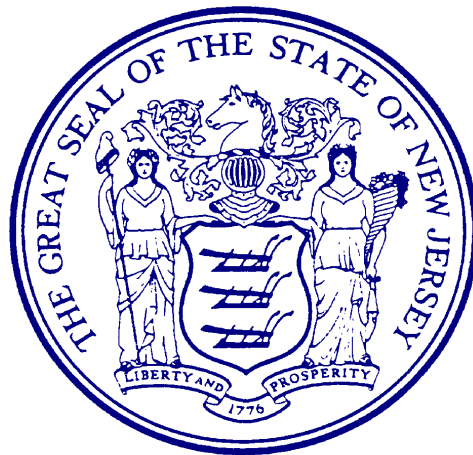


**HARRAH'S RESORT, ATLANTIC CITY
QUARTERLY REPORT**

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**

HARRAH'S RESORT, ATLANTIC CITY

BALANCE SHEETS

AS OF JUNE 30, 2021 AND 2020

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | Notes | 2021 (c) | 2020 (d) |
|-------------|-----------------------------------------------------------------------------------------------------------------|--------|-------------|-------------|
| | <u>ASSETS:</u> | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents..... | 2 | \$22,144 | \$7,895 |
| 2 | Short-Term Investments..... | | | |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, \$7,157; 2020, \$7,199)..... | 2,4,12 | 10,308 | 7,671 |
| 4 | Inventories | 2 | 891 | 1,133 |
| 5 | Other Current Assets..... | 5 | 3,026 | 2,844 |
| 6 | Total Current Assets..... | | 36,369 | 19,543 |
| 7 | Investments, Advances, and Receivables..... | 6 | 1,932 | 6,493 |
| 8 | Property and Equipment - Gross..... | 2,7 | 240,008 | 327,640 |
| 9 | Less: Accumulated Depreciation and Amortization..... | 2,7 | (16,083) | (113,453) |
| 10 | Property and Equipment - Net..... | 2,7 | 223,925 | 214,187 |
| 11 | Other Assets..... | 9 | 26,902 | 1,292 |
| 12 | Total Assets..... | | \$289,128 | \$241,515 |
| | <u>LIABILITIES AND EQUITY:</u> | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable..... | | \$16,468 | \$5,706 |
| 14 | Notes Payable..... | | | |
| | Current Portion of Long-Term Debt: | | | |
| 15 | Due to Affiliates..... | | | |
| 16 | External..... | | | |
| 17 | Income Taxes Payable and Accrued..... | | | |
| 18 | Other Accrued Expenses..... | 3,10 | 21,707 | 79,912 |
| 19 | Other Current Liabilities..... | | 1,710 | 1,398 |
| 20 | Total Current Liabilities..... | | 39,885 | 87,016 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates..... | | | |
| 22 | External..... | | | |
| 23 | Deferred Credits | | | |
| 24 | Other Liabilities..... | 11 | 533,800 | 837 |
| 25 | Commitments and Contingencies..... | 13 | | |
| 26 | Total Liabilities..... | | 573,685 | 87,853 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... | 3 | (284,557) | 153,662 |
| 28 | Total Liabilities and Equity..... | | \$289,128 | \$241,515 |

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

HARRAH'S RESORT, ATLANTIC CITY

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..... | | \$69,370 | \$36,454 |
| 2 | Rooms..... | | 33,942 | 13,734 |
| 3 | Food and Beverage..... | | 18,561 | 14,906 |
| 4 | Other..... | | 6,096 | 4,832 |
| 5 | Net Revenue..... | 12 | 127,969 | 69,926 |
| | Costs and Expenses: | | | |
| 6 | Casino..... | | 34,622 | 28,254 |
| 7 | Rooms, Food and Beverage..... | | 23,326 | 20,695 |
| 8 | General, Administrative and Other..... | | 35,629 | 33,137 |
| 9 | Total Costs and Expenses..... | | 93,577 | 82,086 |
| 10 | Gross Operating Profit..... | | 34,392 | (12,160) |
| 11 | Depreciation and Amortization..... | | 10,740 | 14,369 |
| | Charges from Affiliates Other than Interest: | | | |
| 12 | Management Fees..... | | | |
| 13 | Other..... | 3 | 12,003 | 12,265 |
| 14 | Income (Loss) from Operations..... | | 11,649 | (38,794) |
| | Other Income (Expenses): | | | |
| 15 | Interest Expense - Affiliates..... | | | |
| 16 | Interest Expense - External..... | | (29,459) | 0 |
| 17 | CRDA Related Income (Expense) - Net..... | 13 | 7 | 801 |
| 18 | Nonoperating Income (Expense) - Net..... | | (161) | (901) |
| 19 | Total Other Income (Expenses)..... | | (29,613) | (100) |
| 20 | Income (Loss) Before Taxes | | (17,964) | (38,894) |
| 21 | Provision (Credit) for Income Taxes..... | | | |
| 22 | Net Income (Loss)..... | | (\$17,964) | (\$38,894) |

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

HARRAH'S RESORT, ATLANTIC CITY

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..... | 12 | \$39,377 | \$72 |
| 2 | Rooms..... | 12 | 21,948 | (8) |
| 3 | Food and Beverage..... | 12 | 10,991 | 0 |
| 4 | Other..... | 12 | 3,555 | 298 |
| 5 | Net Revenue..... | 12 | 75,871 | 362 |
| | Costs and Expenses: | | | |
| 6 | Casino..... | | 18,979 | 5,265 |
| 7 | Rooms, Food and Beverage..... | | 13,591 | 1,544 |
| 8 | General, Administrative and Other..... | | 18,444 | 8,656 |
| 9 | Total Costs and Expenses..... | | 51,014 | 15,465 |
| 10 | Gross Operating Profit..... | | 24,857 | (15,103) |
| 11 | Depreciation and Amortization..... | | 5,409 | 4,934 |
| | Charges from Affiliates Other than Interest: | | | |
| 12 | Management Fees..... | | | |
| 13 | Other..... | 3 | 5,973 | 5,337 |
| 14 | Income (Loss) from Operations..... | | 13,475 | (25,374) |
| | Other Income (Expenses): | | | |
| 15 | Interest Expense - Affiliates..... | | | |
| 16 | Interest Expense - External..... | | (14,755) | 0 |
| 17 | CRDA Related Income (Expense) - Net..... | 13 | 4 | 403 |
| 18 | Nonoperating Income (Expense) - Net..... | | (150) | (330) |
| 19 | Total Other Income (Expenses)..... | | (14,901) | 73 |
| 20 | Income (Loss) Before Taxes | | (1,426) | (25,301) |
| 21 | Provision (Credit) for Income Taxes..... | | | |
| 22 | Net Income (Loss)..... | | (\$1,426) | (\$25,301) |

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

HARRAH'S RESORT, ATLANTIC CITY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

(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, 2019..... | | 25 | \$25 | 0 | \$0 | \$796,759 | \$0 | (\$629,289) | \$167,495 |
| 2 | Net Income (Loss) - Predecessor..... | | | | | | | | (36,308) | (36,308) |
| 3 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 4 | Dividends..... | | | | | | | | | 0 |
| 5 | Prior Period Adjustments..... | | (25) | (25) | | | | | | (25) |
| 6 | Equitization of Intercompany | | | | | | (3,546) | | | (3,546) |
| 7 | Net Income (Loss) -Successor | 2 | | | | | | | (33,239) | (33,239) |
| 8 | Removal of Retained Earnings | | | | | | (460,324) | | 665,597 | 205,273 |
| 9 | Proceeds from Sale to VICI | | | | | | (591,997) | | | (591,997) |
| 10 | Balance, December 31, 2020..... | | 0 | 0 | 0 | 0 | (259,108) | 0 | (33,239) | (292,347) |
| 11 | Net Income (Loss) - 2021..... | | | | | | | | (17,964) | (17,964) |
| 12 | Contribution to Paid-in-Capital..... | | | | | | | | | 0 |
| 13 | Dividends..... | | | | | | | | | 0 |
| 14 | Prior Period Adjustments..... | | | | | | | | | 0 |
| 15 | Equitization of Intercompany | | | | | | 25,754 | | | 25,754 |
| 16 | | | | | | | | | | 0 |
| 17 | | | | | | | | | | 0 |
| 18 | | | | | | | | | | 0 |
| 19 | Balance, June 30, 2021 | | 0 | \$0 | 0 | \$0 | (\$233,354) | \$0 | (\$51,203) | (\$284,557) |

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

HARRAH'S RESORT, ATLANTIC CITY

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.. | | \$2,338 | (\$29,675) |
| | 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..... | | (23,178) | (16,900) |
| 5 | Proceeds from Disposition of Property and Equipment..... | | | 0 |
| 6 | CRDA Obligations | | (1,144) | (93) |
| 7 | Other Investments, Loans and Advances made..... | | | |
| 8 | Proceeds from Other Investments, Loans, and Advances | | 1,441 | 787 |
| 9 | Cash Outflows to Acquire Business Entities..... | | 0 | 0 |
| 10 | | | | |
| 11 | | | | |
| 12 | Net Cash Provided (Used) By Investing Activities..... | | (22,881) | (16,206) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| 13 | Proceeds from Short-Term Debt | | | |
| 14 | Payments to Settle Short-Term Debt..... | | | |
| 15 | Proceeds from Long-Term Debt | | | |
| 16 | Costs of Issuing Debt..... | | | |
| 17 | Payments to Settle Long-Term Debt..... | | | |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions... | | 0 | 0 |
| 19 | Purchases of Treasury Stock..... | | | |
| 20 | Payments of Dividends or Capital Withdrawals..... | | | |
| 21 | Due to/from Intercompany | | 25,754 | 25,061 |
| 22 | | | | |
| 23 | Net Cash Provided (Used) By Financing Activities..... | | 25,754 | 25,061 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | | 5,211 | (20,820) |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | | 16,933 | 28,715 |
| 26 | Cash and Cash Equivalents at End of Period..... | | \$22,144 | \$7,895 |
| | CASH PAID DURING PERIOD FOR: | | | |
| 27 | Interest (Net of Amount Capitalized)..... | | \$12,816 | \$0 |
| 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.

HARRAH'S RESORT, ATLANTIC CITY

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)..... | | (\$17,964) | (\$38,894) |
| 30 | Depreciation and Amortization of Property and Equipment... | | 8,525 | 14,057 |
| 31 | Amortization of Other Assets..... | | 2,215 | 312 |
| 32 | Amortization of Debt Discount or Premium..... | | | |
| 33 | Deferred Income Taxes - Current | | | |
| 34 | Deferred Income Taxes - Noncurrent | | | |
| 35 | (Gain) Loss on Disposition of Property and Equipment..... | | 0 | 0 |
| 36 | (Gain) Loss on CRDA-Related Obligations..... | 13 | (7) | (801) |
| 37 | (Gain) Loss from Other Investment Activities..... | | | |
| 38 | (Increase) Decrease in Receivables and Patrons' Checks | | (6,490) | 6,607 |
| 39 | (Increase) Decrease in Inventories | | (30) | 5 |
| 40 | (Increase) Decrease in Other Current Assets..... | | (125) | (1,041) |
| 41 | (Increase) Decrease in Other Assets..... | | (199) | 44 |
| 42 | Increase (Decrease) in Accounts Payable..... | | 4,423 | (5,051) |
| 43 | Increase (Decrease) in Other Current Liabilities | | 6,310 | (5,247) |
| 44 | Increase (Decrease) in Other Liabilities | | 5,680 | 334 |
| 45 | (Increase) Decrease in Other Receivables or Adv | | | |
| 46 | | | | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | | \$2,338 | (\$29,675) |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | | |
|----|----------------------------------------------------------------|--|------------|------------|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | | |
| 48 | Additions to Property and Equipment..... | | (\$23,178) | (\$16,900) |
| 49 | Less: Capital Lease Obligations Incurred..... | | | |
| 50 | Cash Outflows for Property and Equipment..... | | (\$23,178) | (\$16,900) |
| | 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.

HARRAH'S RESORT, ATLANTIC CITY

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 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 | 312,912 | \$18,925 | | |
| 2 | Food | 184,406 | 4,522 | | |
| 3 | Beverage* | 1,079,230 | 5,396 | | |
| 4 | Travel | 0 | 0 | 7,861 | 1,358 |
| 5 | Bus Program Cash | 298 | 3 | | |
| 6 | Promotional Gaming Credits | 304,947 | 11,514 | | |
| 7 | Complimentary Cash Gifts | 42,956 | 1,767 | | |
| 8 | Entertainment | 0 | 0 | 337 | 43 |
| 9 | Retail & Non-Cash Gifts | 31,008 | 620 | 5,193 | 519 |
| 10 | Parking | 0 | 0 | 291,163 | 1,164 |
| 11 | Other** | 15,516 | 584 | 18,558 | 464 |
| 12 | Total | 1,971,273 | \$43,331 | 323,112 | \$3,548 |

FOR THE THREE MONTHS ENDED JUNE 30, 2021

| Line (a) | Description (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 172,134 | \$11,739 | 0 | \$0 |
| 2 | Food | 101,197 | 2,507 | 0 | 0 |
| 3 | Beverage* | 572,142 | 2,861 | 0 | 0 |
| 4 | Travel | 0 | 0 | 5,532 | 989 |
| 5 | Bus Program Cash | 195 | 2 | 0 | 0 |
| 6 | Promotional Gaming Credits | 160,650 | 6,289 | 0 | 0 |
| 7 | Complimentary Cash Gifts | 23,981 | 791 | 0 | 0 |
| 8 | Entertainment | 0 | 0 | 245 | 31 |
| 9 | Retail & Non-Cash Gifts | 17,133 | 343 | 3,050 | 305 |
| 10 | Parking | 0 | 0 | 169,041 | 676 |
| 11 | Other** | 8,609 | 324 | 17,613 | 440 |
| 12 | Total | 1,056,041 | \$24,856 | 195,481 | \$2,441 |

*Beverage recipients are based on \$5 per drink. This has been changed from prior statements.

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

HARRAH'S RESORT, ATLANTIC CITY 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.

8/16/2021

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY

Casino Licensee

HARRAH'S RESORT, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

Harrah's Atlantic City operates the business primarily through its wholly owned subsidiary Caesars Resort Collection, LLC ("CRC").

Harrah's Atlantic City is a casino hotel resort located in the Marina District of Atlantic City, New Jersey. Harrah's Atlantic City is licensed to operate the facility by the New Jersey Division of Gaming Enforcement ("DGE") and is subject to its rules and regulations. The license has no expiration date.

CEC 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. As AC Conference NewCo, LLC is its own entity its results are not part of Harrah's Resort Atlantic City's financial statements.

Recent Developments Related to COVID-19

In January 2020, an outbreak of a new strain of coronavirus ("COVID-19") was identified and has since spread throughout much of the world, including the U.S. Caesars was temporarily closed for the period from mid-March 2020 through July 2, 2020 due to orders issued by various government agencies as part of certain precautionary measures intended to help slow the spread of the COVID-19 public health emergency. During the six months ended June 30, 2021, the company has experienced positive trends as restrictions on maximum capacities and amenities available are eased.

The Company continued to pay its full-time employees through April 10, 2020, including tips and tokens. Effective April 11, 2020, the Company furloughed approximately 90% of its employees, implemented salary reductions and committed to continue to provide benefits to its employees through their furloughed period. The Company emphasized a focus on labor efficiencies as the Company's workforce returns and operations resume in compliance with governmental or tribal orders, directives, and guidelines.

The COVID-19 public health emergency has had, and continues to have, a material adverse effect on the Company's business, financial condition and results of operations for the six months ended June 30, 2021 and 2020. Although the Company is experiencing positive operating trends thus far in 2021, the extent of the ongoing and future effects of the COVID-19 public health emergency on the Company's business and the casino resort industry generally is uncertain. The extent and duration of the negative impact of the COVID-19 public health emergency will ultimately depend on future developments, including but not limited to, the duration and severity of the outbreak or new variants, restrictions on operations imposed by governmental authorities, the potential for authorities reimposing stay at home orders, travel restrictions or additional restrictions in response to continued developments with the COVID-19 public health emergency, the Company's ability to adapt to evolving operating procedures, the impact on consumer demand and discretionary spending, the length of time it takes for demand to return, the efficacy and acceptance of vaccines, and the Company's ability to adjust its cost structures for the duration of any such interruption of its operations.

As per New Jersey Governor Phil Murphy's approval, we reopened our doors on July 2, 2020 at a maximum capacity of 25% on the casino floor. Health screenings which included temperature checks and answering questions about potential contact with COVID-19 were required for all employees upon entering the building. Health screenings along with temperature checks, included answering questions about potential contact with Covid-19 were required for customers entering the building. Hand Sanitizer stations were also installed throughout all of our properties. Per Governor Murphy's mandate, food and beverage offerings were limited to take-out or outdoor dining only as indoor dining was not permitted. Indoor food and beverage offerings were allowed but limited to a maximum capacity of 25%. On February 5, 2021 capacity on food and beverage operations increased from 25% to 35%. Effective March 19, 2021, capacity on food and beverage operations increased from 35% to 50%. As of May 7, 2021, general outdoor gatherings limit increased to 500 people. Large venues (1,000 fixed seats or more) could host events at up to 50% capacity outdoors. Indoor catered events, including proms, could be held at 50% capacity, up to 250 people, and could reopen dance floors, with masking and social

HARRAH'S RESORT, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

distancing requirements in place. Restaurants could reopen indoor bar seating and buffets, subject to guidance from the Department of Health. Effective May 19, 2021, the outdoor gatherings limit was lifted, as long as groups remained six feet apart. Business gatherings and certain organized gatherings were allowed, so long as social distancing was maintained.

VICI Regional Lease Agreement/Exercise of Call Right Option

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

Sportsbook Operations

Effective September 10, 2020, Sportsbook operation at Harrah's Atlantic City is operated by William Hill. Sportsbook revenues for brick and mortar operations will not be shown in gaming revenues. Profit share will be recorded on the Statement of Income. On September 30, 2020, Caesars Entertainment reached an agreement to acquire William Hill. The transaction was completed in April 2021.

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

Basis of Presentation - The Company's 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 statements include the account balances of Harrah's Atlantic City 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 momentous 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 pursues 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 issuing 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 the reserve for allowance for doubtful accounts. Receivables are reported net of the 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.

HARRAH'S RESORT, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Property and Equipment - Property and equipment are stated at cost, except for assets acquired in our business combinations which were adjusted for fair value under ASC 805. Depreciation is computed using the straight-line method over the estimated useful life of the asset as noted in the table below, or the term of the lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in operating income.

The Company evaluates its property and equipment and other long-lived assets for impairment based on its classification as held for sale or to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Company recognizes the asset at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. The Company then compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge may be recorded for any difference between fair value and the carrying value. All recognized impairment losses, whether for assets held for sale or assets to be held and used, are recorded as operating expenses.

Our property and equipment is subject to various operating leases for which we are the lessor. We lease our property and equipment related to our hotel rooms, convention space and retail space through various short-term and long-term operating leases.

Useful Lives

| | |
|------------------------------------|----------------|
| Land improvements | 12 to 40 years |
| Buildings | 3 to 40 years |
| Leasehold improvements | 3 to 30 years |
| Furniture, fixtures, and equipment | 3 to 15 years |

Intangible Assets Other Than Goodwill – Intangible assets other than goodwill represents the customer database. As of June 30, 2021, and 2020, the gross carrying value is \$31,000 and \$4,352 and the accumulated amortization is \$4,429 and \$3,994, respectively.

Revenue Recognition (*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*. 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 and all related amendments.

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

Revenues – We analyze our revenues based upon the type of services we provide and the geographic location of the related property. We recognize revenue when control over the goods and services we provide has transferred to the customer, which is generally when the services are performed and when we have no substantive performance obligation remaining. Sales and other

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taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

Casino Revenues

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

Non-Gaming Revenues

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

Other Revenue

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

Caesars Rewards Loyalty Program – Caesars' customer loyalty program, Caesars Rewards, grants Reward Credits to Caesars 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 can earn credits towards tier status, which generally enables them to receive discounts similar to those provided as complementaries 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

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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, customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards (“NNRR”). The Company accrues the cost of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances on the accompanying Consolidated Statements of Income. At June 30, 2021 and 2020, the liability related to outstanding NNRR, which is based on historical redemption activity, were \$366 and \$825 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 State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the six months ended June 30, 2021 and 2020, which are included in cost of goods and services in the statement of income, were approximately \$8,897 and \$4,775 respectively.

City of Atlantic City Real Property Tax and Interim Payment In lieu of Taxes (PILOT) Financial Management - Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City 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 expensed \$12,553 and \$12,446 for the six months ended June 30, 2021 and 2020, respectively. In addition, the AC industry is required to provide \$5,000 from 2019 thru 2023, to a Separate State Fund for Atlantic City fiscal relief. The company expensed \$237 and \$285 for the six months ending June 30, 2021 and 2020, respectively.

Internet Gaming - Harrah’s Resort Atlantic City did not have Internet gaming operations during 2021 or 2020.

Seasonal factors - The Company’s operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2021 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.

Preliminary Purchase Price Allocation

The fair values are based on management’s analysis including preliminary work performed by third party valuation specialists, which are subject to finalization over the one-year measurement period. The purchase price accounting is preliminary as it relates to determining the fair value of certain assets and liabilities, including goodwill, and is subject to change. The following table summarizes the preliminary allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed, with the excess recorded as goodwill as of June 30, 2021:

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

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| | | |
|---------------------------------------|----|---------|
| Current liabilities | \$ | 32,880 |
| Property and Equipment | | 321,810 |
| Intangible Assets Other Than Goodwill | | 31,000 |
| Other Noncurrent Assets | | 2,121 |
| Total assets | \$ | 387,811 |
| | | |
| Current liabilities | \$ | 22,148 |
| Deferred Credits & Other Liabilities | | 954 |
| Total liabilities | | 23,102 |
| Net Assets Acquired | \$ | 364,709 |

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with Caesars and other Caesars subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by Caesars on a company-wide basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the cost and terms for similar programs that it could negotiate on a standalone basis.

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

Administrative and Other Services - Pursuant to a shared services agreement, Caesars Enterprise Services ("CES") provides certain corporate and administrative services provided by corporate personnel. In addition, there are costs allocated for workers compensation, general liability and property insurance. The Company was charged \$12,003 and \$12,265 for these services for the six months ended June 30, 2021 and 2020 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Equitization of Intercompany Balances – During June 2013, the Company began the process to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this entry was Additional Paid in Capital. This is separately shown on the statements of changes in stockholders' equity.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of June 30 consisted of the following:

| | 2021 | 2020 |
|---------------------------------------------------------------------------------------------|-----------|----------|
| Casino Receivables (Net of Allowance for Doubtful Accounts - 2021, \$6,747 & 2020, \$6,244) | \$ 3,067 | \$ 2,985 |
| Other (Net of Allowance for Doubtful Accounts- 2021, \$410 & 2020, \$955) | 7,241 | 4,686 |
| | \$ 10,308 | \$ 7,671 |

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NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-----------------|-----------------|
| Prepaid State Income Tax | \$ 362 | \$ 362 |
| Prepaid Taxes | 1,040 | 927 |
| Prepaid Marketing & Entertainment | 362 | 241 |
| Prepaid Contracts / Utilities | 851 | 921 |
| Prepaid Other & Other Current Assets | 411 | 393 |
| | <u>\$ 3,026</u> | <u>\$ 2,844</u> |

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| CRDA obligation deposit-Net of Valuation Allowance of \$535 and \$535 at June 30, 2021 and 2020, respectively | 338 | 92 |
| CRDA obligation bonds-Net of Valuation Allowance of \$10,431 and \$5,666 at June 30, 2021 and 2020, respectively | 1,594 | 6,401 |
| Other | - | - |
| | <u>\$ 1,932</u> | <u>\$ 6,493</u> |

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------------------|-------------------|-------------------|
| Land and Land Improvements | \$ 30,724 | \$ 56,838 |
| Building and Improvements | 145,171 | 211,034 |
| Furniture Fixtures & Equipment | 26,847 | 57,543 |
| Construction in Progress | 37,266 | 2,225 |
| | 240,008 | 327,640 |
| Less: Accumulated Depreciation and Amortization | (16,083) | (113,453) |
| Land, Building and Equipment, Net | <u>\$ 223,925</u> | <u>\$ 214,187</u> |

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

NOTE 8 – LEASES

Adoption of New Lease Accounting Standard - In February 2016, the FASB issued a new standard related to leases, ASU 2016-02, *Leases (Topic 842)* (“ASC 842”). We adopted the standard effective January 1, 2019, using the retrospective approach applied as of the beginning of the period of adoption. The Company elected to utilize the transition guidance within the new standard that permits us to (i) continue to report under legacy lease accounting guidance for comparative periods consistent with previously issued financial statements; and (ii) carryforward our prior conclusions about lease identification, lease classification, and initial direct costs. The most significant effects of adopting the new standard relate to the recognition of right-of-use (“ROU”) assets and liabilities for leases classified as operating leases when the Company is the lessee in the arrangement. Adopting 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

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

The following are additional details related to leases recorded on our Balance Sheet as of June 30, 2021:

| | Balance Sheet Classification | June 30, 2021 |
|-----------------------------------------|------------------------------------------------|----------------------|
| Assets | | |
| Operating lease ROU assets | Deferred charges and other assets | \$ 115 |
| Liabilities | | |
| Current operating lease liabilities | Accrued expenses and other current liabilities | 75 |
| Non-current operating lease liabilities | Deferred credits and other liabilities | 40 |

Lease Costs

| | Six Months Ended June 30, 2021 |
|--------------------------|-------------------------------------------|
| Operating lease expense | \$ 66 |
| Short-term lease expense | 2,787 |
| Variable lease expense | 54 |
| Total lease costs | <u>\$ 2,907</u> |

VICI Regional Lease Agreement - After the merger, there were sale-leaseback transaction for Harrah's Atlantic City, Harrah's New Orleans, and Harrah's Laughlin. In these transactions we received cash proceeds for the sale and agreed to pay additional rent payments under the Regional Lease (renamed from Non-CPLV). As part of purchase accounting, we determined that the cash proceeds received from the sale of the three properties were significantly higher than the fair value of the properties. We viewed the transaction as a refinancing of the debt for all properties under the Regional Lease (i.e. combined contract basis) as opposed to treating the new sale-leaseback transactions as separate contracts. The company accounted for this on a combined contract basis and the amended rent amount has been reallocated to the properties based on future EBITDAR projections. The deferred finance obligation (i.e. cash proceeds) were allocated to all properties under the Regional Lease using a true-up calculation. This increase in the deferred financing obligation changed intercompany activity as an offset. These transactions changed the initial term from 15 years to 35 years.

For these failed sale-leaseback transactions, the Company continues to reflect the real estate assets on the Balance Sheets in Property and equipment, net as if the Company was the legal owner, and continues to recognize depreciation expense over their estimated useful lives. We do not recognize lease expense related to the Lease Agreements, but we have recorded a liability for the failed sale-leaseback obligations and currently, 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 Operations, which causes the related sale-leaseback liability to increase during the initial periods of the lease term.

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NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements

| | |
|----------------------------------------------------|--------------|
| 2021 | 21,420 |
| 2022 | 52,225 |
| 2023 | 53,288 |
| 2024 | 54,284 |
| 2025 | 54,892 |
| Thereafter | 2,184,897 |
| Total Financing obligation payments ⁽¹⁾ | \$ 2,421,006 |

(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 non-lease components. The lease component is the predominant component of the arrangement and consists of the fees charged for lodging. The non-lease components primarily consist of resort fees and other miscellaneous items. As the timing and pattern of transfer of both the lease and non-lease components are over the course of the lease term, we have elected to combine the revenue generated from lease and non-lease components into a single lease component based on the predominant component in the arrangement. During the six months ended June 30, 2021, we recognized approximately \$33,942 in lease revenue related to lodging arrangements, which is included in the Statement of Income.

Real Estate Operating Leases - We enter into long-term real estate leasing arrangements with third-party lessees at our properties. As of June 30, 2021, the remaining terms of these operating leases ranged from 1 to 26 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 specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

Maturity of Lease Receivables as of June 30, 2021

| | Operating Leases |
|------------|-------------------------|
| 2021 | 594 |
| 2022 | 513 |
| 2023 | 439 |
| 2024 | 460 |
| 2025 | 463 |
| Thereafter | 2,816 |
| Total | \$ 5,285 |

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NOTE 9 - OTHER ASSETS

Other Assets as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------|------------------|-----------------|
| Customer Database (less Accumulated Amortization of \$4,429 for 2021 & \$3,994 for 2020) | \$ 26,571 | \$ 358 |
| Other | 331 | 934 |
| | <u>\$ 26,902</u> | <u>\$ 1,292</u> |

NOTE 10 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------------------|------------------|------------------|
| Accrued Salaries, Wages and Benefits | \$ 2,024 | \$ 1,600 |
| Taxes Payable | 3,668 | 864 |
| Accrued City Wide Progressive Slot Liability | 797 | - |
| Accrued CCC/DGE Casino License Fees | 227 | 412 |
| Accrued Utilities | 1,739 | 598 |
| Accrued Health and Welfare Union | 1,380 | 275 |
| VICI Call Right (1) | - | 70,451 |
| Other Accrued Expenses | 11,872 | 5,712 |
| | <u>\$ 21,707</u> | <u>\$ 79,912</u> |

(1) As described in Note 3, CRC is party to the VICI Call Right Agreements that provided VICI with a call right for up to five years to purchase and leaseback the real property assets associated with three of CRC's properties, including the Company, for a cash purchase price of 10 times the agreed upon annual rent for each property (subject to the terms of the CRC's credit agreements). Our accrual represents the estimated fair value of the call right related to the Company as of the Effective Date.

NOTE 11 - OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-------------------|---------------|
| Long Term Financing Obligation | \$ 533,245 | \$ 117 |
| Other Long Term Contract Liabilities | 555 | 720 |
| | <u>\$ 533,800</u> | <u>\$ 837</u> |

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NOTE 12 – REVENUE RECOGNITION

Disaggregation of Revenue

| | Six Months Ended June 30, 2021 |
|----------------------------------|-------------------------------------------|
| Casino | \$ 69,370 |
| Food and beverage ⁽¹⁾ | 18,561 |
| Rooms ⁽¹⁾ | 33,942 |
| Entertainment and other | 5,843 |
| Total contract revenues | 127,716 |
| Real estate leases | 253 |
| Net revenues | \$ 127,969 |

⁽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 lease revenues under ASC 842. See Note 8 for further details.

Receivables

| | Six Months Ended June 30, 2021 |
|--------------------------------------------|-------------------------------------------|
| Casino | \$ 3,067 |
| Food and beverage and rooms ⁽¹⁾ | 3,165 |
| Entertainment and other | 45 |
| Contract receivables, net | 6,277 |
| Real estate leases | 0 |
| Other | 4,031 |
| Receivables, net | \$ 10,308 |

⁽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 this balance relates to lease receivables under ASC 842. See Note 8 for further details.

NOTE 13 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT

CRDA Investment Obligation — The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company previously satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA were used to purchase bonds designated by the CRDA or, under certain circumstances, used to donate to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate. Effective May 27, 2016 the CRDA investment obligation of 1.25% of gross gaming revenues was redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation was reduced by previously pledged for bonds issued by the CRDA or otherwise 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 \$7 and (\$801) for the six months ended June 30, 2021 and 2020, respectively, and is included in CRDA related expenses, in the statement 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

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issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the six months ended June 30, 2021 and 2020 were \$7 and 41 respectively, and is included in CRDA related expenses, in the statement of income.

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

There was a writeoff of the CRDA bonds September 30, 2020 as a result of a risk analysis and purchase price accounting with corporate. Such analysis was performed at September 30, 2020, resulting in a write off to the CRDA bonds totaling \$4,799.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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