; however, there is no material effect on total net revenues.

Casino Revenues - Casino revenues include revenues generated by our casino operations and casino related activities such as poker, sports wagering, and tournaments, less sales incentives and other adjustments. Casino revenues are measured by the aggregate net difference between gaming wins and losses. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. We accrue the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction to casino revenues. Funds deposited by customers in advance along with chips and slot vouchers in a customer's possession are recognized as a liability until such amounts are redeemed or used in gaming play by the customer.

Non-Gaming Revenues - Rooms revenue, food and beverage revenue, and entertainment and other revenue include: (i) the actual amounts paid for such services (less any amounts allocated to unperformed performance obligations, such as Reward Credits described below); (ii) the value of Reward Credits redeemed for such services; and (iii) the portion of the transaction price allocated to complimentary goods or services provided in conjunction with other revenue-generating activities. Rooms revenue is generally recognized over the course of the customer's reservation period. Food and beverage and entertainment and other revenues are recognized when services are performed, or events are held. Amounts paid in advance, such as advance deposits on rooms and advance ticket sales, are recorded as a liability until the goods or services are provided to the customer.

Other Revenue - Other revenue primarily includes revenue from third-party real estate leasing arrangements at our casino properties. Rental income is recognized ratably over the lease term with contingent rental income being recognized when the right to receive such rental income is established according to the lease agreements.

Caesars Rewards Loyalty Program - Caesars' customer loyalty program, Caesars Rewards, grants Reward Credits to Total Rewards Members based on on-property spending, including gaming, hotel, dining, and retail shopping at all Caesars-affiliated properties. Members may redeem Reward Credits for complimentary or discounted goods and services such as rooms, food and beverages, merchandise, entertainment, and travel accommodations. Members are able to accumulate Reward Credits over time that they may redeem at their discretion under the terms of the program. A member's Reward Credit balance is forfeited if the member does not earn a Reward Credit for a continuous six-month period.

Because of the significance of the Caesars Rewards program and the ability for customers to accumulate Reward Credits based on their past play, we have determined that Reward Credits granted in conjunction with other earning activity represent a performance obligation. As a result, for transactions in which Reward Credits are earned, we allocate a portion of the transaction price to the Reward Credits that are earned based upon the relative standalone selling prices ("SSP") of the goods and services involved. When the activity underlying the "earning" of the Reward Credits has a wide range of selling prices and is highly variable, such as in the case of gaming activities, we use the residual approach in this allocation by computing the value of the Reward Credits as described below and allocating the residual amount to the gaming activity. This allocation results in a significant portion of the transaction price being deferred and presented as a Contract Liability on our accompanying Balance Sheets. Any amounts allocated to the Contract Liabilities are recognized as revenue when the Reward Credits are redeemed in accordance with the specific recognition policy of the activity for which the credits are redeemed. This balance is further described below under

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Contract Liabilities.

Our Caesars Rewards loyalty program includes various tiers that offer different benefits, and members are able to earn credits towards tier status, which generally enables them to receive discounts similar to those provided as complimentary described below. We have determined that any such discounts received as a result of tier status do not represent material rights, and therefore, we do not account for them as distinct performance obligations.

We have determined the SSP of a Reward Credit by computing the redemption value of credits expected to be redeemed. Because Reward Credits are not otherwise independently sold, we analyzed all Reward Credit redemption activity over the preceding calendar year and determined the redemption value based on the fair market value of the goods and services for which the Reward Credits were redeemed. We have applied the practical expedient under the portfolio approach to our Reward Credit transactions because of the similarity of gaming and other transactions and the homogeneity of Reward Credits.

As part of determining the SSP for Reward Credits, we also determined that there is generally an amount of Reward Credits that are not redeemed, which is considered "breakage." We recognize the expected breakage proportionally with the pattern of revenue recognized related to the redemption of Reward Credits. We periodically reassess our customer behaviors and revise our expectations as deemed necessary on a prospective basis.

In addition to reward credits, the Company's customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the costs of NNRR points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying statements of income. On September 30, 2020 and 2019, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$384 and \$524, respectively.

Complimentaries - As part of our normal business operations, we often provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Such complimentary are provided in conjunction with other revenue earning activities and are generally provided to encourage additional customer spending on those activities. Accordingly, we allocate a portion of the transaction price we receive from such customers to the complimentary goods and services. We perform this allocation based on the SSP of the underlying goods and services, which is determined based upon the weighted-average cash sales prices received for similar services at similar points during the year.

Gaming Tax — The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the nine months ended September 30, 2020 and 2019, which are included in casino expenses in the accompanying statements of income, were \$5,670 and \$10,931, respectively.

City of Atlantic City Real Property Tax and Interim Payment in Lieu of Taxes (PILOT) Financial Management – Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City to make quarterly payments in lieu of real estate taxes. The Company is responsible for the payments based on its share as referenced in the agreement and will be subject to lien provisions if the payments are not made. The Company's expense was \$4,954 and \$4,930 for the nine months ended September 30, 2020 and 2019, respectively. In addition, the AC industry is required to provide \$5,000 from 2019 thru 2023 to a Separate State Fund for Atlantic City fiscal relief. The Company expensed \$241 and \$252 for the nine months ending September 30, 2020 and 2019, respectively.

Preliminary Purchase Price Allocation

The fair values are based on management's analysis including preliminary work performed by third party valuation specialists, which are subject to finalization over the one-year measurement period. The purchase price accounting is preliminary as it relates to determining the fair value of certain assets and liabilities, including goodwill, and is

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subject to change. The following table summarizes the preliminary allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed, with the excess recorded as goodwill as of September 30, 2020:

The following table summarizes the Company’s identifiable assets acquired and liabilities assumed as of the Merger date.

| | | |
|---------------------------------------|-----------|---------------|
| Prepayments and Other Current Assets | \$ | 22,632 |
| Property and Equipment | | 51,947 |
| Goodwill | | 5,209 |
| Intangible Assets Other Than Goodwill | | 6,600 |
| Other Noncurrent Assets | | 9,788 |
| Total assets | <u>\$</u> | <u>96,176</u> |
| | | |
| Current liabilities | \$ | 17,213 |
| Financing Lease obligation | | 32,126 |
| Deferred Credits & Other Liabilities | | 434 |
| Total liabilities | | <u>49,774</u> |
| Net Assets Acquired | <u>\$</u> | <u>46,402</u> |

Internet Gaming - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Bally’s Park Place, Inc. was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC. Effective November 20, 2014 the Company does not have an internet gaming permit.

Sports Wagering - On June 11, 2018, the New Jersey Governor signed the NJ Sports Betting Bill. On July 30, 2018, the Company opened its retail sports betting area at the property.

Seasonal factors - The Company’s operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2020 are not necessarily indicative of the results of operations for the full year.

Omission of Disclosures - In accordance with the Financial Reporting guidelines provided by the Division of Gaming Enforcement, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, certain Income Tax disclosures have been omitted.

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NOTE 3 – RELATED PARTY TRANSACTIONS

The Company participates with CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis. The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt.

Cash Activity with CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to its respective parent on a daily basis. Cash transfers from the Company's parent are also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. No interest is charged on transfers made to or from the Company.

Administrative and Other Services - Pursuant to a shared services agreement, Caesars Enterprise Services ("CES") provides certain corporate and administrative services provided by corporate personnel. In addition, there are costs allocated to the property for workers compensation, general liability, and property insurance. The Company was charged \$9,215 and \$13,440 for these services for the nine months ended September 30, 2020 and 2019 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Equitization of Intercompany Balances - During June 2013, the Company elected to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. Offset to this was Additional Paid in Capital. This is separately shown on the Statement of Changes in Stockholder's Equity.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--|----------------|----------------|
| Casino Receivable (Net of allowance for doubtful accounts \$1,925 in 2020 and \$2,903 in 2019) | \$756 | \$2,360 |
| Other (Net of allowance for doubtful accounts of \$146 in 2020 and \$237 in 2019) | 2,030 | 2,007 |
| Current Portion of Notes Receivable | 423 | 411 |
| | <u>\$3,209</u> | <u>\$4,778</u> |

NOTE 5- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------|----------------|
| Prepaid Real Estate Taxes | \$1,632 | \$565 |
| Prepaid Gaming License Fees | 9 | 9 |
| Refundable Deposits | 222 | 760 |
| Prepaid Utilities | 570 | 585 |
| Other | 171 | 258 |
| | <u>\$2,604</u> | <u>\$2,177</u> |

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NOTE 6 - INVESTMENTS, ADVANCE, AND RECEIVABLES

Investments, advances, and receivables as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| Casino Reinvestment Development Authority Investment obligations (net of valuation reserves) | \$2,531 | \$8,612 |
| Other | <u>1</u> | <u>160</u> |
| | <u>\$2,532</u> | <u>\$8,772</u> |

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-----------------|-----------------|
| Land | \$3,404 | \$11,710 |
| Buildings and Improvements | 28,067 | 58,686 |
| Furniture, Fixtures and Equipment | 22,734 | 19,333 |
| Construction in progress | <u>296</u> | <u>11,506</u> |
| | \$54,501 | \$101,235 |
| Less accumulated depreciation | <u>(781)</u> | <u>(18,108)</u> |
| | <u>\$53,720</u> | <u>\$83,127</u> |

Our property and equipment is subject to various operating leases for which we are the lessor. We lease our property and equipment related to our hotel rooms and retail space through various short-term and long-term operating leases. See Note 8 for further discussion of our leases.

NOTE 8 –LEASES

Adoption of New Lease Accounting Standard - In February 2016, the FASB issued a new standard related to leases, ASU 2016-02, Leases (Topic 842) (“ASC 842”). We adopted the standard effective January 1, 2019, using the retrospective approach applied as of the beginning of the period of adoption. The Company elected to utilize the transition guidance within the new standard that permits us to (i) continue to report under legacy lease accounting guidance for comparative periods consistent with previously issued financial statements; and (ii) carryforward our prior conclusions about lease identification, lease classification, and initial direct costs. The most significant effects of adopting the new standard relate to the recognition of right-of-use (“ROU”) assets and liabilities for leases classified as operating leases when the Company is the lessee in the arrangement. Adopting the new standard did not affect our accounting related to leases when the Company is the lessor in the arrangement.

We assess whether an arrangement is or contains a lease at the inception of the agreement. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using our incremental borrowing rate, which is consistent with interest rates of similar financing arrangements based on the information available at the commencement date. The ROU assets were also adjusted to include any prepaid lease payments and reduced by any previously accrued lease liabilities. The terms of our leases used to determine the ROU asset and lease liability take into account options to extend when it is reasonably certain that we will exercise those options. Lease expense is recognized on a straight-line basis over the

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lease term. Additionally, we have elected the short-term lease measurement and recognition exemption and do not establish ROU assets or lease liabilities for operating leases with terms of 12 months or less.

Lessee Arrangements

Operating Leases - The Company lease both real estate and equipment used in their operations and classify those leases as operating leases, for accounting purposes. Rent expense is associated with operating leases and is charged to expense in the year incurred. In addition to the minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

The following are additional details related to leases recorded on our Balance Sheet as of September 30, 2020:

| | Balance Sheet Classification | September 30, 2020 |
|---|--|---------------------------|
| Assets | | |
| Operating lease ROU assets | Deferred charges and other assets | \$ 92 |
| Liabilities | | |
| Current operating lease liabilities | Accrued expenses and other current liabilities | 73 |
| Non-current operating lease liabilities | Deferred credits and other liabilities | 19 |

Lease Costs

| | Nine Months Ended September 30, 2020 |
|--------------------------|---|
| Operating lease expense | \$ 70 |
| Short-term lease expense | 1,243 |
| Variable lease expense | 32 |
| Total lease costs | <u>\$ 1,345</u> |

VICI Regional Lease Agreement - The Lease Agreement was evaluated as sale-leaseback of real estate. We determined that this transaction did not qualify for sale-leaseback accounting, and we have accounted for the transaction as a financing. For the failed sale-leaseback transaction, we continue to reflect the real estate assets on our Balance Sheets in Property and equipment, net as if we were the legal owner, and we continue to recognize depreciation expense over their estimated useful lives. We do not recognize rent expense related to the Lease Agreement, but we have recorded a liability for the failed sale-leaseback obligations and the majority of the periodic lease payments are recognized as interest expense. In the initial periods, the majority of the cash payments are less than the interest expense recognized in the Statements of Income, which causes the related failed sale-leaseback financing obligations to increase during the initial periods of the lease term.

VICI Regional Lease Agreement/Exercise Call Right Option - After the merger, there were sale-leaseback transactions for Harrah's Atlantic City, Harrah's New Orleans, and Harrah's Laughlin. In these transactions, we received cash proceeds for the sale and agreed to pay additional rent payments under the Regional Lease (renamed from Non-CPLV). As part of purchase accounting, we determined that the cash proceeds received from the sale of

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the three properties were significantly higher than the fair value of the properties. We viewed the transaction as a refinancing of the debt for all properties under the Regional Lease (i.e. combined contract basis) as opposed to treating the new sale-leaseback transactions as separate contracts. The company accounted for this on a combined contract basis and the amended rent amount has been reallocated to the properties based on future EBITDAR projections. The deferred finance obligation (i.e. cash proceeds) were allocated to all properties under the Regional Lease using a true-up calculation. This increase in the deferred financing obligation changed intercompany activity as an offset. These transactions changed the term from 15 years to 35 years.

Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements

| | |
|--|------------|
| 2020 | 910 |
| 2021 | 3,639 |
| 2022 | 3,639 |
| 2023 | 3,639 |
| 2024 | 3,639 |
| Thereafter | 111,295 |
| Total Financing obligation payments ⁽¹⁾ | \$ 126,761 |

- (1) Financing obligation principal and interest payments are estimated amounts based on the future minimum lease payments and certain estimates based on contingent rental payments. Actual payments may differ from the estimates.

Lessor Arrangements

Lodging Arrangements - Lodging arrangements are considered short-term and generally consist of lease and nonlease components. The lease component is the predominant component of the arrangement and consists of the fees charged for lodging. The nonlease components primarily consist of resort fees and other miscellaneous items. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. During the nine months ended September 30, 2020, we recognized approximately \$19,345 in lease revenue related to lodging arrangements, which is included in Rooms revenue in the Statement of Operations.

Real Estate Operating Leases - We entered into long-term real estate leasing arrangements with third-party lessees at our properties. As of September 30, 2020, the remaining terms of these operating leases ranged from 1 to 14 years, some of which include options to extend the lease term for up to 5 years. In addition to minimum rental commitments, certain of our operating leases provide for contingent payments including contingent rentals based on a percentage of revenues in excess of specified amounts and reimbursements for common area maintenance and utilities charges. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. In addition, to maintain the value of our leased assets, certain leases include

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Maturity of Lease Receivables as of September 30, 2020

| | Operating Leases |
|------------|-------------------------|
| 2020 | 305 |
| 2021 | 210 |
| 2022 | 150 |
| 2023 | 150 |
| Thereafter | 115 |
| Total | \$ 930 |

NOTE 9- OTHER ASSETS

Other assets as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Customer Database (less accumulated amortization of \$0 in 2020 and \$933 in 2019) | \$1,700 | \$6,067 |
| Notes Receivable-Net of current portion | 6,621 | 7,044 |
| Non-Amortized – Other Trademarks | 4,900 | 0 |
| Goodwill | 5,209 | 0 |
| Other | 371 | 635 |
| | \$18,801 | \$13,746 |

NOTE 10- OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------|-------------|
| Accrued Sales Tax | \$723 | \$757 |
| Accrued Gaming Tax | 289 | 305 |
| Accrued DGE License Fees | 719 | 635 |
| Accrue Utilities | 1,680 | 1,403 |
| Accrue Payroll | 4,554 | 4,363 |
| Other | 2,152 | 4,808 |
| | \$10,117 | \$12,271 |

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NOTE 11 - OTHER LIABILITIES

As of September 30, Other Liabilities were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------|-----------------|
| Financial Lease Obligation (see Note 8) | \$32,983 | \$67,079 |
| Other Long-Term Contract Liabilities | <u>756</u> | <u>109</u> |
| | <u>\$33,739</u> | <u>\$67,188</u> |

NOTE 12- REVENUE RECOGNITION

Disaggregation of Revenue

| | Nine Months Ended September 30, 2020 |
|----------------------------------|---|
| Casino | \$ 42,817 |
| Food and beverage ⁽¹⁾ | 13,696 |
| Rooms ⁽¹⁾ | 19,345 |
| Entertainment and other | <u>4,266</u> |
| Total contract revenues | 80,124 |
| Real estate leases | <u>231</u> |
| Net revenues | <u>\$ 80,355</u> |

⁽¹⁾ As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions are no longer considered contract revenue under ASC 606, Revenue from Contracts with Customers. A portion of these balances relate to the lease revenues under ASC 842. See Note 8 for further details.

Receivables

| | Nine Months Ended September 30, 2020 |
|--|---|
| Casino | \$ 844 |
| Food and beverage and rooms ⁽¹⁾ | 1,826 |
| Entertainment and other | <u>0</u> |
| Contract receivables, net | 2,670 |
| Real estate leases | <u>0</u> |
| Other | <u>539</u> |
| Receivables, net | <u>\$ 3,209</u> |

⁽¹⁾ As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions as well as their associated receivables are no longer considered contract revenue or contract receivables under ASC 606, Revenue from Contracts with Customers. A portion of these balance relates to lease receivables under ASC 842. See Note 8 for further details.

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NOTE 13 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company previously satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA were used to purchase bonds designated by the CRDA or, under certain circumstances, used to donate to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate. Effective May 27, 2016 the CRDA investment obligation of 1.25% of gross gaming revenues was redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation was reduced by previously contractually obligated Credit Agreements committed by the Authority.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$59 and \$332 for the nine months ended September 30, 2020 and 2019, respectively, and is included in CRDA Income (Expense), in the statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the nine months ended September 30, 2020 and 2019 was \$60 and \$26, respectively, and is included in CRDA Expense in the consolidated statements of operations.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its effect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative creditworthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

There was a writeoff of the CRDA bonds September 30, 2020 as a result of a risk analysis with corporate. Such analysis was performed at September 30, 2020, resulting in an increase or write off to the CRDA bonds totaling \$6,022.

NOTE 14 – ATLANTIC CITY CONFERENCE CENTER

Atlantic City Conference Center - In June 2013, Caesars established, AC Conference NewCo, LLC (“NewCo”) to construct and operate a new conference center (the "Project") adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of \$45,000 (the "Project Grant") wherein the CRDA will provide Caesars cash to help fund the construction of the Project. Under the Project Grant, Caesars is obligated to contribute to the CRDA the following:

- \$46,200 of Atlantic City Economic Development Investment Alternative Tax Obligation balances (“Existing Credits”), of which \$1,200 represents a 2.75% administrative fee,
- \$9,500 of CRDA Credits that the CRDA will use towards the construction of the CRDA’s marketplace-style retail development project (the "Donation Credits"), and

BALLY'S PARK PLACE LLC (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

- Land parcels with an appraised value of \$7,300 on which the CRDA's Marketplace Project will be developed (the Marketplace Parcels).

In 2016, \$1,490 of the Project Grant fund referred to above was reallocated to fund a Harrah's Non-Gaming amenity project.

In return for the above, the CRDA deposited \$45,000 (less \$1,490) into a Project Fund from which Caesars drew on a pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of September 30, 2020, Caesars has been fully reimbursed from the Project Fund.

In December 2018, the CRDA terminated the Marketplace Project. The CRDA returned the land parcels contributed by the Caesars' properties in accordance with the terms of the Project Grant.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation - The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

NOTE 16 – SUBSEQUENT EVENTS

Sale of Bally's Brand - Twin River purchased the Bally's Brand name for \$20M and will change its ticker on the New York Stock Exchange to BALY effective November 9, 2020.

Governor's Order - Effective November 12, 2020 at 10PM, further restrictions have been placed on food and beverage operations. The Order prohibits the consumption of food and beverages in restaurants, bars, lounges, and casino floor from 10PM to 5AM daily.

Sportsbook Wagering - On November 4, 2020, the Division of Gaming approved a Sportsbook Wagering License for Boardwalk Regency, LLC. The Sportsbook Wagering License was required as a result of the Wild West casino integration to Caesars Atlantic City in anticipation of the pending sale of Bally's Atlantic City.