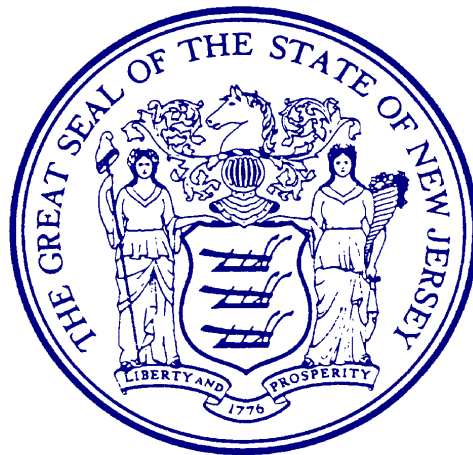


Bally's Park Place LLC (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 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 MARCH 31, 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	\$172	\$14,587
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$3,256; 2019, \$3,734).....	2, 4, 12	3,482	5,393
4	Inventories	2	909	685
5	Other Current Assets.....	5	1,826	3,291
6	Total Current Assets.....		6,389	23,956
7	Investments, Advances, and Receivables.....	6	8,578	9,489
8	Property and Equipment - Gross.....	2,7	69,012	90,259
9	Less: Accumulated Depreciation and Amortization.....	2,7	(22,442)	(15,250)
10	Property and Equipment - Net.....	2,7	46,570	75,009
11	Other Assets.....	8, 9	13,082	14,240
12	Total Assets.....		\$74,619	\$122,694
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,642	\$6,197
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	10	12,407	11,728
19	Other Current Liabilities.....	8	1,534	1,569
20	Total Current Liabilities.....		17,583	19,494
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....	11	67,825	66,563
25	Commitments and Contingencies.....	13	0	0
26	Total Liabilities.....		85,408	86,057
27	Stockholders', Partners', or Proprietor's Equity.....		(10,789)	36,637
28	Total Liabilities and Equity.....		\$74,619	\$122,694

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 MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$16,819	\$24,035
2	Rooms.....		6,358	8,735
3	Food and Beverage.....		8,141	10,007
4	Other.....		1,686	2,119
5	Net Revenue.....	12	33,004	44,896
	Costs and Expenses:			
6	Casino.....		15,929	17,171
7	Rooms, Food and Beverage.....		9,892	10,448
8	General, Administrative and Other.....		15,211	14,443
9	Total Costs and Expenses.....		41,032	42,062
10	Gross Operating Profit.....		(8,028)	2,834
11	Depreciation and Amortization.....	2	2,178	1,469
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	2	3,777	4,441
14	Income (Loss) from Operations.....		(13,983)	(3,076)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			*
16	Interest Expense - External.....		(2,950)	(2,738) *
17	CRDA Related Income (Expense) - Net.....	14	29	80
18	Nonoperating Income (Expense) - Net.....	1, 13	(32,915)	(66)
19	Total Other Income (Expenses).....		(35,836)	(2,724)
20	Income (Loss) Before Taxes		(49,819)	(5,800)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$49,819)	(\$5,800)

* 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 MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$16,819	\$24,035
2	Rooms.....		6,358	8,735
3	Food and Beverage.....		8,141	10,007
4	Other.....		1,686	2,119
5	Net Revenue.....	12	33,004	44,896
	Costs and Expenses:			
6	Casino.....		15,929	17,171
7	Rooms, Food and Beverage.....		9,892	10,448
8	General, Administrative and Other.....		15,211	14,443
9	Total Costs and Expenses.....		41,032	42,062
10	Gross Operating Profit.....		(8,028)	2,834
11	Depreciation and Amortization.....	2	2,178	1,469
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	2	3,777	4,441
14	Income (Loss) from Operations.....		(13,983)	(3,076)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			*
16	Interest Expense - External.....		(2,950)	(2,738) *
17	CRDA Related Income (Expense) - Net.....	13	29	80
18	Nonoperating Income (Expense) - Net.....	1	(32,915)	(66)
19	Total Other Income (Expenses).....		(35,836)	(2,724)
20	Income (Loss) Before Taxes		(49,819)	(5,800)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$49,819)	(\$5,800)

* 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 CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND THREE MONTHS ENDED MARCH 31, 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) - 2020.....								(49,819)	(49,819)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						(1,846)			(1,846)
16										0
17										0
18										0
19	Balance, March 31, 2020		100	\$1	0	\$0	\$52,536	\$0	(\$63,326)	(\$10,789)

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 THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$12,601)	(\$3,593)
	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.....		(263)	(2,796)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		0	(134)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		291	211
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		28	(2,719)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		0	
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		(1,846)	4,550
22	ASC606 adjustment to 2017 net income			
23	Net Cash Provided (Used) By Financing Activities.....		(1,846)	4,550
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(14,419)	(1,762)
25	Cash and Cash Equivalents at Beginning of Period.....		14,591	16,349
26	Cash and Cash Equivalents at End of Period.....		\$172	\$14,587
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,739	\$1,926
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 THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$49,819)	(\$5,800)
30	Depreciation and Amortization of Property and Equipment...		2,061	1,352
31	Amortization of Other Assets.....		117	117
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	0
36	(Gain) Loss on CRDA-Related Obligations.....		(29)	(80)
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		2,078	85
39	(Increase) Decrease in Inventories		(220)	(106)
40	(Increase) Decrease in Other Current Assets.....		(171)	(1,214)
41	(Increase) Decrease in Other Assets.....		13	(266)
42	Increase (Decrease) in Accounts Payable.....		(850)	738
43	Increase (Decrease) in Other Current Liabilities		908	1,252
44	Increase (Decrease) in Other Liabilities		311	329
45	Non-Cash Reorganization Loss / (Gain)		0	
46	Impairment of Assets		33,000	
47	Net Cash Provided (Used) By Operating Activities.....		(\$12,601)	(\$3,593)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$263)	(\$2,796)
49	Less: Capital Lease Obligations Incurred.....			0
50	Cash Outflows for Property and Equipment.....		(\$263)	(\$2,796)
	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 THREE MONTHS ENDED MARCH 31, 2020 - Amended 03/31/2021
(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	71,976	\$2,759		
2	Food	108,798	1,626		
3	Beverage	1,501,585	3,003		
4	Travel	0		10,305	731
5	Bus Program Cash	0			
6	Promotional Gaming Credits	14,205	3,550		
7	Complimentary Cash Gifts	15,875	672		
8	Entertainment	0		457	57
9	Retail & Non-Cash Gifts	8,018	160	7,433	743
10	Parking	0		80,488	241
11	Other	45,105	226	3,472	88
12	Total	1,765,562	\$11,996	102,155	\$1,860

FOR THE THREE MONTHS ENDED MARCH 31, 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	71,976	\$2,759		
2	Food	108,798	1,626		
3	Beverage	1,501,585	3,003		
4	Travel	0		10,305	731
5	Bus Program Cash	0			
6	Promotional Gaming Credits	14,205	3,550		
7	Complimentary Cash Gifts	15,875	672		
8	Entertainment	0		457	57
9	Retail & Non-Cash Gifts	8,018	160	7,433	743
10	Parking	0		80,488	241
11	Other	45,105	226	3,472	88
12	Total	1,765,562	\$11,996	102,155	\$1,860

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

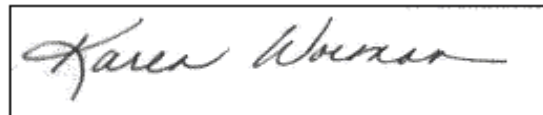
**Bally's Park Place LLC (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 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.

5/15/2020

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

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.

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 as of March 31, 2020, and as a result, the COVID-19 public health emergency continues to affect our business significantly. There is significant uncertainty as to the length of time for which these closures will remain in effect. Furthermore, there can be no assurance even after reopening as to the time required for our operations to recover to levels prior to these closures, or whether future closures related to COVID-19 could occur.

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, through the earlier of June 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 the 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, for which we are unable to estimate at this time.

We continue to monitor the rapidly evolving situation and guidance from domestic authorities, including federal, state and local public health authorities and may take additional actions based on such authorities’ recommendations. In these circumstances, there may be developments outside of our control that require us to adjust our operating plan. Given the dynamic nature of this situation, the full extent of the effects of the COVID-19 public health emergency on our future financial condition, results of operations or cash flows is highly uncertain.

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

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 (as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 15, 2019, and as it may be further amended from time to time, 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 continuing as the surviving corporation and a direct wholly owned subsidiary of Eldorado. On November 15, 2019, the respective stockholders of Caesars and Eldorado voted to approve the Merger. 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.

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 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

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

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 Company 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 including The Book sports wagering operation. 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 three months ended March 31, 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 with a gross carrying value of \$7,000 with accumulated amortization of \$1,167 as of March 31, 2020. 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 progressive machine is played, and the progressive jackpot amount increases, with a

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

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.

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

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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 March 31, 2020 and 2019, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$290 and \$503, 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 complimentaries 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 three months ended March 31, 2020 and 2019, which are included in casino expenses in the accompanying statements of income, were \$2,262 and \$3,176, respectively.

Advertising Expenses — Advertising costs are expensed as incurred. Advertising expenses are \$158 and \$119 for the three months ended March 31, 2020 and 2019, respectively. Advertising expenses are included in general, administrative and other expenses in the statements of income.

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 \$1,648 and \$1,626 for the three months ended March 31, 2020 and 2019, respectively. In addition, 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 Atlantic City fiscal relief. The Company expensed \$94 and \$80 for the three months ending March 31, 2020 and 2019, 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 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 three months ended March 31, 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.

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

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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 \$3,777 and \$4,441 for these services for the three months ended March 31, 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 March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Casino Receivable (Net of allowance for doubtful accounts \$3,087 in 2020 and \$3,534 in 2019)	\$1,011	\$2,345
Other (Net of allowance for doubtful accounts of \$169 in 2020 and \$200 in 2019)	2,054	2,644
Current Portion of Notes Receivable	417	404
	<u>\$3,482</u>	<u>\$5,393</u>

NOTE 5- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Prepaid Real Estate Taxes	\$197	\$565
Prepaid Gaming License Fees	317	276
Refundable Deposits	9	797
Prepaid Utilities	1,061	1,209
Other	242	444
	<u>\$1,826</u>	<u>\$3,291</u>

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$11,327 in 2020 and \$11,914 in 2019)	\$8,523	\$9,224
Other	55	265
	<u>\$8,578</u>	<u>\$9,489</u>

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NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$11,710	\$11,710
Buildings and Improvements	30,609	58,141
Furniture, Fixtures and Equipment	26,322	16,865
Construction in progress	371	3,543
	<u>69,012</u>	<u>\$90,259</u>
Less accumulated depreciation	<u>(22,442)</u>	<u>(15,250)</u>
	<u>\$46,570</u>	<u>\$75,009</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.

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 three months ended March 31, 2020 as the carrying value was higher than the fair value.

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 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.

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The following are additional details related to leases recorded on our Balance Sheet as of March 31, 2020:

	<u>Balance Sheet Classification</u>	<u>March 31, 2020</u>
Assets		
Operating Lease ROU assets	Deferred charges and other assets	\$126
Liabilities		
Current operating lease liabilities	Accrued expenses and other current liabilities	\$70
Non-current operating lease liabilities	Deferred credits and other liabilities	\$56

Maturity of Lease Liabilities as of March 31, 2020

	<u>Operating Leases</u>
2020	\$ 57
2021	76
2022	-
2023	-
Thereafter	-
Total	<u>\$ 133</u>
Less: present value discount	<u>(7)</u>
Lease liability	<u><u>\$ 126</u></u>

Lease Costs

	<u>Three Months Ended</u> <u>March 31, 2020</u>
Operating lease expense	\$ 19
Short-term lease expense	873
Variable lease expense	19
Total lease costs	<u><u>\$ 911</u></u>

Other Information

	<u>Three Months Ended</u> <u>March 31, 2020</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$19

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Weighted-Average Details

	March 31, 2020
Weighted-average remaining lease term (in years)	1.75
Weighted-average discount rate	6.42%

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 March 31, 2020

2020	6,977
2021	10,623
2022	10,803
2023	11,079
2024	11,357
Thereafter	458,315
Total Financing obligation payments ⁽¹⁾	\$ 509,154

⁽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

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combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. During the three months ended March 31, 2020, we recognized approximately \$6,358 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 March 31, 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

Maturity of Lease Receivables as of March 31, 2020

	<u>Operating Leases</u>
2020	305
2021	210
2022	150
2023	150
Thereafter	115
Total	\$ 930

NOTE 9- OTHER ASSETS

Other assets as of March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Customer Database (less accumulated amortization of \$1,167 in 2020 and \$700 in 2019)	\$5,833	\$6,300
Notes Receivable-Net of current portion	6,837	7,251
Other	412	689
	\$13,082	\$14,240

NOTE 10- OTHER ACCRUED EXPENSES

Other accrued expenses as of March 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued Sales Tax	\$401	\$766
Accrued Gaming Tax	(43)	249
Accrued DGE License Fees	598	558
Accrue Utilities	1,436	1,078
Accrue Payroll	3,669	4,469
Other	6,346	4,608
	\$12,407	\$11,728

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NOTE 11 - OTHER LIABILITIES

As of March 31, Other Liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Financial Lease Obligation (see Note 8)	\$67,747	\$66,390
Other Long Term Contract Liabilities	<u>78</u>	<u>173</u>
	<u>\$67,825</u>	<u>\$66,563</u>

NOTE 12- REVENUE RECOGNITION

Disaggregation of Revenue

	Three Months Ended <u>March 31, 2020</u>
Casino	\$16,819
Food and beverage (1)	8,141
Rooms (1)	6,358
Entertainment and other	<u>1,617</u>
Total contract revenues	\$32,935
Real estate leases	69
Net revenues	<u><u>\$33,004</u></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>March 31, 2020</u>
Casino	\$905
Food and beverage and rooms ⁽¹⁾	1,733
Entertainment and other	<u>0</u>
Contract receivables, net	2,638
Real estate leases	0
Other	<u>844</u>
Receivables, net	<u><u>\$3,482</u></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 – 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 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 (\$29) and (\$80) for the three months ended March 31, 2020 and 2019, 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 three months ended March 31, 2020 and 2019 was (\$29) and (\$80), 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 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
- 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

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pari-passu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. As of March 31, 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.

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.