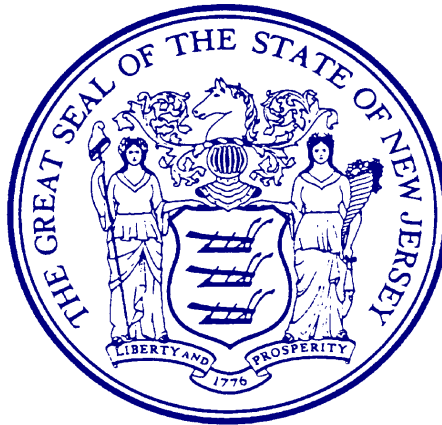


Bally's Park Place LLC (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2019

**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 JUNE 30, 2019 AND 2018

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$14,819	\$14,351
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, \$3,358; 2018, \$3,288).....	2, 4, 12	6,029	6,238
4	Inventories	2	631	774
5	Other Current Assets.....	5	3,609	3,131
6	Total Current Assets.....		25,088	24,494
7	Investments, Advances, and Receivables.....	6	8,917	9,586
8	Property and Equipment - Gross.....	2,7	97,791	84,696
9	Less: Accumulated Depreciation and Amortization.....	2,7	(16,698)	(9,580)
10	Property and Equipment - Net.....	2,7	81,093	75,116
11	Other Assets.....	8, 9	14,013	14,704
12	Total Assets.....		\$129,111	\$123,900
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,208	\$5,369
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	13,198	12,043
19	Other Current Liabilities.....	8	1,668	2,250
20	Total Current Liabilities.....		23,074	19,662
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....	11	66,871	65,574
25	Commitments and Contingencies.....	13	0	0
26	Total Liabilities.....		89,945	85,236
27	Stockholders', Partners', or Proprietor's Equity.....		39,166	38,664
28	Total Liabilities and Equity.....		\$129,111	\$123,900

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....		\$52,866	\$60,097
2	Rooms.....		19,787	18,670
3	Food and Beverage.....		22,108	22,717
4	Other.....		4,649	4,908
5	Net Revenue.....	12	99,410	106,392
	Costs and Expenses:			
6	Casino.....		35,120	35,824
7	Rooms, Food and Beverage.....		22,802	22,806
8	General, Administrative and Other.....		29,291	29,771
9	Total Costs and Expenses.....		87,213	88,401
10	Gross Operating Profit.....		12,197	17,991
11	Depreciation and Amortization.....	2	3,070	6,690
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	2	8,590	8,774
14	Income (Loss) from Operations.....		537	2,527
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		(4,677)	0
16	Interest Expense - External.....		(972)	(6,143)
17	CRDA Related Income (Expense) - Net.....	14	172	(248)
18	Nonoperating Income (Expense) - Net.....	1, 13	91	160
19	Total Other Income (Expenses).....		(5,386)	(6,231)
20	Income (Loss) Before Taxes		(4,849)	(3,704)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$4,849)	(\$3,704)

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 JUNE 30, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....		\$28,831	\$31,723
2	Rooms.....		11,052	10,729
3	Food and Beverage.....		12,101	12,165
4	Other.....		2,530	2,689
5	Net Revenue.....	12	54,514	57,306
	Costs and Expenses:			
6	Casino.....		17,949	18,346
7	Rooms, Food and Beverage.....		12,354	12,265
8	General, Administrative and Other.....		14,848	14,916
9	Total Costs and Expenses.....		45,151	45,527
10	Gross Operating Profit.....		9,363	11,779
11	Depreciation and Amortization.....	2	1,601	3,237
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	2	4,149	4,456
14	Income (Loss) from Operations.....		3,613	4,086
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		(2,902)	0
16	Interest Expense - External.....		(9)	(3,096)
17	CRDA Related Income (Expense) - Net.....	13	92	(115)
18	Nonoperating Income (Expense) - Net.....	1	157	113
19	Total Other Income (Expenses).....		(2,662)	(3,098)
20	Income (Loss) Before Taxes		951	988
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$951	\$988

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 CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND SIX MONTHS ENDED JUNE 30, 2019

(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, 2017.....		100	\$1	0	\$0	\$808,295		(\$763,402)	\$44,894
2	Net Income (Loss) - 2017.....								(2,050)	(2,050)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany						(5,413)			(5,413)
7	Adj. prior year-Rev. Recognition							516		516
8	Reclassification of Equity						(759,107)	759,107		0
9										0
10	Balance, December 31, 2018.....		100	1	0	0	43,775	0	(5,829)	37,947
11	Net Income (Loss) - 2019.....								(4,849)	(4,849)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						6,068			6,068
16										0
17										0
18										0
19	Balance, June 30, 2019		100	\$1	0	\$0	\$49,843	\$0	(\$10,678)	\$39,166

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$855)	\$4,032
	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.....		(7,576)	(2,725)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(258)	(286)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		434	440
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(7,400)	(2,571)
	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		6,725	(2,818)
22	ASC606 adjustment to 2017 net income			
23	Net Cash Provided (Used) By Financing Activities.....		6,725	(2,818)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,530)	(1,357)
25	Cash and Cash Equivalents at Beginning of Period.....		16,349	15,708
26	Cash and Cash Equivalents at End of Period.....		\$14,819	\$14,351

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$4,283	\$6,136 *
28	Income Taxes.....		\$0	\$0

* Prior year balances have been modified and restated to conform with current year presentation.

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$4,849)	(\$3,704)
30	Depreciation and Amortization of Property and Equipment...		2,837	6,457
31	Amortization of Other Assets.....		233	233
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.....		333	2
36	(Gain) Loss on CRDA-Related Obligations.....		(172)	248
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(551)	680
39	(Increase) Decrease in Inventories		(52)	(146)
40	(Increase) Decrease in Other Current Assets.....		(1,532)	(1,113)
41	(Increase) Decrease in Other Assets.....		(313)	(128)
42	Increase (Decrease) in Accounts Payable.....		(247)	(1,237)
43	Increase (Decrease) in Other Current Liabilities		2,821	1,603
44	Increase (Decrease) in Other Liabilities		637	1,137
45	Non-Cash Reorganization Loss / (Gain)			
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$855)	\$4,032

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$7,576)	(\$2,725)
49	Less: Capital Lease Obligations Incurred.....			0
50	Cash Outflows for Property and Equipment.....		(\$7,576)	(\$2,725)
	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 SIX MONTHS ENDED JUNE 30, 2019 Amended 3/08/2021
(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	194,624	\$9,106		
2	Food	213,254	4,187		
3	Beverage	3,612,319	7,225		
4	Travel	0	0	27,341	1,875
5	Bus Program Cash	6,681	67		
6	Promotional Gaming Credits	63,097	9,362		
7	Complimentary Cash Gifts	40,355	2,275		
8	Entertainment	0	0	1,506	188
9	Retail & Non-Cash Gifts	24,842	497	11,854	1,185
10	Parking	0	0	209,471	628
11	Other	144,572	723	9,090	227
12	Total	4,299,744	\$33,442	259,262	\$4,104

FOR THE THREE MONTHS ENDED JUNE 30, 2019

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	101,762	\$4,905	0	\$0
2	Food	103,123	2,071	0	0
3	Beverage	1,869,629	3,740	0	0
4	Travel	0	0	16,466	1,111
5	Bus Program Cash	5,178	52	0	0
6	Promotional Gaming Credits	39,383	4,749	0	0
7	Complimentary Cash Gifts	20,402	1,061	0	0
8	Entertainment	0	0	655	82
9	Retail & Non-Cash Gifts	11,882	238	6,498	650
10	Parking	0	0	108,629	326
11	Other	75,160	376	4,382	110
12	Total	2,226,519	\$17,192	136,630	\$2,278

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

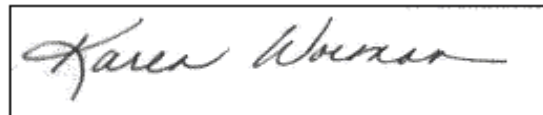
**Bally's Park Place LLC (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2019

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.

8/15/2019

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

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”), a wholly owned subsidiary of CEOC LLC. CEOC LLC is a majority owned subsidiary of Caesars Entertainment Corporation (“CEC”). 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.

Proposed Merger of Caesars Entertainment Corporation with Eldorado Resorts, Inc.

On June 24, 2019, Caesars, Eldorado Resorts, Inc., a Nevada corporation (“Eldorado”), and Colt Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Eldorado (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Caesars (the “Merger”), with Caesars surviving the Merger as a direct wholly owned subsidiary of Eldorado. The transaction is expected to close in the first half of 2020. In connection with the Merger, Eldorado will change its name to Caesars Entertainment, Inc., subject to stockholder approval.

The Merger Agreement contains customary representations and warranties by each of Caesars and Eldorado, and each party has agreed to customary covenants. Each of Eldorado’s and Caesars’ obligation to consummate the Merger is subject to the satisfaction or waiver of certain conditions, including among others, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of required regulatory and stockholder approvals, conversion or certain amendments of, or another mutually agreed arrangement with respect to, Caesars’ 5.00% convertible senior notes maturing in 2024 (the “CEC Convertible Notes”), and other customary closing conditions.

The Merger Agreement also contains termination rights for each of Caesars and Eldorado under certain circumstances. If the Merger Agreement is terminated under certain circumstances, each of Caesars and Eldorado may be required to pay a termination fee as set forth in the Merger Agreement.

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.

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

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 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

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

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

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database with a gross carrying value of \$7,000 with accumulated amortization of \$817 as of June 30, 2019. The customer database was determined to have a 15 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 entertainment 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 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

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

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 (see Contract Liabilities below).

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 Contract Liabilities.

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

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. At June 30, 2019 and 2018, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$544 and \$448, 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 six months ended June 30, 2019 and 2018, which are included in casino expenses in the accompanying statements of income, were \$6,845 and \$7,326, respectively.

Advertising Expenses — Advertising costs are expensed as incurred. Advertising expenses are \$283 and \$223 for the six months ended June 30, 2019 and 2018, respectively. Advertising expenses are included in general, administrative and other expenses in the statements of income.

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

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 \$3,288 and \$3,298 for the six months ended June 30, 2019 and 2018, respectively.

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 Jun 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 six months ended June 30 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, the following disclosures have been omitted: Employee Benefits and certain Income Tax disclosures.

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 cost included for workers compensation, general liability and property insurance. The Company was charged \$8,590 and \$8,774 for these services for the six months ended June 30, 2019 and 2018 respectively. The fee is included in charges from affiliates in

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

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 June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Casino Receivable (Net of allowance for doubtful accounts \$3,164 in 2019 and \$3,139 in 2018)	\$2,065	\$2,637
Other (Net of allowance for doubtful accounts of \$194 in 2019 and \$149 in 2018)	3,556	3,205
Current Portion of Notes Receivable	408	396
	<u>\$6,029</u>	<u>\$6,238</u>

NOTE 5- OTHER CURRENT ASSETS

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

	<u>2019</u>	<u>2018</u>
Prepaid Real Estate Taxes	565	501
Prepaid Gaming License Fees	952	874
Refundable Deposits	799	540
Prepaid Utilities	876	883
Other	417	333
	<u>\$3,609</u>	<u>\$3,131</u>

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

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>2019</u>	<u>2018</u>
Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$11,688 in 2019 and \$12,318 in 2018)	\$8,704	\$9,167
Other	213	419
	<u>\$8,917</u>	<u>\$9,586</u>

NOTE 7- LAND, BUILDING AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$11,710	\$11,710
Buildings and Improvements	58,160	57,443
Furniture, Fixtures and Equipment	17,031	14,492
Construction in progress	10,890	1,051
	<u>\$97,791</u>	<u>\$84,696</u>
Less accumulated depreciation	<u>(16,698)</u>	<u>(9,580)</u>
	<u>\$81,093</u>	<u>\$75,116</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, convention space 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

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

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 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 - We lease real estate and equipment used in our operations from third parties. As of June 30, 2019, the remaining term of our operating leases ranged from 1 to 4 years with various automatic extensions. In addition to minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

Effect of Adopting New Lease Standard – January 1, 2019 Balance Sheet

	<u>Prior to Adoption</u>	<u>Effect of Adoption</u>	<u>Post Adoption</u>
Other Assets ⁽¹⁾	14,248	225	14,473
Other current liabilities ⁽¹⁾	16,830	70	16,900
Other liabilities ⁽¹⁾	66,234	155	66,389

⁽¹⁾ *Operating Leases previously considered as off-balance sheet obligations are now recognized as operating lease liabilities with corresponding ROU assets.*

The following are additional details related to leases recorded on our Balance Sheet as of June 30, 2019:

	<u>Balance Sheet Classification</u>	<u>June 30, 2019</u>
Assets		
Operating Lease ROU assets	Deferred charges and other assets	\$ 189
Liabilities		
Current operating lease liabilities	Accrued expenses and other current liabilities	72
Non-current operating lease liabilities	Deferred credits and other liabilities	\$ 117

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

Maturity of Lease Liabilities as of June 30, 2019

	<u>Operating Leases</u>
Remaining 2019	41
2020	82
2021	82
2022	-
2023	-
Thereafter	-
Total	<u>205</u>
Less: present value discount	<u>(16)</u>
Lease liability	<u><u>189</u></u>

Lease Costs

	<u>Six Months Ended June 30, 2019</u>
Operating lease expense	41
Short-term lease expense	275
Variable lease expense	<u>33</u>
Total lease costs	<u><u>349</u></u>

Other Information

	<u>Six Months Ended June 30, 2019</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	41

Weighted-Average Details

	<u>June 30, 2019</u>
Weighted-average remaining lease term (in years)	2.75
Weighted-average discount rate	6.42%

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

Finance Leases - We have finance leases for certain equipment. As of June 30, 2019, our finance leases had remaining lease terms of up to 4 years, some of which include options to extend the lease terms in one year increments. Our finance lease ROU assets and liabilities were immaterial to our Financial Statements as of June 30, 2019.

Failed Sale-Leaseback Financing Obligations - We lease certain real property assets from VICI (“Lease Agreement”). The Lease Agreement provides for annual fixed rent (subject to escalation) of \$10,331 during the initial 15-year term, then rent consisting of both base rent and variable percentage rent elements, and have four five-year renewal options, subject to certain restrictions. The Lease Agreement includes escalation provisions beginning in year two of the initial term and continuing through the renewal terms. The Lease Agreement also includes provisions for contingent rental payments calculated, in part, based on increases or decreases of net revenue of the underlying lease properties, commencing in year eight of the initial term and continuing through the renewal terms.

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.

Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements as of June 30, 2019

2019	5,269
2020	10,670
2021	10,830
2022	11,011
2023	11,286
Thereafter	477,229
Total Financing obligation payments ⁽¹⁾	526,295

⁽¹⁾ Financing obligation principal and interest payments are estimated amounts based on the

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

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 six months ended June 30, 2019, we recognized approximately \$19,787 in lease revenue related to lodging arrangements, which is included in Rooms revenue in the Statement of Operations.

Real Estate Operating Leases - We enter into long-term real estate leasing arrangements with third-party lessees at our properties. As of June 30, 2019, the remaining terms of these operating leases ranged from 1 to 4 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 rentals based on a percentage of revenues in excess of specified amounts. In addition, to maintain the value of our leased assets, certain leases include specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

Maturity of Lease Receivables as of June 30, 2019

	<u>Operating Leases</u>
Remaining 2019	146
2020	155
2021	60
2022	-
2023	-
Thereafter	-
Total	361

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

NOTE 9- OTHER ASSETS

Other assets as of June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Customer Database (less accumulated amortization of \$817 in 2019 and \$350 in 2018)	\$6,183	\$6,650
Notes Receivable-Net of current portion	7,148	7,555
Other	682	499
	<u>\$14,013</u>	<u>\$14,704</u>

NOTE 10- OTHER ACCRUED EXPENSES

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

	<u>2019</u>	<u>2018</u>
Accrued Sales Tax	988	965
Accrued Gaming Tax	378	313
Accrued DGE License Fees	716	777
Accrue Utilities	1,544	1,511
Accrue Payroll	4,728	4,531
Other	4,844	3,946
	<u>\$13,198</u>	<u>\$12,043</u>

NOTE 11 - OTHER LIABILITIES

As of June 30, Other Liabilities were as follows:

	<u>2019</u>	<u>2018</u>
Financial Lease Obligation (see Note 8)	\$66,727	\$65,543
Deferred Tax Liability	0	0
Retirement and Other Employee benefit Plans	0	0
Other Long Term Contract Liabilities	144	31
	<u>\$66,871</u>	<u>\$65,574</u>

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

NOTE 12- REVENUE RECOGNITION

Disaggregation of Revenue

	<u>Six Months Ended June 30, 2019</u>
Casino	\$52,866
Food and beverage ⁽¹⁾	22,108
Rooms ⁽¹⁾	19,787
Entertainment and other	<u>4,503</u>
Total contract revenues	99,264
Real estate leases	<u>146</u>
Net revenues	<u>\$99,410</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

	<u>June 30, 2019</u>
Casino	\$1,784
Food and beverage and rooms ⁽¹⁾	2,935
Entertainment and other	<u>0</u>
Contract receivables, net	4,719
Real estate leases	0
Other	<u>1,310</u>
Receivables, net	<u>\$6,029</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.

NOTE 13 – LITIGATION, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

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

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

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 (\$172) and \$248 for the six months ended June 30, 2019 and 2018, respectively, and is included in CRDA 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 six months ended June 30, 2019 and 2018 was (\$11) and \$38, 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 credit-worthiness 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.

Atlantic City Alliance – Beginning with 2017, as part of the PILOT program agreement with the State of New Jersey, the AC industry is required to provide \$15,000 in 2017, \$10,000 in 2018 and \$5,000 from 2019 thru 2023 to a Separate State Fund for marketing initiatives aimed at growing tourism in Atlantic City. The company expensed \$188 and \$425 for the six months ending June 30, 2019 and 2018.

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:

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

- \$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
- 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 June 30, 2019, Caesars has been fully reimbursed from the Project Fund.

In 2019, 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.

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.