BOARDWALK 1000, LLC DBA
HARD ROCK HOTEL & CASINO
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2021

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

HARD ROCK HOTEL & CASINO
BALANCE SHEETS

AS OF JUNE 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2	$69,130	$23,260
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, $12,541; 2020, $9,648)	2, 3	25,749	13,710
4	Inventories	2	1,637	2,441
5	Other Current Assets	11	12,479	12,720
6	Total Current Assets		108,995	52,131
7	Investments, Advances, and Receivables		0	0
8	Property and Equipment - Gross	2,4	582,805	571,074
9	Less: Accumulated Depreciation and Amortization	4	(160,735)	(105,507)
10	Property and Equipment - Net	4	422,070	465,567
11	Other Assets		845	2,593
12	Total Assets		$531,910	$520,291
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$7,600	$3,358
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	5	30,938	24,476
19	Other Current Liabilities	2,6,9	48,288	24,043
20	Total Current Liabilities		86,826	51,877
	Long-Term Debt:			
21	Due to Affiliates	7	521,602	519,954
22	External		0	0
23	Deferred Credits		0	0
24	Other Liabilities	2,8,9	69,314	55,742
25	Commitments and Contingencies		0	0
26	Total Liabilities		677,742	627,573
27	Stockholders', Partners', or Proprietor's Equity		(145,832)	(107,282)
28	Total Liabilities and Equity		$531,910	$520,291

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

HARD ROCK HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino		$123,950	$50,059
2	Rooms		36,013	9,420
3	Food and Beverage		28,906	13,815
4	Other		24,094	12,097
5	Net Revenue		212,963	85,391
	Costs and Expenses:			
6	Casino	2	51,120	31,366
7	Rooms, Food and Beverage		40,034	19,931
8	General, Administrative and Other		87,100	56,577
9	Total Costs and Expenses		178,254	107,874
10	Gross Operating Profit		34,709	(22,483)
11	Depreciation and Amortization	2, 4	24,837	26,261
	Charges from Affiliates Other than Interest:			
12	Management Fees	9	6,674	2,181
13	Other	9	4,113	2,391
14	Income (Loss) from Operations		(915)	(53,316)
	Other Income (Expenses):			
15	Interest Expense - Affiliates	7	(17,560)	(17,612)
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net	2	(3,159)	(1,236)
18	Nonoperating Income (Expense) - Net	2	84	157
19	Total Other Income (Expenses)		(20,635)	(18,691)
20	Income (Loss) Before Taxes		(21,550)	(72,007)
21	Provision (Credit) for Income Taxes	2	0	0
22	Net Income (Loss)		($21,550)	($72,007)

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

HARD ROCK HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino		$67,131	$11,669
2	Rooms		24,314	0
3	Food and Beverage		17,577	0
4	Other		14,532	2,646
5	Net Revenue		123,554	14,315
	Costs and Expenses:			
6	Casino	2	26,951	11,027
7	Rooms, Food and Beverage		23,925	1,580
8	General, Administrative and Other		46,567	19,986
9	Total Costs and Expenses		97,443	32,593
10	Gross Operating Profit		26,111	(18,278)
11	Depreciation and Amortization	2, 4	11,485	13,188
	Charges from Affiliates Other than Interest:			
12	Management Fees	9	4,251	338
13	Other	9	2,120	1,074
14	Income (Loss) from Operations		8,255	(32,878)
	Other Income (Expenses):			
15	Interest Expense - Affiliates	7	(8,790)	(8,798)
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net	2	(1,781)	(409)
18	Nonoperating Income (Expense) - Net	2	42	63
19	Total Other Income (Expenses)		(10,529)	(9,144)
20	Income (Loss) Before Taxes		(2,274)	(42,022)
21	Provision (Credit) for Income Taxes	2	0	0
22	Net Income (Loss)		($2,274)	($42,022)

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

HARD ROCK HOTEL & CASINO
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND
THE SIX MONTHS ENDED JUNE 30, 2021

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2019.........**		$124,000	($184,275)	$0	($60,275)
2	Net Income (Loss) - 2020..........			(99,007)		(99,007)
3	Capital Contributions................	10	35,000			35,000
4	Capital Withdrawals.................					0
5	Partnership Distributions..........					0
6	Prior Period Adjustments..........					0
7						0
8						0
9						0
10	**Balance, December 31, 2020.........**		159,000	(283,282)	0	(124,282)
11	Net Income (Loss) - 2021..........			(21,550)		(21,550)
12	Capital Contributions................					0
13	Capital Withdrawals.................					0
14	Partnership Distributions..........					0
15	Prior Period Adjustments..........					0
16						0
17						0
18						0
19	**Balance, June 30, 2021..................**		$159,000	($304,832)	$0	($145,832)

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

HARD ROCK HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$21,833	($39,129)
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment	4	(10,231)	(4,264)
5	Proceeds from Disposition of Property and Equipment		0	0
6	CRDA Obligations		0	0
7	Other Investments, Loans and Advances made		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities		0	0
10	Refund of sales taxes related to the Project		0	325
11				
12	Net Cash Provided (Used) By Investing Activities		(10,231)	(3,939)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt		0	0
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt		0	0
17	Payments to Settle Long-Term Debt		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions		0	25,000
19	Purchases of Treasury Stock		0	0
20	Payments of Dividends or Capital Withdrawals		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities		0	25,000
24	Net Increase (Decrease) in Cash and Cash Equivalents		11,602	(18,068)
25	Cash and Cash Equivalents at Beginning of Period		57,528	41,328
26	Cash and Cash Equivalents at End of Period	2	$69,130	$23,260

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)	7	$23,314	$16,467
28	Income Taxes		$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.

HARD ROCK HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)......		($21,550)	($72,007)
30	Depreciation and Amortization of Property and Equipment...	2,4	24,825	26,249
31	Amortization of Other Assets......		12	12
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......		0	0
37	(Gain) Loss from Other Investment Activities......		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks	3	(1,810)	13,766
39	(Increase) Decrease in Inventories		2	(24)
40	(Increase) Decrease in Other Current Assets......		(2,188)	(2,641)
41	(Increase) Decrease in Other Assets......		1,437	1,400
42	Increase (Decrease) in Accounts Payable......		2,519	(3,166)
43	Increase (Decrease) in Other Current Liabilities		12,638	(6,078)
44	Increase (Decrease) in Other Liabilities		5,125	2,537
45	Amortization of Loan Issuance Costs	7	823	823
46	......		0	0
47	Net Cash Provided (Used) By Operating Activities......		$21,833	($39,129)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment......	4	($10,231)	($4,264)
49	Less: Capital Lease Obligations Incurred......		0	0
50	Cash Outflows for Property and Equipment......		($10,231)	($4,264)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired......		$0	$0
52	Goodwill Acquired......		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed......		0	0
55	Issuance of Stock or Capital Invested......		0	0
56	Cash Outflows to Acquire Business Entities......		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions......		$0	$25,000
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	$25,000

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

HARD ROCK HOTEL & CASINO
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2021
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	384,958	$19,909	0	$0
2	Food	268,899	9,621	0	0
3	Beverage	1,149,528	5,886	0	0
4	Travel	0	0	2,340	1,063
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	422,768	24,981	0	0
7	Complimentary Cash Gifts	931	1,210	0	0
8	Entertainment	8,985	501	0	0
9	Retail & Non-Cash Gifts	0	0	128,287	6,037
10	Parking	0	0	346,365	2,691
11	Other	262,473	4,277	555,755	8,404
12	Total	2,498,542	$66,385	1,032,747	$18,195

FOR THE THREE MONTHS ENDED JUNE 30, 2021

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	212,488	$10,887	0	$0
2	Food	148,804	5,615	0	0
3	Beverage	659,554	3,376	0	0
4	Travel	0	0	1,625	738
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	230,891	13,745	0	0
7	Complimentary Cash Gifts	422	512	0	0
8	Entertainment	6,029	470	0	0
9	Retail & Non-Cash Gifts	0	0	60,937	3,294
10	Parking	0	0	174,184	1,379
11	Other	122,800	2,000	289,500	4,376
12	Total	1,380,988	$36,605	526,246	$9,787

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

BOARDWALK 1000, LLC DBA
HARD ROCK HOTEL & CASINO
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2021

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.

8/13/2021
Date

Bob Allen

Vice President of Finance Operations
Title

006793-11
License Number

On Behalf of:

BOARDWALK 1000, LLC DBA
HARD ROCK HOTEL & CASINO

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Organization

Boardwalk 1000, LLC (the "Company"), a New Jersey limited liability company, is a wholly owned subsidiary of Hard Rock Tristate AC, LLC ("Tristate"). The Company was formed on February 24, 2017. The Company's Operating Agreement was entered into by the Company and Tristate and became effective on February 24, 2017. The Operating Agreement was amended and restated effective November 10, 2017.

The Company was created for the purposes of (a) acquiring the land, buildings and other improvements comprising the former Trump Taj Mahal Casino Resort in Atlantic City, New Jersey, (b) designing, developing, renovating, owning, operating and financing an approved casino/hotel facility branded exclusively as a "Hard Rock Hotel & Casino" in Atlantic City and (c) engaging in such activities as may be incidental thereto (the "Project").

Under the Amended and Restated Operating Agreement, the business and affairs of the Company are member-managed. Tristate is the sole member and has exclusive and complete authority and discretion to manage the operations and affairs of the Company. The Company shall not conduct any other business, except as permitted under the Amended and Restated Operating Agreement.

Novel Coronavirus (COVID-19)

The global outbreak of the strain of coronavirus, COVID-19, continues to adversely impact global commercial activity and many countries have reacted by instituting quarantines and restrictions on travel. Such actions are adversely impacting several industries, including the hospitality and entertainment industries. The Company's hotel and casino were closed by order of the State of New Jersey on March 16, 2020 and remained closed until July 2, 2020. Upon reopening its facility on July 2, 2020, the Company was required to comply with executive orders and other governmental and regulatory requirements aimed to enforce social distancing and other measures to reduce the spread of COVID-19. The executive orders and other governmental and regulatory requirements included requiring patrons and employees to wear masks in all public areas; screening employees and patrons for fever and COVID-19 symptoms; limiting the number of patrons in gaming areas; prohibiting indoor smoking, limiting the consumption of food and beverages indoors; and limiting the size of gatherings in showrooms and convention space. On June 4, 2021, legislation and an executive order was executed which terminated New Jersey's Public Health Emergency. As a result, the aforementioned governmental and regulatory restrictions expired as of July 4, 2021. Notwithstanding the expiration of these restrictions, COVID-19 continues to adversely impact the Company's operations.

For the six months ended June 30, 2021, the Company generated a net loss of $21,550, due to the seasonality of the Atlantic City market, expenses incurred to attract new and existing patrons and the governmental and regulatory COVID-19 operating restrictions imposed. Management plans to improve the operating results by adjusting the Company's operations to better match the flow of customers with the demand for services, creating more targeted marketing campaigns and continuing to offer events designed to increase visits to the facility.

Due to the effects of the coronavirus and the historical losses of the Company, Tristate has committed to provide sufficient capital resources to support the cash needs of the Company through August 14, 2022, as necessary.

Nature of Business

The Hard Rock Hotel & Casino - Atlantic City (the "Hard Rock Hotel & Casino") commenced operations on June 28, 2018. The Hard Rock Hotel & Casino features: two hotel towers with a combined total of 1,971 rooms, including high end suites; 2,250 slot machines; 120 table and other games; a sportsbook; a variety of fine dining and casual restaurants; a 7,000-seat arena; a spa; a gas station, including a convenience store and car wash; and other amenities.

The Company is authorized by the New Jersey Division of Gaming Enforcement ("DGE") to offer 24-hour internet gaming ("I-Gaming") on its online gaming site, *HardRockAtlanticCity.com*. The Company's site features a variety of slot game options and sports betting. Patrons have the opportunity to participate in community jackpots and to be rewarded with both on property and online incentives, as well as, have the opportunity to participate in a variety of promotions. All participants must be 21 years of age or older and be physically located in the State of New Jersey to play.

(In thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of Presentation
The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates
The preparation of financial statements in conformity with US GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Certain Concentrations of Risk
Financial instruments that subject the Company to credit risk consist of cash and cash equivalents maintained at financial institutions and accounts receivable. The Company's policy is to place investments with financial institutions evaluated as being creditworthy, or in short-term money market funds which are exposed to minimal interest rate and credit risk.

As of June 30, 2021, the Company maintained balances in certain of its deposit accounts in excess of federally insured limits. The Company does not expect to incur any losses resulting from cash held in financial institutions in excess of insured limits. The Company manages this risk through predominantly holding its cash with a large, financially stable, global bank.

Concentrations of credit risk, with respect to gaming receivables, are limited through the Company's credit evaluation process. The Company issues markers to approved gaming customers only following credit checks and investigations of creditworthiness.

Cash and Cash Equivalents
Cash and cash equivalents consist of the following:

	June 30,	
	2021	2020
Unrestricted cash	$ 54,089	$ 15,846
Restricted cash	15,041	7,414
	$ 69,130	$ 23,260

Restricted cash at June 30, 2021 was $15,041, which principally included $6,990 of restricted cash related to the balances of patrons' internet gaming accounts, $3,370 of cash related to third party internet gaming operations and $4,481 related to cash collateral for letters of credit related to the Company's workers compensation insurance. Restricted cash at June 30, 2020 was $7,414 which included $1,622 related to cash collateral for a letter of credit related to the Company's workers compensation insurance and $5,792 of restricted cash related to the balances of patrons' internet gaming accounts as of the previous day. Pursuant to N.J.A.C. 13:69O1.3(j), the Company maintains separate New Jersey bank accounts to primarily ensure the security of funds held in patrons' internet gaming accounts. Restricted cash balances are on deposit with a large, financially stable, global bank.

Accounts Receivable, Net

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

Inventories

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Provisions are made, as necessary, to reduce excess or obsolete inventories to their net realizable value.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset's useful life or term of the lease.

The estimated useful lives of the Company's major components of property and equipment are:

Building and improvements	10 through 30 years
Furniture and equipment	3 through 10 years

Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

The Company evaluates the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For an asset that is to be disposed of, the Company recognizes the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For a long-lived asset to be held and used, the Company reviews the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The estimated undiscounted future cash flows of the asset are then compared to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using the Company's weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If an asset is under development, future cash flows include remaining construction costs. There were no impairment losses recognized in the statements of income during the three and six months ended June 30, 2021 and 2020.

Revenue Recognition

The Company's revenue from contracts with customers consists of casino wagers, hotel room sales, food and beverage transactions, entertainment shows, and retail transactions.

The transaction price for a casino wager is the difference between gaming wins and losses ("net win"). In certain circumstances, the Company offers discounts on markers, which is estimated based upon industry practice, and recorded as a reduction of casino revenue. The Company accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day versus on an individual wager basis.

For casino wager contracts that include complimentary goods and services provided by the Company to gaming patrons on a discretionary basis to incentivize gaming, the Company allocates revenue to the good or service delivered based upon standalone selling price ("SSP"). Discretionary complimentaries provided by the Company and supplied by third parties are recognized as an operating expense. The Company accounts for complimentaries on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

For casino wager contracts that include incentives earned by customers under the Company's loyalty program, the Company allocates a portion of net win based upon the SSP of such incentive (less estimated breakage). This allocation is deferred and recognized as revenue when the customer redeems the incentive. When redeemed, revenue is recognized in the department that provides the goods or service. Redemption of loyalty incentives at third party outlets are deducted from the loyalty liability and amounts owed are paid to the third party, with any discount received recorded as other revenue. After allocating revenue to other goods and services provided as part of casino wager contracts, the Company records the residual amount to casino revenue.

The transaction price of hotel rooms, food and beverage, and retail contracts is the net amount collected from the customer for such goods and services. The transaction price for such contracts is recorded as revenue as the good or service is transferred to the customer over their stay at the hotel or when the delivery is made for the food and beverage or retail product.

Sales and usage-based taxes are excluded from revenues. For some arrangements, the Company acts as an agent in that it arranges for another party to transfer goods and services, which primarily include certain of the Company's entertainment shows as well as customer rooms arranged by online travel agents.

Internet Gaming Operations

The Company's online gaming operations utilizes Gaming Innovation Group as its exclusive internet gaming and sportsbook provider. During 2020, the Company and Gaming Innovation Group mutually agreed not to extend the platform and sportsbook services agreement. The Company migrated to its new sportsbook provider and is in the process of migrating to a new internet gaming provider. Online gaming casino revenues represent the difference between wins and losses from online gaming activities and are recognized as a component of casino revenue in the statements of income. The Company makes cash promotional offers to certain of its I-Gaming customers, including cash rebates as part of loyalty programs generally based on an individual's level of gaming play. These costs are classified as a deferral of casino revenue until redeemed by the customer.

Contract and Contract-Related Liabilities

There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract or contract-related liability. The Company generally has three types of liabilities related to contracts with customers: (1) outstanding chip liability, which represents the amounts owed in exchange for gaming chips held by a customer, (2) loyalty program obligations, which represents the deferred allocation of revenue relating to loyalty program incentives earned, as discussed above, and (3) customer advances and other. Customer advances and other consist primarily of funds deposited by customers before gaming play occurs ("casino front money") and advance payments on goods and services yet to be provided, such as advance ticket sales, deposits on rooms and convention space, or for unpaid wagers. These liabilities are generally expected to be recognized as revenue within one year of being purchased, earned, or deposited and are recorded within accrued expenses and other current liabilities on the Company's balance sheets.

Deferred Revenue

Deferred revenue includes upfront advanced payments related to agreements with online gaming providers. These payments are recorded as deferred revenue within other current liabilities and other liabilities and are recognized as casino revenue when earned, which is expected to be on a straight-line basis over the terms of the related agreements.

Gaming Taxes

The Company is subject to an annual tax assessment based on 8% of its land-based gross gaming revenues and 15% of its online gross gaming revenues. Online and land-based sports betting revenues are subject to a 13% and 8.5% tax rate, respectively. These gaming taxes are recorded as a casino expense in the statements of income. The Company recorded gaming tax expense of $9,853 and $2,137 during the three months ended June 30, 2021 and 2020, respectively, and $17,784 and $7,324 during the six months ended June 30, 2021 and 2020, respectively.

CRDA Obligations

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, the Company is assessed an amount equal to 1.25% of its land-based gross gaming revenues. This assessment is made in lieu of an Investment Alternative Tax (the "IAT") equal to 2.5% of land-based gross gaming revenues. The Casino Control Act also provides for an assessment equal to 2.5% of the Company's online gross gaming revenues, which is made in lieu of an IAT equal to 5.0% of online gross gaming revenues. The Company is required to make quarterly payments to the CRDA to satisfy its investment obligations. Pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters commonly referred to as the PILOT (payment in lieu of taxes) law, these funds are to be used for the purposes of paying debt service on bonds issued by the City of Atlantic City prior to and after the date of the PILOT law. These provisions expire as of December 31, 2026. The Company recorded IAT expense of $1,781 and $409 during the three months ended June 30, 2021 and 2020, respectively, and $3,159 and $1,236 during the six months ended June 30, 2021 and 2020, respectively.

(In thousands)

Loss Contingencies
There are times when non-recurring events may occur that require management to consider whether an accrual for a loss contingency is appropriate. Accruals for loss contingencies typically relate to certain legal proceedings, customer and other claims, and litigation. The Company determines whether an accrual for a loss contingency is appropriate by assessing whether a loss is deemed probable and can be reasonably estimated. The Company analyzes its legal proceedings and other claims based on available information to assess potential liability. The Company develops its views on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results assuming a combination of litigation and settlement strategies. See Note 11.

Income Taxes
The Company is a disregarded entity for federal and state income tax purposes. The accompanying financial statements do not include a provision for income tax since any income or loss is included in the financial results of the Company's sole member, Tristate.

Advertising Expense
Advertising costs are expensed as incurred or the first time the advertising takes place. Advertising costs are included in general, administrative and other expenses on the statements of income and totaled $4,263 and $3,389 during the three months ended June 30, 2021 and 2020, respectively, and $8,397 and $6,665 during the six months ended June 30, 2021 and 2020, respectively.

Recently Issued Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Entities have the option to either apply the amendments (1) at the beginning of the earliest period presented using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements or (2) at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without the need to restate prior periods. There are also certain optional practical expedients that an entity may elect to apply. The Company is assessing the impact that the adoption of Topic 842 will have on its financial statements and footnote disclosures.

NOTE 3 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	June 30,	
	2021	**2020**
Casino receivables, net of an allowance for doubtful accounts ($12,504 in 2021 and $9,607 in 2020)	$ 11,116	$ 6,457
Hotel receivables, net of an allowance for doubtful accounts ($37 in 2021 and $41 in 2020)	3,150	1,272
Due from related parties (see Note 9)	5,587	3,895
Other	5,896	2,086
Receivables and patrons' checks, net	**$ 25,749**	**$ 13,710**

(In thousands)

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2021	June 30, 2020
Land	$ 31,600	$ 31,600
Building and improvements	371,910	369,039
Furniture and equipment	169,601	166,311
Construction in progress	9,694	4,124
Total property and equipment	**582,805**	**571,074**
Less accumulated depreciation	(160,735)	(105,507)
Property and equipment, net	**$ 422,070**	**$ 465,567**

Depreciation expense was $11,479 and $13,183 during the three months ended June 30, 2021 and 2020, respectively, and $24,825 and $26,249 during the six months ended June 30, 2021 and 2020, respectively.

Construction in progress presented in the table above primarily relates to costs capitalized in connection with major improvements that have not yet been placed into service, and accordingly, such costs are not yet being depreciated.

NOTE 5 – OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	June 30, 2021	June 30, 2020
Accrued payroll and related expenses	$ 13,987	$ 3,077
Accrued interest	4,125	10,989
Accrued insurance reserves	5,887	4,860
Accrued expenses and other liabilities	6,939	5,550
Other accrued expenses	**$ 30,938**	**$ 24,476**

NOTE 6 – OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30, 2021	June 30, 2020
Casino-related liabilities	$ 17,262	$ 9,023
Online gaming related liabilities	10,069	5,247
Deferred revenue	12,959	6,850
Due to related parties (see Note 9)	4,390	1,856
Other	3,608	1,067
Other current liabilities	**$ 48,288**	**$ 24,043**

(In thousands)

NOTE 7 – LONG-TERM DEBT

Long-term debt consisted of the following:

	June 30, 2021	June 30, 2020
Loan Agreement - HRAC Lender	$ 445,977	$ 445,977
Unamortized debt financing costs	(1,775)	(3,423)
Loan Agreement - HRAC Lender, net	444,202	442,554
Promissory Notes - Tristate	77,400	77,400
Long-term debt, affiliates	**$ 521,602**	**$ 519,954**

Loan Agreement

On August 30, 2017, the Company entered into a Loan Agreement (the "Loan Agreement") with Hard Rock Atlantic City Lender, LLC ("HRAC Lender"). HRAC Lender is an affiliate of certain members of Tristate. The Loan Agreement consists of a term loan in the principal amount of $400,000 ("Loan"). The Loan bears interest at an annual rate of 6% ("Loan Rate"). The Loan matures on July 29, 2022 ("Maturity Date"). On August 30, 2017, a non-cash loan origination fee of $8,000 (2% of the Loan) was charged by HRAC Lender and applied to the outstanding principal amount of the Loan per the terms of the Loan Agreement. The Loan is secured by a first priority lien on all of the Company's personal and real property. The Loan is guaranteed by Tristate.

The Loan Agreement proceeds were used to finance the development and renovation of the Project, including, but not limited to, construction costs, costs of gaming equipment, furniture, fixtures and equipment, preopening expenses and HRAC Lender expenses.

The period which began on August 30, 2017 and ended on February 28, 2019 is defined as the "PIK Interest Period." During the PIK Interest Period, all interest was paid by the Company in kind by having such interest added to and automatically becoming a part of the principal amount of the Loan. During the PIK Interest Period, a total of $37,977 of interest expense was paid in kind.

Interest on the outstanding principal balance of the Loan (including the loan origination fee and PIK Interest added to the outstanding principal amount of the Loan) shall be paid in cash by the Company on the Payment Date, as defined in the Loan Agreement, at the Loan Rate. Amounts outstanding under the Loan and outstanding interest are due upon the Maturity Date. There is no penalty for prepayment of principal and outstanding interest.

In connection with the Loan Agreement, the Company incurred debt financing fees of $8,099 (which include the loan origination fee) which are recorded in long-term debt, net, and are being amortized over the term of the Loan Agreement. The Company recorded amortization of $412 during each of the three months ended June 30, 2021 and 2020 and $823 during each of the six months ended June 30, 2021 and 2020 and is included within interest expense in the statements of income.

On March 2, 2021, the Company and HRAC Lender entered into a Second Loan Agreement Modification Agreement ("Second Modification Agreement"). Under the terms of the Second Modification Agreement, the Company and HRAC Lender agreed to amend and restate the Loan Agreement's definition of Payment Date from February 28 and August 31 of each year to May 15 and October 15 of each year. The Company made the interest payment on May 14, 2021 in accordance with amended and restated Loan Agreement.

The Company paid $18,954 and $13,379 of cash interest expense related to the Loan Agreement during the six months ended June 30, 2021 and 2020, respectively. Accrued interest related to the Loan Agreement was $3,345 and $8,919 at June 30, 2021 and 2020, respectively.

(In thousands)

Promissory Notes - Tristate

During 2018, Tristate loaned the Company $77,400 (the "Promissory Notes") to fund the payment of construction costs associated with the Project. The Promissory Notes mature on July 29, 2022. The Promissory Notes bear interest at 8% per annum. Interest payments were originally due on the last business day of August and February of each year, commencing on August 30, 2019. Amounts due under the Promissory Notes are subordinate and junior in right of payment to amounts due and outstanding under the Loan Agreement.

On March 2, 2021, Tristate and the Company agreed to amend and restate the Promissory Notes' definition of Payment Date from February 28 and August 31 of each year to May 15 and October 15 of each year. The Company made the interest payment on May 14, 2021 in accordance with the amended and restated Promissory Notes.

During the six months ended June 30, 2021 and 2020, the Company paid $4,360 and $3,088 of interest expense related to the Promissory Notes. Accrued interest related to the Promissory Notes at June 30, 2021 and 2020 was $780 and $2,070, respectively.

NOTE 8 – OTHER LIABILITIES

Other liabilities consisted of the following:

	June 30, 2021	June 30, 2020
Due to related parties (see Note 9)	$ 54,657	$ 36,185
Deferred revenue	8,296	12,796
Other accrued expenses	6,361	6,761
Other liabilities	**$ 69,314**	**$ 55,742**

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company engages in certain transactions with affiliated entities. As disclosed in Note 7, the Company entered into the Loan Agreement with HRAC Lender and has outstanding Promissory Notes from Tristate.

On August 21, 2017, an affiliate of certain of the owners of Tristate obtained a $1,600 irrevocable letter of credit on behalf of the Company in connection with obtaining owner-controlled insurance related to the construction of the Project. The letter of credit expires on August 18, 2021. Any remaining proceeds from the letter of credit will be refunded to the Company upon its expiration.

Hotel & Casino Management Agreement

The Company and HR Atlantic City, LLC ("HR Atlantic City"), a part-owner of Tristate, entered into a Hotel & Casino Management Agreement dated as of September 27, 2017 (the "Management Agreement"). Pursuant to the Management Agreement, HR Atlantic City manages, operates and promotes the business, operations, services, marketing and sales of the Property for the benefit of the Company. HR Atlantic City manages certain facilities at the Property which include, in part, a Hard Rock branded hotel, a Hard Rock branded casino, certain food and beverage facilities that are not leased or licensed to third parties, meeting, parking, conference and banquet facilities, a Rock Shop retail store and a Hard Rock Live entertainment venue (collectively, the "Managed Facilities").

The preopening period commenced on September 27, 2017 and expired on June 28, 2018, the date the Managed Facilities became fully operational and open for business to the public as Hard Rock Hotel & Casino ("Opening Date"). The initial term of the Management Agreement commenced on the Opening Date and expires at midnight on the tenth anniversary of the Opening Date, unless sooner terminated or extended ("Term"). The Term may be extended by HRAC for one successive but independent term of ten years commencing on the day immediately following the expiration of the initial Term ("Extension Term") so long as the investors have received an average return on investment equal to or exceeding 10% per year ("Preferred Return") as of the expiration date of the initial Term.

HR Atlantic City is entitled to receive 2% of gross revenue (including gross gaming revenues and gross revenues from non-gaming activities) ("Base License Fee"); provided that HR Atlantic City shall not be entitled to 2% of gross revenues on those portions of gross revenue for which it is otherwise entitled to a fee or compensation otherwise pursuant to the Management Agreement. HR Atlantic City is also entitled to an incentive management fee which is calculated based upon a percentage of achieved earnings before interest expense, income taxes, depreciation, amortization, and management fees (EBITDAM), as defined in the Management Agreement.

Amounts due to HR Atlantic City of $37,255 and $23,343 as of June 30, 2021 and 2020, respectively, primarily relate to management fees and are included in other liabilities and other current liabilities in the accompanying balance sheets.

In addition, the Company incurs expenses with other affiliated entities, principally related to the Company's hotel room reservation center and other support services. The Company recognized $1,441 and $1,074 of expense associated with such services during the three months ended June 30, 2021 and 2020, respectively, and $2,928_and $2,000 during the six months ended June 30, 2021 and 2020, respectively. Amounts due to such affiliates were $17,401 and $13,231 as of June 30, 2021 and 2020, respectively, and are included in other liabilities and other current liabilities in the accompanying balance sheets.

Rocktane Gas & Wash Lease Agreement

The Company leases Rocktane Gas & Wash, a fuel, convenience store and car wash facility to AC Gas Station LLC, a subsidiary of Tristate. The lease expires on June 27, 2028 and may be renewed for one ten-year period. The Company receives rental income based on a percentage of Rocktane's gross sales, as defined in the lease. Rental income was $123 and $0 during the three months ended June 30, 2021 and 2020, respectively, and $224 and $84 during the six months ended June 30, 2021 and 2020, respectively, and is included in other revenue in the statements of income.

Other Related Party Transactions

The Company engaged in various related party transactions to provide miscellaneous services to its patrons. The Company incurred expenses related to these services totaling $679 and $0 during the three months ended June 30, 2021 and 2020, respectively, and $1,185 and $391 during the six months ended June 30, 2021 and 2020, respectively. Such expenses are included in selling, general and administrative expenses in the accompanying statements of operations.

NOTE 10 – CAPITAL CONTRIBUTIONS

During 2020, Tristate made capital contributions totaling $35,000. The proceeds of the capital contribution were used to fund general working capital requirements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

New Jersey PILOT Law

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the "PILOT Law") which: (i) exempted Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payment in lieu of tax payments ("PILOT Payments") to the City of Atlantic City, (ii) made certain changes to the New Jersey Tourism District Law and (iii) redirected certain IAT payments to assist in the stabilization of the City of Atlantic City's finances. Under the PILOT Law, commencing in 2017 and for a period of ten (10) years, each Atlantic City casino gaming property (as defined in the PILOT Law) is required to pay its prorated share of an aggregate amount of PILOT Payments based on an equal weighted formula that includes the following criteria: the gross gaming revenues ("GGR") of the casino, the total number of hotel guest rooms and the geographic footprint of the real property owned by each casino gaming property. Commencing in 2018 and for each year thereafter, the aggregate amount of PILOT Payments owed will be determined based on a sliding scale of Atlantic City casino industry GGR from the applicable prior year, subject to certain adjustments. The aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties for calendar year 2021 is $130 million. For each year from 2017 through 2021, each casino gaming property's prorated share of PILOT Payments is capped (the "PILOT Cap") at an amount equal to the real estate taxes due and payable in calendar year 2015, which is calculated based upon the assessed value of the casino gaming property for real estate tax purposes and tax rate.

Settlement Agreement – Property Tax Appeals and PILOT Law

On December 28, 2018, the Company and the City of Atlantic City (the "City"), by and through the Deputy Commissioner-Department of Community Affairs, entered into an agreement to settle the Company's 2017 and 2018 property tax appeals (the "Settlement Agreement"). Pursuant to the terms of the Settlement Agreement: (1) the Company's 2017 assessed valuation was reduced to $80,000; (2) the Company's assessed valuation for the period from January 1, 2018 through and including June 30, 2018 was $224,681; (3) the Company agreed to participate in the PILOT Law for the period July 1, 2018 through and including December 31, 2018, and (4) on an annual basis, the Company agreed to participate in the PILOT Law for tax years 2019 through 2026.

As a result of the reduced 2017 assessed valuation, the Company will receive a refund from the City in the amount of $4,950 (the "Refund Payment"). The Refund Payment will be paid to the Company by the City in four equal annual installments in the amount of $1,237, each payment due on or before June 30 commencing June 30, 2019. The present value of the Refund Payment was recorded as a reduction to the carrying value of property and equipment and was estimated to be $4,297. The Company received the first $1,237 installment of the Refund Payment in July 2019. The second and third $1,237 installments of the Refund Payment were received on June 30, 2020 and 2021, respectively.

The Company recognized $3,852 of expense during each of the six months ended June 30, 2021 and 2020 representing its proportionate share of the 2021 and 2020 PILOT Payments. Under the terms of the Settlement Agreement, the Company's PILOT Cap for 2021 will be $7,705. The Company will receive quarterly reimbursements for payment amounts that are projected to cause the Company to exceed $7,705 annually.

Legal Matters

The Company is party from time to time in legal actions that arise in the normal course of business. In the opinion of management, the ultimate outcome of such legal actions is not expected to have a material effect on the results of operations or the financial position of the Company.

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering certain of its non-union employees. The plan allows eligible employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. The Company recognized expense of $324 and $58 for the three months ended June 30, 2021 and 2020, respectively, and $630 and $360 for the six months ended June 30, 2021 and 2020, respectively, related to the 401(k) plan. Such amounts are included in general, administrative and other costs in the statements of income.

NOTE 13 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 13, 2021, the date these financial statements were issued.