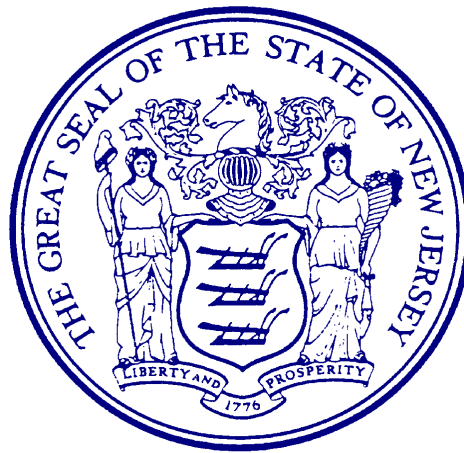


**BOARDWALK 1000, LLC DBA  
HARD ROCK HOTEL & CASINO  
QUARTERLY REPORT  
FOR THE QUARTER ENDED DECEMBER 31, 2022**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# HARD ROCK HOTEL & CASINO

## BALANCE SHEETS

AS OF DECEMBER 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	\$102,389	\$115,131
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, \$14,471; 2021, \$13,855).....	2, 4	26,043	21,243
4	Inventories .....	2	1,889	1,769
5	Other Current Assets.....	8,13	10,006	8,837
6	Total Current Assets.....		140,327	146,980
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2,5	606,400	589,994
9	Less: Accumulated Depreciation and Amortization.....	2,5	(210,688)	(177,350)
10	Property and Equipment - Net.....	5	395,712	412,644
11	Other Assets.....	8	576	506
12	Total Assets.....		\$536,615	\$560,130
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,762	\$7,552
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	522,428
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	6	46,030	43,378
19	Other Current Liabilities.....	2,7,11	113,884	60,167
20	Total Current Liabilities.....		167,676	633,525
	Long-Term Debt:			
21	Due to Affiliates.....	9	523,377	0
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....	2,10,11	8,378	61,797
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		699,431	695,322
27	Stockholders', Partners', or Proprietor's Equity.....		(162,816)	(135,192)
28	Total Liabilities and Equity.....		\$536,615	\$560,130

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

# HARD ROCK HOTEL & CASINO

## STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$309,073	\$269,973
2	Rooms.....		99,363	93,493
3	Food and Beverage.....		101,607	79,196
4	Other.....		88,467	66,284
5	Net Revenue.....		598,510	508,946
	Costs and Expenses:			
6	Casino.....	2	130,963	110,392
7	Rooms, Food and Beverage.....		117,095	95,737
8	General, Administrative and Other.....		222,414	195,968
9	Total Costs and Expenses.....		470,472	402,097
10	Gross Operating Profit.....		128,038	106,849
11	Depreciation and Amortization.....	2, 5	33,362	41,464
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	35,205	25,502
13	Other.....	11	9,269	8,742
14	Income (Loss) from Operations.....		50,202	31,141
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	(34,452)	(35,182)
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....	2	(7,652)	(6,996)
18	Nonoperating Income (Expense) - Net.....	2	600	127
19	Total Other Income (Expenses).....		(41,504)	(42,051)
20	Income (Loss) Before Taxes .....		8,698	(10,910)
21	Provision (Credit) for Income Taxes.....	2	0	0
22	Net Income (Loss).....		\$8,698	(\$10,910)

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

# HARD ROCK HOTEL & CASINO

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$69,391	\$67,583
2	Rooms.....		21,598	20,893
3	Food and Beverage.....		23,250	23,016
4	Other.....		20,890	18,752
5	Net Revenue.....		135,129	130,244
	Costs and Expenses:			
6	Casino.....	2	31,215	27,708
7	Rooms, Food and Beverage.....		28,813	25,946
8	General, Administrative and Other.....		56,123	50,769
9	Total Costs and Expenses.....		116,151	104,423
10	Gross Operating Profit.....		18,978	25,821
11	Depreciation and Amortization.....	2, 5	8,532	8,861
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	9,627	9,783
13	Other.....	11	2,372	2,180
14	Income (Loss) from Operations.....		(1,553)	4,997
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	(8,397)	(8,813)
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....	2	(1,701)	(1,497)
18	Nonoperating Income (Expense) - Net.....	2	445	21
19	Total Other Income (Expenses).....		(9,653)	(10,289)
20	Income (Loss) Before Taxes .....		(11,206)	(5,292)
21	Provision (Credit) for Income Taxes.....	2	0	0
22	Net Income (Loss).....		(\$11,206)	(\$5,292)

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

# HARD ROCK HOTEL & CASINO

## STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2020.....		\$159,000	(\$283,282)	\$0	(\$124,282)
2	Net Income (Loss) - 2021.....			(10,910)		(10,910)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2021.....		159,000	(294,192)	0	(135,192)
11	Net Income (Loss) - 2022.....			8,698		8,698
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....	12		(36,322)		(36,322)
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, December 31, 2022.....		\$159,000	(\$321,816)	\$0	(\$162,816)

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

# HARD ROCK HOTEL & CASINO STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$39,236	\$74,917
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....	5	(15,656)	(17,314)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		0	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	0
11	.....		0	0
12	Net Cash Provided (Used) By Investing Activities.....		(15,656)	(17,314)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		(36,322)	0
21	.....		0	0
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		(36,322)	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(12,742)	57,603
25	Cash and Cash Equivalents at Beginning of Period.....		115,131	57,528
26	Cash and Cash Equivalents at End of Period.....	2	\$102,389	\$115,131
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....	9	\$37,059	\$32,951
28	Income Taxes.....		\$0	\$0

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

# HARD ROCK HOTEL & CASINO STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 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).....		\$8,698	(\$10,910)
30	Depreciation and Amortization of Property and Equipment.....	2,5	33,337	41,439
31	Amortization of Other Assets.....		25	25
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....	4	(4,800)	1,927
39	(Increase) Decrease in Inventories .....		(120)	(130)
40	(Increase) Decrease in Other Current Assets.....		(1,169)	(213)
41	(Increase) Decrease in Other Assets.....		(94)	1,763
42	Increase (Decrease) in Accounts Payable.....		211	2,471
43	Increase (Decrease) in Other Current Liabilities .....		55,618	39,289
44	Increase (Decrease) in Other Liabilities .....		(53,419)	(2,392)
45	Amortization of Loan Issuance Costs .....	9	949	1,648
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$39,236	\$74,917

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....	5	(\$15,656)	(\$17,314)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$15,656)	(\$17,314)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<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

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

# HARD ROCK HOTEL & CASINO SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 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	882,162	\$48,426		
2	Food	668,463	30,803		
3	Beverage	3,284,469	16,816		
4	Travel			4,987	2,244
5	Bus Program Cash				
6	Promotional Gaming Credits	951,518	79,092		
7	Complimentary Cash Gifts	2,138	3,199		
8	Entertainment	58,751	5,048		
9	Retail & Non-Cash Gifts			253,657	15,011
10	Parking			584,119	4,855
11	Other	746,800	12,161	973,400	14,716
12	Total	6,594,301	\$195,545	1,816,163	\$36,826

FOR THE THREE MONTHS ENDED DECEMBER 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	211,806	\$11,335	0	\$0
2	Food	96,234	7,107	0	0
3	Beverage	779,874	3,992	0	0
4	Travel	0	0	1,134	510
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	222,370	19,526	0	0
7	Complimentary Cash Gifts	501	670	0	0
8	Entertainment	16,298	1,093	0	0
9	Retail & Non-Cash Gifts	0	0	60,636	3,769
10	Parking	0	0	140,317	1,151
11	Other	175,800	2,862	234,200	3,540
12	Total	1,502,883	\$46,585	436,287	\$8,970

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



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

FOR THE QUARTER ENDED DECEMBER 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.

3/31/2023

Date



Alicia Magee  
Alicia Magee

Vice President - Finance Operations

Title

8714-11

License Number

On Behalf of:

BOARDWALK 1000, LLC DBA  
HARD ROCK HOTEL & CASINO

Casino Licensee

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(In thousands)**

**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

***Organization***

Boardwalk 1000, LLC (the “Company”), a New Jersey limited liability company, is a wholly owned subsidiary of Hard Rock Tristate AC, LLC (“Tristate”). The Company was formed on February 24, 2017. The Company owns and operates the Hard Rock Hotel & Casino Atlantic City (the “Hard Rock Hotel & Casino”) in Atlantic City, New Jersey. The Company’s operating agreement (“Operating Agreement”) was entered into by the Company and Tristate and became effective on February 24, 2017. The Operating Agreement was amended and restated effective November 10, 2017.

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

***Novel Coronavirus (COVID-19)***

On June 4, 2021, legislation and an executive order was executed which terminated New Jersey’s Public Health Emergency related to COVID-19. As a result, governmental and regulatory restrictions which required the enforcement of social distancing and other measures to reduce the spread of COVID-19, expired as of July 4, 2021. Notwithstanding the expiration of these restrictions, COVID-19 and variants of the virus continued to adversely impact the Company’s operations through early 2022.

***Nature of Business***

The Hard Rock Hotel & Casino features: two hotel towers with a combined total of 1,971 rooms, including high end suites; 2,347 slot machines; 130 table games; a sportsbook; a variety of fine dining and casual restaurants; a 5,500-seat arena; a spa; a gas station, including a convenience store and car wash; and other amenities.

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

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

***Basis of Presentation***

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

***Use of Estimates***

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

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

***Certain Concentrations of Risk***

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

As of December 31, 2022, the Company maintained balances in certain of its deposit accounts in excess of federally insured limits. The Company does not expect to incur any losses resulting from cash held in financial institutions in excess of insured limits. The Company manages this risk through predominantly holding its cash with a large, financially stable, global bank.

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

***Cash and Cash Equivalents***

Cash 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. Cash and cash equivalents consist of the following:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Unrestricted cash	\$ 83,449	\$ 99,711
Restricted cash	18,940	15,420
	\$ 102,389	\$ 115,131

Restricted cash at December 31, 2022 was \$18,940, which included \$12,658 of restricted cash related to the balances of patrons' internet gaming accounts, \$3,842 related to cash collateral for letters of credit related to the Company's workers compensation insurance, and \$2,440 of cash related to third party internet gaming operations. Restricted cash at December 31, 2021 was \$15,420, which included \$8,417 of restricted cash related to the balances of patrons' internet gaming accounts, \$4,481 related to cash collateral for letters of credit related to the Company's workers compensation insurance and \$2,522 of cash related to third party internet gaming operations. Pursuant to N.J.A.C. 13:69O1.3(j), the Company maintains separate New Jersey bank accounts to primarily ensure the security of funds held in patrons' internet gaming accounts. Restricted cash balances are on deposit with a large, financially stable, global bank.

***Accounts Receivable, Net***

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

***Inventories***

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

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

***Property and Equipment***

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

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

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

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

The Company evaluates the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For an asset that is to be disposed of, the Company recognizes the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For a long-lived asset to be held and used, the Company reviews the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The estimated undiscounted future cash flows of the asset are then compared to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using the Company's weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If an asset is under development, future cash flows include remaining construction costs. There were no impairment losses recognized in the statements of income during the years ended December 31, 2022 and 2021.

***Revenue Recognition***

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

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

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

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

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

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

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

***Internet Gaming Operations***

I-Gaming casino revenues represent the difference between wins and losses from online gaming activities and are recognized as a component of casino revenue in the statements of income. The Company makes cash promotional offers to certain of its I-Gaming customers, including cash rebates as part of loyalty programs generally based on an individual's level of gaming play. These costs are classified as a deferral of casino revenue, until redeemed by the customer.

***Contract and Contract-Related Liabilities***

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

***Deferred Revenue***

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

***Gaming Taxes***

The Company is subject to an annual tax assessment based on 8% of its land-based gross gaming revenues and 15% of its online gross gaming revenues. In addition, online and land-based sports betting revenues are subject to a 13% and 8.5% tax rate, respectively. These gaming taxes are recorded as a casino expense in the statements of income. The Company recorded gaming tax expense of \$41,475 and \$40,140 during the years ended December 31, 2022 and 2021, respectively.

***CRDA Obligations***

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, the Company is assessed at an amount equal to 1.25% of its land-based gross gaming revenues. This assessment is made in lieu of an Investment Alternative Tax (the "IAT") equal to 2.5% of land-based gross gaming revenues. The Casino Control Act also provides for an assessment equal to 2.5% of the Company's online gross gaming revenues, which is made in lieu of an IAT equal to 5.0% of online gross gaming revenues. The Company is required to make quarterly payments to the CRDA to satisfy its investment obligations. Pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters commonly referred to as the payment in lieu of taxes (PILOT) law, these funds are to be used for the purposes of paying debt service on bonds issued by the City of Atlantic City prior to and after the date of the PILOT law. These provisions expire as of December 31, 2026. The Company recorded IAT expense of \$7,653 and \$6,996 during the years ended December 31, 2022 and 2021, respectively.

***Loss Contingencies***

There are times when nonrecurring events may occur that require management to consider whether an accrual for a loss contingency is appropriate. Accruals for loss contingencies typically relate to certain legal proceedings, customer and other claims, and litigation. The Company determines whether an accrual for a loss contingency is appropriate by assessing whether a loss is deemed probable and can be reasonably estimated. The Company analyzes its legal proceedings and other claims based on available information to assess potential liability. The Company develops its views on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results assuming a combination of litigation and settlement strategies. See Note 13.

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

***Income Taxes***

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

***Advertising Expense***

Advertising costs are expensed as incurred or the first time the advertising takes place. Advertising costs are included in general, administrative and other expenses in the statements of income and totaled \$16,118 and \$15,921 during the years ended December 31, 2022 and 2021, respectively.

***Recently Issued Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Loss (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. This new update, as amended, is effective for interim and annual periods beginning after December 15, 2022. The Company does not expect the adoption of this new update will have a material impact on its financial position, results of operations, or cash flows.

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016 02, Leases (Topic ASC 842), to increase transparency and comparability among organizations related to their leasing arrangements. ASU 2016 and certain other FASB issued ASUs introduce a comprehensive new standard that amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use ("ROU") lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. Under these requirements, lease expense will generally continue to be recognized in a manner similar to historical US GAAP. The Company adopted the new lease standard on January 1, 2022, using the modified retrospective approach introduced in ASU 2018-11, Leases (Topic 842): Targeted Improvements. Under this transition provision, results for reporting periods beginning on January 1, 2022, are presented under FASB ASC 842, while prior period amounts continue to be reported and disclosed in accordance with the Company's historical accounting treatment under FASB ASC Topic 840, Leases.

The Company elected the "package of practical expedients" permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. In addition, the Company elected certain other available practical expedients and has elected certain accounting policies for new or amended leases post-FASB ASC 842 effective date.

The adoption of FASB ASC 842 resulted in the recording of ROU assets and lease liabilities related to the Company's operating leases of approximately \$794 and \$777, respectively, on January 1, 2022. The adoption of the new lease standard did not materially affect the balance sheets as of December 31, 2022 and 2021, and the related statements of income and cash flows and did not result in a material cumulative effect adjustment to the opening balance of member's deficit. See Note 8.

**NOTE 3 – INTERNET GAMING AND SPORTS WAGERING**

The Company holds a sports wagering license and an internet gaming permit, both of which are issued by the New Jersey Division of Gaming Enforcement ("DGE"). The sports wagering license allows the Company to operate a retail sports wagering lounge located on its property and up to three individually branded websites offering online sports wagering. The internet gaming permit allows the Company to utilize up to five individually branded websites to offer internet gaming.

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

*Online Gaming and Retail Sportsbook Services Agreement*

On March 8, 2023, the Company entered into an Online Gaming and Retail Sportsbook Services Agreement between it, Seminole Hard Rock Digital, LLC (“SHRD”) and HR Atlantic City, LLC (“HR Atlantic City”), a part-owner of Tristate, pursuant to which SHRD will (i) develop, market, operate, and brand online sportsbook games, online poker games and online casino games in New Jersey, and (ii) develop, market, operate and brand the Hard Rock Hotel & Casino sportsbook in Atlantic City. The Online Gaming and Retail Sportsbook Services Agreement became effective on January 1, 2023.

The Company receives a share of the revenues generated by the online sportsbook games, online poker games, online casino games and the retail sportsbook. In addition, the Company receives reimbursement for certain expenses incurred in connection with Online Gaming and Retail Sportsbook Services Agreement.

*Retail Sports Wagering Lounge*

Prior to entering into the Online Gaming and Retail Sportsbook Services Agreement, the Company operated the Hard Rock Hotel & Casino sportsbook, its retail sports wagering lounge. The sportsbook offers a full variety of sports wagering options, including futures and live betting on events in progress.

*Internet Gaming and Online Sports Wagering*

The Company currently utilizes three branded websites to offer internet gaming and sports wagering as follows:

*www.hardrockcasino.com*

Prior to entering into the Online Gaming and Retail Sportsbook Services Agreement, the Company operated its own online gaming website, *www.hardrockcasino.com*. The Company commenced operations utilizing this website in June 2018. The website features a variety of slot game options and sports betting. Patrons have the opportunity to participate in community jackpots and to be rewarded with both online and on-property incentives, as well as, have the opportunity to participate in a variety of promotions. All participants must be 21 years of age or older and be physically located in the State of New Jersey to play.

*www.nj.bet365.com*

The Company entered into an Online Gaming Operations Agreement with Hillside (New Jersey) LLC (“bet365”) pursuant to which bet365 hosts, manages, operates, and supports the online gaming site, *www.nj.bet365.com*. This website commenced operations in August 2019 and features a variety of slot game options and sports betting. Patrons have the opportunity to participate in community jackpots and to be rewarded with online incentives, as well as, have the opportunity to participate in a variety of promotions. All participants must be 21 years of age or older and be physically located in the State of New Jersey to play. The Company receives royalty fees under its Online Gaming Operations Agreement with bet365. Such royalty fees are recognized when earned. In addition, the Company receives reimbursement for certain expenses incurred in connection with its Online Gaming Operations Agreement with bet365. Such reimbursements are recorded as a reduction to the expenses incurred.

*www.nj.unibet.com*

The Company entered into an Online Gaming Operations Agreement with Unibet Interactive Inc. (“Unibet”) pursuant to which Unibet hosts, manages, operates, and supports the online gaming site, *www.nj.unibet.com*. This website commenced operations in May 2019 and features a variety of slot game options and sports betting. Patrons have the opportunity to participate in community jackpots and to be rewarded with online incentives, as well as, have the opportunity to participate in a variety of promotions. All participants must be 21 years of age or older and be physically located in the State of New Jersey to play. The Company receives royalty fees under its Online Gaming Operations Agreement with Unibet. Such royalty fees are recognized when earned. In addition, the Company receives reimbursement for certain expenses incurred in connection with its Online Gaming Operations Agreement with Unibet. Such reimbursements are recorded as a reduction to the expenses incurred.

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
(Unaudited)  
(In thousands)

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

Receivables and patrons’ checks consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Casino receivables, net of an allowance for doubtful accounts (\$14,281 in 2022 and \$13,776 in 2021)	\$ 11,323	\$ 10,867
Hotel receivables, net of an allowance for doubtful accounts (\$190 in 2022 and \$79 in 2021)	3,480	2,324
Due from related parties (see Note 10)	1,572	1,841
Other	9,668	6,211
<b>Receivables and patrons' checks, net</b>	<b><u>\$ 26,043</u></b>	<b><u>\$ 21,243</u></b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 31,600	\$ 31,600
Building and improvements	386,039	379,352
Furniture and equipment	183,497	176,794
Construction in progress	5,264	2,248
<b>Total property and equipment</b>	<b><u>606,400</u></b>	<b><u>589,994</u></b>
Less accumulated depreciation	(210,688)	(177,350)
<b>Property and equipment, net</b>	<b><u>\$ 395,712</u></b>	<b><u>\$ 412,644</u></b>

Depreciation expense was \$33,337 and \$41,439 during the years ended December 31, 2022 and 2021, respectively.

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

**NOTE 6 – OTHER ACCRUED EXPENSES**

Other accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Accrued payroll and related expenses	\$ 19,654	\$ 20,129
Accrued interest	6,881	10,989
Accrued insurance and legal reserves	8,746	7,378
Accrued igaming expenses	3,780	1,234
Accrued expenses and other liabilities	6,969	3,648
<b>Other accrued expenses</b>	<b><u>\$ 46,030</u></b>	<b><u>\$ 43,378</u></b>



**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
(Unaudited)  
(In thousands)

**NOTE 7 – OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Casino-related liabilities	\$ 20,253	\$ 19,414
Online gaming related liabilities	14,297	10,198
Deferred revenue	15,172	10,971
Due to related parties (see Note 11)	60,944	17,095
Other	3,218	2,489
<b>Other current liabilities</b>	<b>\$ 113,884</b>	<b>\$ 60,167</b>

**NOTE 8 – LEASES**

The Company leases property and land from unrelated parties under operating lease agreements that have initial terms ranging from 2 to 15 years.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

The components of lease expense for the year ended December 31, 2022 were as follows:

	<b>Year Ended December 31, 2022</b>
Operating lease cost	\$ 378
Short-term lease cost	5,287
Total lease expense	<b>\$ 5,665</b>

Rental expense under operating leases, including short-term leases, was \$3,909 million during the year ended December 31, 2021.

Supplemental cash flow information related to leases is as follows:

	<b>Year Ended December 31, 2022</b>
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	\$ 381
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	\$ 794

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

Supplemental balance sheet information related to leases is as follows:

Operating leases

	<b>December 31, 2022</b>
Operating lease right-of-use assets	\$ 430
Operating lease liabilities, current	\$ 389
Operating lease liabilities, long-term	21
	\$ 410

The weighted average remaining lease term for operating leases was 1.14 years as of December 31, 2022. The weighted average discount rate for operating leases was 2.62% as of December 31, 2022.

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the balance sheet as of December 31, 2022 is as follows:

Year ending December 31,		
2023	\$	393
2024		21
2025		-
2026		-
2027		-
Thereafter		-
Total lease payments	\$	414
Less imputed interest		(4)
Total present value of lease liabilities	\$	410

The Company is the lessor to certain retail companies for space with terms ranging from 3 to 8 years. All lessor leases were determined to be operating leases. Future undiscounted cash flows to be received on an annual basis as of December 31, 2022 is as follows:

Year ending December 31,		
2023	\$	1,285
2024		1,334
2025		1,389
2026		1,382
2027		1,340
Thereafter		1,908
Total minimum rental income	\$	8,638

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
(Unaudited)  
(In thousands)

**NOTE 9 – RELATED PARTY DEBT**

Related party debt consisted of the following at December 31, 2022 and 2021:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Loan Agreement - HRAC Lender	\$ 445,977	\$ 445,977
Unamortized debt financing costs	-	(949)
Loan Agreement - HRAC Lender, net	445,977	445,028
Promissory Notes - Tristate	77,400	77,400
<b>Total debt, affiliates</b>	<b>\$ 523,377</b>	<b>\$ 522,428</b>
Less: Current portion of long-term debt, affiliates	-	(522,428)
<b>Long-term debt, affiliates</b>	<b>\$ 523,377</b>	<b>\$ -</b>

*Loan Agreement*

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

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

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

In connection with the Loan Agreement, the Company incurred debt financing fees of \$8,099 (which include the loan origination fee). The debt financing fees were recorded in long-term debt, due to affiliates and were amortized through July 29, 2022, the original maturity date of the Loan Agreement. The Company recorded amortization of \$949 and \$1,648 during the years ended December 31, 2022 and 2021, respectively, and is included within interest expense in the statements of income.

On March 2, 2021, the Company and HRAC Lender entered into a Second Loan Agreement Modification Agreement (the “Second Modification Agreement”). Under the terms of the Second Modification Agreement, the Company and HRAC Lender agreed to amend and restate the Loan Agreement’s definition of Payment Date from February 28 and August 31 of each year to May 15 and October 15 of each year. The Company made the interest payments on May 14, 2021, October 15, 2021 and May 13, 2022 and October 14, 2022 in accordance with the amended and restated Loan Agreement. Accrued interest related to the Loan Agreement was \$5,575 and \$8,919 at December 31, 2022 and 2021, respectively.

On July 13, 2022, the Company and HRAC Lender entered into a Third Loan Agreement Modification Agreement (the “Third Modification Agreement”). Under the terms of the Third Modification Agreement, the Company and

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

HRAC Lender agreed to amend and restate the Loan Agreement’s definition of Maturity Date from July 29, 2022 to May 1, 2024 (the “Maturity Date”).

*Promissory Notes - Tristate*

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

On March 2, 2021, Tristate and the Company agreed to amend and restate the Promissory Notes’ definition of Payment Date from February 28 and August 31 of each year to May 15 and October 15 of each year. The Company made the interest payments on May 14, 2021, October 15, 2021 and May 13, 2022 and October 14, 2022 in accordance with the amended and restated Promissory Notes. Accrued interest related to the Promissory Notes at December 31, 2022 and 2021 was \$1,306 and \$2,070, respectively.

On July 13, 2022, Tristate and the Company agreed to amend and restate the Promissory Notes’ maturity date from July 29, 2022 to the earlier of (i) May 1, 2024, and (ii) the date upon which any indebtedness is issued or incurred to refinance, refund, renew or replace all or any portion of the obligations under the Loan Agreement, as amended (such earlier date, the “Maturity Date”).

**NOTE 10 – OTHER LIABILITIES**

Other liabilities consisted of the following:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Due to related parties (see Note 11)	\$ -	\$ 49,150
Deferred revenue	2,187	6,027
Other accrued expenses	6,191	6,620
<b>Other liabilities</b>	<b>\$ 8,378</b>	<b>\$ 61,797</b>

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The Company engages in certain transactions with affiliated entities. As disclosed in Note 9, the Company entered into the Loan Agreement with HRAC Lender and has outstanding Promissory Notes from Tristate.

An affiliate of certain of the owners of Tristate maintains a \$1,026 irrevocable letter of credit on behalf of the Company in connection with owner-controlled insurance related to the construction of the construction of the Hard Rock Hotel & Casino. The letter of credit expires on August 18, 2023.

*Hotel & Casino Management Agreement*

The Company and HR Atlantic City entered into a Hotel & Casino Management Agreement dated as of September 27, 2017 (the “Management Agreement”). Pursuant to the Management Agreement, HR Atlantic City manages, operates and promotes the business, operations, services, marketing and sales of the Property for the benefit of the Company. HR Atlantic City manages certain facilities at the Property which include, in part, a Hard Rock branded hotel, a Hard Rock branded casino, certain food and beverage facilities that are not leased or licensed to third parties, meeting, parking, conference and banquet facilities, a Rock Shop retail store and a Hard Rock Live entertainment venue (collectively, the “Managed Facilities”). Under the Management Agreement, HR Atlantic City is entitled to receive 2% of gross revenue of the Managed Facilities (the “Management Fee”), as well as an incentive management

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

fee, which is calculated based upon a percentage of achieved earnings before interest expense, income taxes, depreciation, amortization, and management fees (“EBITDAM”), as defined in the Management Agreement.

On March 9, 2023, the Company and HR Atlantic City entered into a Second Amendment to the Management Agreement (the “Second Amendment”) which, among other things, updated the term of the Management Agreement and the calculation of management fees.

Pursuant to the Second Amendment, gross revenues derived from Hard Rock branded online gaming and non-managed retail sportsbook activities are excluded from the Management Fee and the calculation of the incentive management fee was revised.

Further, the initial term of the Management Agreement was extended so that it expires at midnight on October 13, 2033, unless sooner terminated or extended (“Term”). The Term may be extended by HRAC for one successive but independent term of ten years commencing on the day immediately following the expiration of the initial Term (“Extension Term”) so long as the investors have received an average return on investment equal to or exceeding 10% per year (“Preferred Return”) as of the expiration date of the initial Term.

Amounts due to HR Atlantic City were \$59,596 and \$49,150 as of December 31, 2022 and 2021, respectively, and primarily relate to management fees. These amounts are included in other current liabilities and other liabilities, respectively, in the accompanying balance sheets.

In addition, the Company incurs expenses with other affiliated entities, principally related to the Company’s hotel room reservation center and other support services. The Company recognized \$6,151 and \$5,953 of expense associated with such services during the years ended December 31, 2022 and 2021, respectively. Amounts due to such affiliates were \$1,348 and \$17,007 as of December 31, 2022 and 2021, respectively, in the accompanying balance sheets.

*Rocktane Gas & Wash Lease Agreement*

The Company leases Rocktane Gas & Wash, a fuel, convenience store and car wash facility to AC Gas Station LLC, a subsidiary of Tristate. The lease expires on June 27, 2028 and may be renewed for one ten-year period. The Company receives rental income based on a percentage of Rocktane’s gross sales, as defined in the lease. Rental income was \$490 and \$461 during the year ended December 31, 2022 and 2021, and is included in other revenue in the statements of income.

*Other Related Party Transactions*

The Company engaged in various related party transactions to provide miscellaneous services to its patrons. The Company incurred expenses related to these services totaling \$3,118 and \$2,789 during the years ended December 31, 2022 and 2021, respectively. Such expenses are included in charges from affiliates – other in the accompanying statements of income.

**NOTE 12 – MEMBER DISTRIBUTION**

During the year ended December 31, 2022, the Company paid a distribution to Tristate totaling \$36,322.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the “PILOT Law”) which: (i) exempted Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payment in lieu of tax payments (“PILOT Payments”) to the City of Atlantic City, (ii) made certain changes to the New Jersey Tourism District Law and (iii) redirected certain IAT payments to assist in the stabilization of the City of Atlantic City’s finances. Under the PILOT Law, commencing in 2017 and for a period of ten (10) years, each Atlantic City casino gaming property (as defined in the PILOT Law) is required to pay its pro rated share of an

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

aggregate amount of PILOT Payments based on an equal weighted formula that includes the following criteria: the gross gaming revenues (“GGR”) of the casino, the total number of hotel guest rooms and the geographic footprint of the real property owned by each casino gaming property. Commencing in 2018 and for each year thereafter, the aggregate amount of PILOT Payments owed will be determined based on a sliding scale of Atlantic City casino industry GGR from the applicable prior year, subject to certain adjustments. The aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties for calendar year 2022 and 2021 were \$110 million and \$130 million, respectively. The Company recognized \$9,438 and \$7,705 of expense during the years ended December 31, 2022 and 2021, respectively, representing its proportionate share of the 2022 and 2021 PILOT Payments.

On December 21, 2021, the PILOT Law was amended (the “Amendment”). The Amendment made a number of changes to the calculation and distribution of PILOT payments owed by casino properties for calendar years 2022-2026.

Two lawsuits were filed challenging the legality of the Amendment in New Jersey Superior Court, Atlantic County, Law Division (the “Court”).

In the first lawsuit, Atlantic County and several municipalities (the “County”) filed a lawsuit against the State of New Jersey alleging that the Amendment violated a consent order between the parties dated June 18, 2018. On February 25, 2022, the Court awarded to the County certain monetary damages. The State is appealing the award. This decision had no impact on the Company.

In the second lawsuit, a group of taxpayers challenged the original PILOT Law and the Amendment as an unconstitutional exercise of legislative power. On August 29, 2022, the Court upheld the original PILOT Law, but found the Amendment unconstitutional (the “August 2022 Order”). The State of New Jersey filed a Motion for a Stay of the Court’s August 2022 Order and on October 14, 2022, the Court granted such relief for a period of ninety days. The State of New Jersey has appealed the August 2022 Order.

The Company continues to monitor the status of the PILOT Law and the Amendment. If the State of New Jersey is unsuccessful in its appeal of the August 2022 Order, the Atlantic City casino industry will be adversely impacted.

*Settlement Agreement – Property Tax Appeals and PILOT Law*

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

As a result of the reduced 2017 assessed valuation, the Company received a refund from the City in the amount of \$4,950 (the “Refund Payment”). The Refund Payment was paid to the Company by the City in four equal annual installments in the amount of \$1,237, each payment due on or before June 30 commencing June 30, 2019. The present value of the Refund Payment was recorded as a reduction to the carrying value of property and equipment and was estimated to be \$4,297. The Company received the first \$1,237 installment of the Refund Payment in July 2019. The second and third \$1,237 installments of the Refund Payment were received on June 30, 2020 and 2021, respectively. The final \$1,237 installment of the Refund Payment was received on June 28, 2022.

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

*Settlement Agreement*

On January 17, 2020, the Company entered into a Settlement Agreement with two of its tenants (the “Tenants”) to terminate the lease agreements between the Company and each of the Tenants and to settle all pending disputes between the parties. Pursuant to the Settlement Agreement, the Company must pay \$13,000, without interest, in thirteen equal installments (the “Settlement Amount”). The first installment of \$1,000 was paid on March 17, 2020, in accordance with the terms of the Settlement Agreement. The second, third and fourth installments were paid on December 31, 2020, 2021 and 2022, respectively. The remaining nine payments are due annually on January 1, 2024, through and including January 1, 2032. The present value of the Settlement Amount was estimated to be \$8,400 and was recorded during the year ended December 31, 2019. The remaining balance of the Settlement Amount as of December 31, 2022, is included within other current liabilities and other liabilities on the balance sheets.

*Legal Matters*

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

**NOTE 14 – EMPLOYEE BENEFIT PLANS**

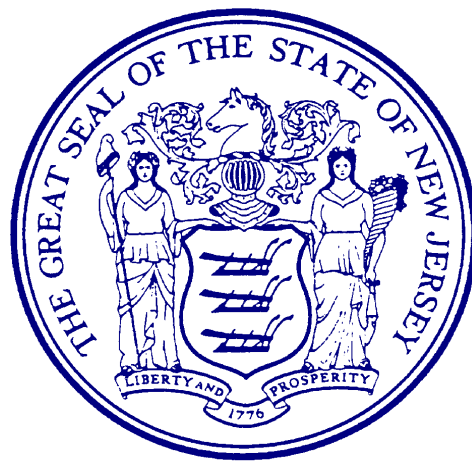
The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering certain of its nonunion employees. The plan allows eligible employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pretax basis through contributions to the plan. The Company recognized expense of \$1,470 and \$1,335 for the years ended December 31, 2022 and 2021, respectively, related to the 401(k) plan. Such amounts are included in general, administrative and other costs in the statements of income.

**NOTE 15 - SUBSEQUENT EVENTS**

Other than as disclosed in Notes 3 and 11, there were no subsequent events that would require adjustments to or disclosures in the financial statements. The Company has evaluated subsequent events through March 31, 2023, the date these financial statements were issued.

**HARD ROCK HOTEL & CASINO  
ANNUAL FILINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**



**HARD ROCK HOTEL & CASINO**  
**ANNUAL STATEMENT OF SLOT MACHINE,**  
**TABLE GAME & OTHER GAMES WIN**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CASINO WIN**

Line (a)	Type of Game (b)	Authorized Units (c)	Win or (Loss) (d)	Drop/Handle (e)	Win (Loss) Percentage (f)
<b>Table and Other Games:</b>					
1	Blackjack	47	\$ 51,430,459	\$ 309,108,784	16.6%
2	Craps	8	14,071,165	76,496,086	18.4%
3	Roulette	14	20,256,456	103,267,910	19.6%
4	Big Six	0	0	0	0.0%
5	Baccarat	5	9,546,127	59,540,594	16.0%
6	Minibaccarat	17	30,844,016	233,776,371	13.2%
7	Other Games - (DGE-310B)	37	28,809,236	125,100,153	23.0%
8	Subtotal - Table and Other Games	128	\$ 154,957,459	\$ 907,289,898	17.1%
9	Poker				
10	<b>Total - Table and Other Games</b>	<b>128</b>	<b>\$ 154,957,459</b>		

<b>Slot Machines:</b>					
11	\$ .01 and .02 Slot Machines	1,313	\$ 131,351,406	\$1,201,581,596	10.9%
12	\$ .05 Slot Machines	16	2,503,716	28,265,909	8.9%
13	\$ .25 Slot Machines	122	14,100,144	154,251,573	9.1%
14	\$ .50 Slot Machines	1	37,098	1,634,439	2.3%
15	\$ 1.00 Slot Machines	114	18,425,844	197,390,350	9.3%
16	\$ 5.00 Slot Machines	22	4,359,467	53,242,260	8.2%
17	\$ 25.00 Slot Machines	1	543,580	5,528,250	9.8%
18	\$100.00 Slot Machines	2	2,016,335	18,077,200	11.2%
19	Multi-denominational Slot Machin	685	162,338,768	1,891,847,529	8.6%
20	Other Slot Machines	4	1,718,099	53,658,501	3.2%
21	Total - Slot Machines	2,280	\$ 337,394,457	\$3,605,477,607	9.4%
22	<b>Total Casino Win</b>		<b>\$ 492,351,916</b>		

**HARD ROCK HOTEL & CASINO**  
**ANNUAL STATEMENT OF SLOT MACHINE,**  
**TABLE GAME & OTHER GAMES WIN**  
**DETAIL SCHEDULE OF OTHER GAMES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Line (a)	Type of Game (b)	Authorized		Drop (e)	Win or (Loss) Percentage (f)
		Units (c)	Win or (Loss) (d)		
1	Red Dog				
2	Sic Bo				
3	Pai Gow Poker	0	1,930	905	213.3%
4	Pai Gow	3	2,890,065	16,118,300	17.9%
7	Keno				
8	Caribbean Stud Poker				
9	Let it Ride Poker	0	151,025	501,092	30.1%
12	Three Card Poker	8	6,979,081	19,845,284	35.2%
16	Casino War				
18	Spanish 21	6	3,719,613	18,406,619	20.2%
30	Double Attack Blackjack				
33	Four Card Poker	4	2,109,912	7,411,129	28.5%
39	Texas Hold 'Em Bonus Poker				
41	Flop Poker				
43	Ultimate Texas Hold 'Em	4	3,898,817	19,246,661	20.3%
44	Asia Poker	1	577,583	2,121,046	27.2%
45	Winner's Pot Poker				
47	Mississippi Stud	3	1,952,000	8,411,475	23.2%
48	Mini-Tex 3 Card Hold'Em				
49	Supreme Pai Gow	2	1,842,076	12,988,066	14.2%
50	Triple Attack Blackjack				
51	High Roll Dice				
52	Boston 7 Stud Poker				
53	Electronic Table Games				
54	5 Card Hi-Lo				
55	Lunar Poker				
56	Hold'Em 3 Bonus				
57	Switch Hands Blackjack				
58	Criss Cross Poker	4	3,183,485	13,978,967	22.8%
59	High Card Flush	2	1,503,519	6,070,479	24.8%
60	Skill Based Games				
61	Heads Up Hold'Em				
62	Double Draw Poker				
63	Pack's Poker				
64	Tournament -Table & Other Games		130	130	
65	Football Kings				
66	Total	37	\$ 28,809,236	\$ 125,100,153	23.0%

**HARD ROCK HOTEL & CASINO**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
<b>Line (a)</b>	<b>Description (b)</b>	<b>Account Balance (c)</b>	<b>Allowance (d)</b>	<b>Accounts Receivable (Net of Allowance) (e)</b>
	Patrons' Checks:			
<b>1</b>	Undeposited Patrons' Checks.....	\$10,885		
<b>2</b>	Returned Patrons' Checks.....	14,719		
<b>3</b>	Total Patrons' Checks.....	25,604	\$14,281	\$11,323
<b>4</b>	Hotel Receivables.....	3,670	190	3,480
	Other Receivables:			
<b>5</b>	Receivables Due from Officers and Employees.....	-		
<b>6</b>	Receivables Due from Affiliates.....	1,572		
<b>7</b>	Other Accounts and Notes Receivables.....	9,668		
<b>8</b>	Total Other Receivables.....	11,240		11,240
<b>9</b>	Totals (Form DGE-205).....	\$40,514	\$14,471	\$26,043

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
<b>Line (f)</b>	<b>Description (g)</b>	<b>Amount (h)</b>
<b>10</b>	Beginning Balance (January 1).....	\$7,962
<b>11</b>	Counter Checks Issued.....	316,292
<b>12</b>	Checks Redeemed Prior to Deposit.....	(253,451)
<b>13</b>	Checks Collected Through Deposits.....	(59,918)
<b>14</b>	Checks Transferred to Returned Checks.....	-
<b>15</b>	Other Adjustments.....	0
<b>16</b>	Ending Balance.....	\$10,885
<b>17</b>	"Hold" Checks Included in Balance on Line 16.....	0
<b>18</b>	Provision for Uncollectible Patrons' Checks.....	\$14,281
<b>19</b>	Provision as a Percent of Counter Checks Issued.....	4.5%

# HARD ROCK HOTEL & CASINO

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2022

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	579			
2	Slot Machines	76			
3	Administration	92			
4	Casino Accounting	14			
5	Simulcasting	0			
6	Other	54			
7	Total - Casino	815	\$23,518	\$0	\$23,518
8	ROOMS	366	13,757		13,757
9	FOOD AND BEVERAGE	1,053	27,074		27,074
10	GUEST ENTERTAINMENT	468	6,517		6,517
11	MARKETING	140	8,017		8,017
12	OPERATION AND MAINTENANCE	199	10,402		10,402
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	15	4,766	1,095	5,861
14	Accounting and Auditing	31	1,848		1,848
15	Security	244	7,369		7,369
16	Other Administrative and General	89	5,474		5,474
	OTHER OPERATED DEPARTMENTS:				
17					0
18	Other Retail	25	699		699
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,445	\$109,441	\$1,095	\$110,536