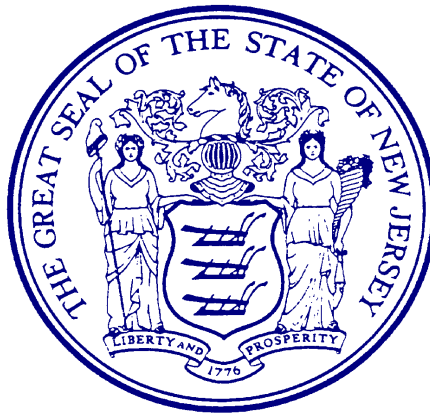


**BOARDWALK REGENCY LLC**  
**QUARTERLY REPORT**  
**FOR THE QUARTER ENDED MARCH 31, 2022**

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



**OFFICE OF FINANCIAL INVESTIGATIONS**  
**REPORTING MANUAL**

# BOARDWALK REGENCY LLC

## BALANCE SHEETS

AS OF MARCH 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$16,163	\$17,111
2	Short-Term Investments.....			0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, \$6,394; 2021, \$8,817).....	4 & 12	7,868	7,214
4	Inventories .....	2	848	978
5	Other Current Assets.....	5	1,581	1,089
6	Total Current Assets.....		26,460	26,392
7	Investments, Advances, and Receivables.....	6	2,244	1,780
8	Property and Equipment - Gross.....	2 & 7	416,287	337,069
9	Less: Accumulated Depreciation and Amortization.....	2 & 7	(56,788)	(26,503)
10	Property and Equipment - Net.....	2 & 7	359,499	310,566
11	Other Assets.....	8 & 9	31,155	35,470
12	Total Assets.....		\$419,358	\$374,208
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$25,081	\$4,864
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	10	14,891	13,337
19	Other Current Liabilities.....	8	2,682	2,463
20	Total Current Liabilities.....		42,654	20,664
	Long-Term Debt:			
21	Due to Affiliates.....			0
22	External.....			0
23	Deferred Credits .....	8	0	0
24	Other Liabilities.....	11	495,157	469,174
25	Commitments and Contingencies.....	14	0	0
26	Total Liabilities.....		537,811	489,838
27	Stockholders', Partners', or Proprietor's Equity.....		(118,453)	(115,630)
28	Total Liabilities and Equity.....		\$419,358	\$374,208

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

# BOARDWALK REGENCY LLC

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$31,494	\$28,134
2	Rooms.....		8,585	8,975
3	Food and Beverage.....		9,346	6,341
4	Other.....		3,927	2,335
5	Net Revenue.....	12	53,352	45,785
	Costs and Expenses:			
6	Casino.....		17,408	15,132
7	Rooms, Food and Beverage.....		8,899	7,768
8	General, Administrative and Other.....		16,454	14,716
9	Total Costs and Expenses.....		42,761	37,616
10	Gross Operating Profit.....		10,591	8,169
11	Depreciation and Amortization.....	2	9,499	10,568
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	3	5,445	4,959
14	Income (Loss) from Operations.....		(4,353)	(7,358)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(13,948)	(12,981)
17	CRDA Related Income (Expense) - Net.....	13	99	4
18	Nonoperating Income (Expense) - Net.....		(439)	41
19	Total Other Income (Expenses).....		(14,288)	(12,936)
20	Income (Loss) Before Taxes .....		(18,641)	(20,294)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$18,641)	(\$20,294)

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

# BOARDWALK REGENCY LLC

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND THREE MONTHS ENDED MARCH 31, 2022

(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, 2020.....		0	\$0	0	\$0	(\$69,758)	\$0	(\$32,980)	(\$102,738)
2	Net Income (Loss) - 2021.....								(56,978)	(56,978)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....					247		(247)		0
6	Equitization					31,862				31,862
7	Net Income (Loss) - Successor									0
8	Impact of Purchase Accounting									0
9										0
10	Balance, December 31, 2021.....		0	0	0	0	(37,649)	0	(90,205)	(127,854)
11	Net Income (Loss) - 2022								(18,641)	(18,641)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization					28,042				28,042
16	Net Income (Loss)									0
17	Impact of Purchase Accounting									0
18										0
19	Balance, March 31, 2022 .....		0	\$0	0	\$0	(\$9,607)	\$0	(\$108,846)	(\$118,453)

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

# BOARDWALK REGENCY LLC

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$7,084)	(\$9,683)
	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.....		(24,235)	(6,529)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(707)	(463) *
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....		143	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(24,799)	(6,992)
	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	Borrowings/Payments of Intercompany Payable .....		28,042	17,908
22				
23	Net Cash Provided (Used) By Financing Activities.....		28,042	17,908
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(3,841)	1,233
25	Cash and Cash Equivalents at Beginning of Period.....		20,004	15,878
26	Cash and Cash Equivalents at End of Period.....		\$16,163	\$17,111
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$12,349	\$7,587
28	Income Taxes.....		\$0	\$0

\*Prior year balances have changed to conform with current year presentation

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

# BOARDWALK REGENCY LLC

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$18,641)	(\$20,294)
30	Depreciation and Amortization of Property and Equipment...		8,510	9,579
31	Amortization of Other Assets.....		989	989
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.....			
36	(Gain) Loss on CRDA-Related Obligations.....		(99)	(4)
37	(Gain) Loss from Other Investment Activities.....		(81)	
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(296)	848
39	(Increase) Decrease in Inventories .....		9	14
40	(Increase) Decrease in Other Current Assets.....		96	1,383
41	(Increase) Decrease in Other Assets.....		(124)	20
42	Increase (Decrease) in Accounts Payable.....		2,007	312
43	Increase (Decrease) in Other Current Liabilities .....		(1,099)	149
44	Increase (Decrease) in Other Liabilities .....		1,645	(2,679)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$7,084)	(\$9,683)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$24,235)	(\$6,529)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$24,235)	(\$6,529)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
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

\*Prior year balances have changed to conform with current year presentation

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

**BOARDWALK REGENCY LLC  
SCHEDULE OF PROMOTIONAL  
EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(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	82,752	\$5,468		
2	Food	54,477	1,789	33,436	377
3	Beverage*	289,437	3,693		
4	Travel			21,272	1,827
5	Bus Program Cash				
6	Promotional Gaming Credits	332,590	8,315		
7	Complimentary Cash Gifts	26,069	237		
8	Entertainment	212	27	567	71
9	Retail & Non-Cash Gifts	16,105	322	8,537	854
10	Parking	72,653	756		
11	Other**	1,031	786	1,420	35
12	Total	875,326	\$21,393	65,232	\$3,164

FOR THE THREE MONTHS ENDED MARCH 31, 2022

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	82,752	\$5,468		
2	Food	54,477	1,789	33,436	377
3	Beverage*	289,437	3,693		
4	Travel			21,272	1,827
5	Bus Program Cash				
6	Promotional Gaming Credits	332,590	8,315		
7	Complimentary Cash Gifts	26,069	237		
8	Entertainment	212	27	567	71
9	Retail & Non-Cash Gifts	16,105	322	8,537	854
10	Parking	72,653	756		
11	Other**	1,031	786	1,420	35
12	Total	875,326	\$21,393	65,232	\$3,164

\*Beverage recipients are based on \$12.76 per drink. This has been changed from prior statements.

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

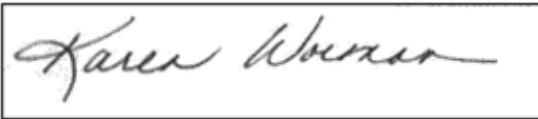
**BOARDWALK REGENCY LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2022

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

5/16/2022

Date



Karen Worman

Vice President of Finance

Title

006320-11

License Number

On Behalf of:

BOARDWALK REGENCY LLC

Casino Licensee



**Boardwalk Regency LLC (Caesars Atlantic City)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 – ORGANIZATION**

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

Caesars Atlantic City Hotel & Casino is a casino hotel resort located in Atlantic City, New Jersey, owned and operated by Boardwalk Regency Corporation (“Caesars Atlantic City”), an indirect wholly owned subsidiary of CEOC LLC. Caesars Atlantic City is licensed by the DGE and is subject to its rules and regulations. The license has no expiration date.

The Company took over operations of the Pier on January 28, 2020. The Pier LLC is its own entity and the results are not included in the Company’s financials.

Bally’s Park Place was sold to Twin River on November 18, 2020. The Wild Wild West Casino was retained by Caesars and effective with the date of the close, the Wild Wild West casino assets were transferred to Caesars.

**Developments Related to COVID-19**

In March 2020, an outbreak of a new strain of coronavirus (“COVID-19”) was characterized as a pandemic. In response, on March 16, 2020, the Governor of New Jersey issued Executive Order 104, which, among other things, ordered casino gaming floors and casino concert and entertainment venues to close effective 8:00 PM on March 16, 2020. Based on the Governor’s Order, the NJ Division of Gaming Enforcement issued an Order requiring all Atlantic City casinos to temporarily suspend their land based casino and sports wagering operations effective 8:00 PM on March 16, 2020. Executive Order 104 did not require suspension of online casino and sports wagering operations. As such, those operations continued. The Company resumed operations and returned a portion of its workforce on July 2, 2020 in accordance with governmental orders, directives and guidelines.

Subsequent Executive Orders and the impact on the Company are summarized below:

<b>Order No.</b>	<b>Title</b>	<b>Issue Date</b>	<b>Effect</b>	<b>Effective Date</b>
No. 194	<i>New COVID-19 Mitigation Measures</i>	11/10/20	Cessation of indoor food and beverage operations, including casino floor beverage service, from 10:00 PM until 5:00 AM daily,	11/12/20
No. 219	<i>Raising Indoor Capacity Limits</i>	02/03/21	Reinstated indoor food and beverage operations, including casino floor beverage service, from 10:00 PM until 5:00 AM daily	02/05/21
No. 230	<i>Increased Capacity Limits for Indoor Businesses and Indoor and Outdoor Gatherings</i>	03/11/21	Increased food and beverage capacity from 35% to 50%	03/19/21
No. 238	<i>Additional easing of restrictions</i>	05/03/21	Removed all percentage capacity limits for indoor and outdoor businesses and lifted the prohibition on indoor bar seating	05/07/21

**Boardwalk Regency LLC (Caesars Atlantic City)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

No. 239	<i>Second Phase of COVID-19 Restriction Easing</i>	05/12/21	Removes all capacity limits for outdoor gatherings and increases indoor gathering limits	05/19/21
No. 244	<i>Ending COVID-19 Public Health Emergency</i>	06/04/21	Business gatherings and certain organized gatherings allowed, so long as social distancing is maintained.	06/04/21

Following temporary furloughs and salary reductions during 2020, the Company has emphasized a focus on labor efficiencies as operations resumed. As the property reopened, certain capacity restrictions, mask mandates, sanitation guidelines, and federal COVID-19 vaccine and testing emergency temporary standard were adhered to as required by governmental directives and guidelines.

The Company experienced positive operating trends in 2021, with a continued focus on operational efficiencies as restrictions on maximum capacities and amenities available were eased. Future effects of COVID-19 from further outbreaks, including new variants, mask mandates or other restrictions are uncertain and could result in additional closures. Extensive closure periods impacting the Company would have a material adverse effect on future results of operations.

**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 November 20, 2020, Caesars acquired the Sportsbook operation at Wild Wild West as a result of Bally’s Atlantic City sale and it 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 statement schedules include the account balances of the Company and its wholly owned subsidiaries. As a result, all material intercompany transactions and balances have been eliminated in consolidation.

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

**Cash and Cash Equivalents** - Cash equivalents are highly liquid investments with original maturities of three months or less from the

**Boardwalk Regency LLC (Caesars Atlantic City)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

date of purchase and are stated at the lower of cost or market value.

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

Marker play represents a portion of the Company's overall games volume. The Company maintains strict control 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 the Company issues credit to customers who are not residents of the United States.

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

**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 and improvements	3 to 40 years
Leasehold improvements	3 to 30 years
Furniture, fixtures, and equipment	3 to 15 years

**Boardwalk Regency LLC (Caesars Atlantic City)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Sale of Bally's Atlantic City** - On November 18, 2020, the sale of Bally's Atlantic City to Twin River Worldwide Holdings, Inc. ("Twin River" or subsequently, "Bally's Corporation") closed. As a result of the sale, Caesars Atlantic City acquired Wild Wild West Casino. In addition, on October 9, 2020, CEI reached an agreement to sell the Bally's brand to Bally's Corporation for \$20 million, while retaining the right to use the brand within Bally's Las Vegas in perpetuity.

**Goodwill** – The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The Companies determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill. Caesars Atlantic City had recorded \$4,285 due to the acquisition of Wild Wild West Casino.

**Intangible Assets Other Than Goodwill** – Intangible assets other than goodwill represents the customer database. Due to the merger and the acquisition of Wild Wild West Casino, the customer database increased to \$27,700. As of March 31, 2022 and 2021, the gross carrying value is \$27,700 and the accumulated amortization is \$6,925 and \$2,968, 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.

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 are 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 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.

**Boardwalk Regency LLC (Caesars Atlantic City)**  
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*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 are able to earn credits towards tier status, which generally enables them to receive discounts similar to those provided as complimentaries described below. We have determined that any such discounts received as a result of tier status do not represent material rights, and therefore, we do not account for them as distinct performance obligations.

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

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

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In addition to Reward Credits, the Company's customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrued the costs of NNRR, after consideration of estimated breakage, as they were earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying consolidated statements of operations. Effective June 17, 2021 the program changed shortening the eligibility for redemption. As a result, the company decided that it is no longer required to record the liability. At March 31, 2021, the liability related to outstanding NNRR was approximately \$342.

**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 8% of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the three months ended March 31, 2022 and 2021, which are included in casino expenses in the accompanying consolidated statements of income, were \$4,257 and \$3,702, respectively. On December 21, 2021, the Governor of State of New Jersey signed into law an amendment to the Casino Control Act to temporarily allow for a one-year credit from March 2022 – February 2023 against the 8% Gross Revenue Tax. The gaming tax credit to be applied to Gross Revenue Tax for the Company is \$1,289. As of March 31, 2022, the Company took credit of \$107.

**Advertising Expenses** – Advertising costs are expensed as incurred. Advertising expenses are \$164 and \$108 for the three months ended March 31, 2022 and 2021 respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

**City of Atlantic City Real Property Tax and Interim Payment in Lieu of Taxes (PILOT) Financial Management** – Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City to make quarterly payments in lieu of real estate taxes. The Company is responsible for the payments based on its share as referenced in the agreement and will be subject to lien provisions if the payments are not made. The Company expensed \$3,433 and \$4,536 for the three months ended March 31, 2022 and 2021 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 \$71 and \$103 for the three months ending March 31, 2022 and 2021, respectively. On December 21, 2021, the Governor of New Jersey signed a bill which eliminates internet gaming revenues from the calculation of gaming revenues and additionally sets the 2022 PILOT payment at \$110,000. Also, the Separate State Payment was extended through 2026.

**Internet Gaming** - Caesars Interactive Entertainment New Jersey, LLC as the affiliate of Boardwalk Regency Corporation, was issued an internet gaming permit on November 20, 2013 to conduct real money online gaming in the State of New Jersey. All real money online gaming is reported in the financial statements of Caesars Interactive Entertainment New Jersey, LLC.

**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

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recorded as goodwill as of March 31, 2022:

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

Current liabilities	\$	31,647
Property and Equipment		297,973
Intangible Assets Other Than Goodwill		26,000
Other Noncurrent Assets		1,985
Total assets	\$	<u>357,605</u>
Current liabilities	\$	20,933
Financial Lease Obligation		439,955
Deferred Credits & Other Liabilities		463
Total liabilities		<u>461,351</u>
Net Liabilities Acquired	\$	<u>(103,746)</u>

**NOTE 3 - RELATED PARTY TRANSACTIONS**

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

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

**Administrative and Other Services** - Pursuant to a shared services agreement, Caesars Enterprise Services ("CES") provides certain corporate and administrative services provided by corporate personnel. In addition, there are costs allocated to the property for workers compensation, general liability and property insurance. The Company was charged \$5,445 and \$4,959 for these services for the three months ended March 31, 2022 and 2021 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

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

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**NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS**

Receivables and patrons’ checks as of March 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2022, \$6,333 & 2021, \$8,730	\$ 3,450	\$ 3,568
Other (Net of Allowance for Doubtful Accounts - 2022, \$61 & 2021, \$87)	3,975	3,217
King Plaza	443	429
	<u>\$ 7,868</u>	<u>\$ 7,214</u>

**NOTE 5 – OTHER CURRENT ASSET**

Other Current Assets as of March 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Prepaid Gaming Tax & License	\$ 230	\$ 272
Prepaid Real Estate Taxes	480	139
Prepaid Contracts/Utilities	562	442
Prepaid Entertainment/Special Events	1	50
Prepaid Gift Cards	91	-
Other	217	186
	<u>\$ 1,581</u>	<u>\$ 1,089</u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

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

	<u>2022</u>	<u>2021</u>
Casino Reinvestment Development Authority Investment Obligation ("CRDA") (net of valuation reserves)	\$ 2,244	\$ 1,780
	<u>\$ 2,244</u>	<u>\$ 1,780</u>



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**NOTE 7 – LAND, BUILDINGS AND EQUIPMENT**

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

	2022	2021
Land	\$ 20,061	\$ 20,960
Buildings and Improvements	300,488	257,352
Furniture, Fixtures, and Equipment	62,643	41,750
Construction in Progress	33,095	17,007
	\$ 416,287	\$ 337,069
Less Accumulated Depreciation & Amortization	(56,788)	(26,503)
	\$ 359,499	\$ 310,566

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 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.

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**Lease Costs**

	<b>Three Months Ended March 31, 2022</b>
Operating lease expense	\$ 12
Short-term lease expense	1,015
Variable lease expense	15
Total lease costs	\$ 1,042

**VICI Leases**

We lease certain real property assets from VICI under the Regional Lease (as amended, the “Regional Lease”), which include certain real property assets of The Company. The lease agreement, inclusive of all amendments, include (i) a 15-year initial term with four five-year renewal options, (ii) annual fixed rent payments of \$47,093, subject to annual escalation provisions based on the Consumer Price Index (“CPI”) and a 2% floor commencing in lease year two of the initial term and (iii) a variable element based on net revenues of the underlying leased properties, commencing in lease year eight of the initial term.

The lease agreements were evaluated as sale-leasebacks of real estate. We determined that these transactions did not qualify for sale-leaseback accounting, and we have accounted for each of the transactions as a financing.

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.

**Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements**

	<u>As of March 31, 2022</u>
2022	\$ 37,186
2023	50,556
2024	51,432
2025	51,795
2026	52,520
Thereafter	1,979,874
Total Financing obligation payments <sup>(1)</sup>	\$ 2,223,363

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.

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**Lessor Arrangements**

**Lodging Arrangements** - Lodging arrangements are considered short-term and generally consist of lease and nonlease components. The lease component is the predominant component of the arrangement and consists of the fees charged for lodging. The nonlease components primarily consist of resort fees and other miscellaneous items. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. During the three months ended March 31, 2022, we recognized approximately \$8,585 in lease revenue related to lodging arrangements, which is included in Rooms revenue in the Statement of Income.

**Real Estate Operating Leases** - We entered into long-term real estate leasing arrangements with third-party lessees at our properties. As of March 31, 2022, the remaining terms of these operating leases ranged from 1 to 14 years, some of which include options to extend the lease term for up to 5 years. In addition to minimum rental commitments, certain of our operating leases provide for contingent payments including contingent rentals based on a percentage of revenues in excess of specified amounts and reimbursements for common area maintenance and utilities charges. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. In addition, to maintain the value of our leased assets, certain leases include specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

**Maturity of Lease Receivables as of March 31, 2022**

	<u>Operating Leases</u>
2022	964
2023	907
2024	702
2025	702
2026	330
Thereafter	0
Total	<u>\$ 3,605</u>

**NOTE 9 – OTHER ASSETS**

Other assets as of March 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Customer Database (less Accumulated Amortization of \$6,925 in 2022 & \$2,968 in 2021)	\$ 20,775	\$ 24,732
Goodwill	4,285	4,285
King Plaza*	5,962	6,404
Other	133	49
	<u>\$ 31,155</u>	<u>\$ 35,470</u>

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\*Due to the sale of Bally's, King Plaza note was retained by Caesars Atlantic City.

**NOTE 10 - OTHER ACCRUED EXPENSES**

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

	<u>2022</u>	<u>2021</u>
Accrued Payroll	\$ 4,419	\$ 3,725
Accrued Interest Payable	4,116	3,792
Accrued Utilities	1,318	1,124
Accrued Sales Tax	714	519
Accrued Gaming Tax	13	57
Accrued Gaming License	736	316
Accrued Marketing	370	421
Other	3,205	3,383
	<u>\$ 14,891</u>	<u>\$ 13,337</u>

**NOTE 11 – OTHER LIABILITIES**

Other Liabilities as of March 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Long-term Financing Obligation	\$ 495,120	\$ 468,283
Other	37	891
	<u>\$ 495,157</u>	<u>\$ 469,174</u>

**NOTE 12 – REVENUE RECOGNITION**

**Disaggregation of Revenue**

	<u>Three Months Ended</u> <u>March 31, 2022</u>
Casino	\$ 31,494
Food and beverage <sup>(1)</sup>	9,346
Rooms <sup>(1)</sup>	8,585
Entertainment and other	3,686
Total contract revenues	<u>53,111</u>
Real estate leases	241
Net revenues	<u>\$ 53,352</u>

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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**

	<b>Three Months Ended March 31, 2022</b>
Casino	\$ 3,450
Food and beverage and rooms <sup>(1)</sup>	873
Entertainment and other	12
Contract receivables, net	4,335
Real estate leases	0
Other	3,533
Receivables, net	\$ 7,868

(1) As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangement 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 will be reduced by previously contractually obligated Credit Agreements committed by the Authority.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$99 and \$4 for the three months ended March 31, 2022 and 2021, respectively, and is included in CRDA Income (Expense), in the consolidated statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued, we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and, under the CRDA; they are not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the three months ended March 31, 2022 and 2021 was \$4 and \$4, respectively, and is included in CRDA Expense in the consolidated statements of operations.

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

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 \$1,532. An annual review of the CRDA bonds was performed in 2021 and it was determined no adjustment was necessary.

**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.