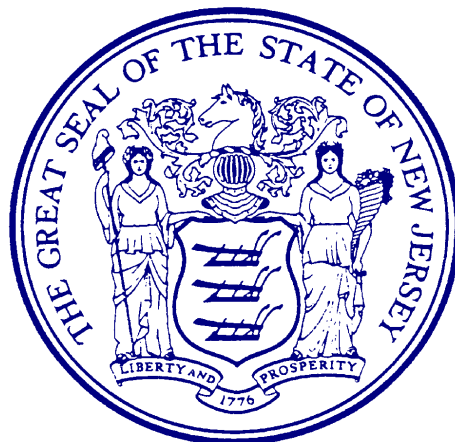


**GOLDEN NUGGET ATLANTIC CITY, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2023

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

GOLDEN NUGGET ATLANTIC CITY, LLC

BALANCE SHEETS

AS OF JUNE 30, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Amended 1/3/2024

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$77,845	\$88,344
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$881 ; 2022, \$1,164).....	4	9,436	9,189
4	Inventories		2,162	2,542
5	Other Current Assets.....	5	1,217	1,495
6	Total Current Assets.....		90,660	101,570
7	Investments, Advances, and Receivables.....	12	37,281	17,498
8	Property and Equipment - Gross.....	6	230,207	222,725
9	Less: Accumulated Depreciation and Amortization.....	6	(107,753)	(101,065)
10	Property and Equipment - Net.....	6	122,454	121,660
11	Other Assets.....	7	17,485	18,965
12	Total Assets.....		\$267,880	\$259,693
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$4,080	\$3,533
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.....	8	90,068	92,969
19	Other Current Liabilities.....	8	471	448
20	Total Current Liabilities.....		94,619	96,950
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....		685	1,155
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		95,304	98,105
27	Stockholders', Partners', or Proprietor's Equity.....		172,576	161,588
28	Total Liabilities and Equity.....		\$267,880	\$259,693

*Prior period amounts have been restated to confirm to 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.

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....		\$40,726	\$41,633
2	Rooms.....		7,766	8,551
3	Food and Beverage.....		18,706	18,787
4	Other.....		10,068	7,278
5	Net Revenue.....		77,266	76,249
	Costs and Expenses:			
6	Casino.....		21,559	21,680
7	Rooms, Food and Beverage.....		19,758	17,465
8	General, Administrative and Other.....		23,438	22,359
9	Total Costs and Expenses.....		64,755	61,504
10	Gross Operating Profit.....		12,511	14,745
11	Depreciation and Amortization.....		3,552	3,778
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		8,959	10,967
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....	12	(811)	(921)
18	Nonoperating Income (Expense) - Net.....		1	5
19	Total Other Income (Expenses).....		(810)	(916)
20	Income (Loss) Before Taxes		8,149	10,051
21	Provision (Credit) for Income Taxes.....		2,393	2,947
22	Net Income (Loss).....		\$5,756	\$7,104

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

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....		\$21,430	\$20,768
2	Rooms.....		4,312	5,052
3	Food and Beverage.....		9,816	10,412
4	Other.....		5,976	5,270
5	Net Revenue.....		41,534	41,502
	Costs and Expenses:			
6	Casino.....		11,239	11,104
7	Rooms, Food and Beverage.....		10,419	9,575
8	General, Administrative and Other.....		12,180	11,681
9	Total Costs and Expenses.....		33,838	32,360
10	Gross Operating Profit.....		7,696	9,142
11	Depreciation and Amortization.....		1,917	1,886
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		5,779	7,256
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....	12	(472)	(471)
18	Nonoperating Income (Expense) - Net.....		1	4
19	Total Other Income (Expenses).....		(471)	(467)
20	Income (Loss) Before Taxes		5,308	6,789
21	Provision (Credit) for Income Taxes.....		1,566	1,986
22	Net Income (Loss).....		\$3,742	\$4,803

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

GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022
AND THE SIX MONTHS ENDED JUNE 30, 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Amended 1/3/2024

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2021.....		\$117,019	\$23,626		\$140,645
2	Net Income (Loss) - 2022.....			15,721		15,721
3	Capital Contributions.....			10,454		10,454
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2022.....		117,019	49,801	0	166,820
11	Net Income (Loss) - 2023.....			5,756		5,756
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2023.....		\$117,019	\$55,557	\$0	\$172,576

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

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Amended 1/3/2024

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$7,144)	\$89,336 *
	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.....		(4,190)	(3,156)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(906)	(921)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	(8,452)
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....		(5,096)	(12,529)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....			
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.....			
20	Payments of Dividends or Capital Withdrawals.....			
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(12,240)	76,807 *
25	Cash and Cash Equivalents at Beginning of Period.....		90,085	11,537
26	Cash and Cash Equivalents at End of Period.....		\$77,845	\$88,344 *
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....			

*Prior period amounts have been restated to confirm to 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.

GOLDEN NUGGET ATLANTIC CITY, LLC

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Amended 1/3/2024

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$5,756	\$7,104
30	Depreciation and Amortization of Property and Equipment...		3,552	3,778
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	(26) *
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		906	921
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,921)	5,172
39	(Increase) Decrease in Inventories		71	(850)
40	(Increase) Decrease in Other Current Assets.....		(368)	(594)
41	(Increase) Decrease in Other Assets.....		0	193
42	Increase (Decrease) in Accounts Payable.....		(186)	2,085
43	Increase (Decrease) in Other Current Liabilities		0	0
44	Increase (Decrease) in Other Liabilities		(14,954)	71,553
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....		(\$7,144)	\$89,336 *

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$4,190)	(\$3,156)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$4,190)	(\$3,156)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	(\$8,452)
52	Goodwill Acquired.....		0	
53	Other Assets Acquired - net		0	
54	Long-Term Debt Assumed.....		0	
55	Issuance of Stock or Capital Invested.....		0	
56	Cash Outflows to Acquire Business Entities.....		\$0	(\$8,452)
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

*Prior period amounts have been restated to confirm to 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.

GOLDEN NUGGET ATLANTIC CITY, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2023
(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	43,366	\$3,446	0	\$0
2	Food	64,690	3,022	0	\$0
3	Beverage	288,105	2,304	0	\$0
4	Travel	0	0	260	\$12
5	Bus Program Cash	0	0	0	\$0
6	Promotional Gaming Credits	79,824	12,960	0	\$0
7	Complimentary Cash Gifts	93	145	0	\$0
8	Entertainment	3,728	181	0	\$0
9	Retail & Non-Cash Gifts	90,619	1,161	0	\$0
10	Parking	0	0	274,388	\$1,097
11	Other	7,454	138	0	\$0
12	Total	577,879	\$23,357	274,648	\$1,109

FOR THE THREE MONTHS ENDED JUNE 30, 2023

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	22,756	\$1,900	0	\$0
2	Food	31,087	1,533	0	0
3	Beverage	135,697	1,085	0	0
4	Travel	0	0	126	6
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	40,573	6,652	0	0
7	Complimentary Cash Gifts	52	79	0	0
8	Entertainment	3,728	181	0	0
9	Retail & Non-Cash Gifts	45,124	578	0	0
10	Parking	0	0	142,966	571
11	Other	4,231	78	0	0
12	Total	283,248	\$12,086	143,092	\$577

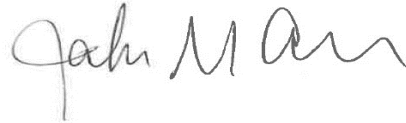
**GOLDEN NUGGET ATLANTIC CITY, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2023

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.

1/3/2024

Date



John Caruso

Director of Finance and Controller
Title

8827-11

License Number

On Behalf of:

GOLDEN NUGGET ATLANTIC CITY, LLC
Casino Licensee

1. NATURE OF BUSINESS

Golden Nugget Atlantic City, LLC (“GNAC”, the “Company”, “we”, “our” or “us”) is the subsidiary of GNAC Holdings, LLC, a Delaware LLC. GNAC is the holder of the gaming license issued by the state of New Jersey and operates the Golden Nugget Atlantic City Hotel and Casino in Atlantic City, New Jersey. GNAC Holdings, LLC is wholly owned by Fertitta Entertainment, LLC, a Nevada LLC (“FEL” or “Parent”), which is a national, diversified, restaurant, hospitality, entertainment and gaming company principally engaged in the ownership and operation of full service restaurants and Golden Nugget gaming facilities. FEL is a wholly owned indirect subsidiary of Fertitta Entertainment, Inc. (“FEI”) which is wholly owned by Tilman J. Fertitta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the consolidated accounts of GNAC. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements included herein have been prepared without audit and pursuant to the rules and regulations of the New Jersey Division of Gaming Enforcement. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for interim periods have been made.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) requires 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 period. Actual results could differ from those estimates.

Revenue Recognition

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 we have no substantive performance obligations remaining. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis, or excluded from revenues, in our consolidated statements of operations.

Casino revenue is the aggregate net difference between gaming wins and losses, less sales incentives and other adjustments. Liabilities are recognized for funds deposited by customers before gaming play occurs and for chips in the customer’s possession. 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.

Hotel, food and beverage, and other revenues are recognized as goods and services are transferred to the customer. Room revenue is generally recognized over time, consistent with the customer’s reservation period. Advance deposits for future hotel occupancy, convention space or food and beverage services are recorded as a liability until the goods and services are provided to the customer. Food and beverage and other revenues are recognized at the point in time the services are performed or events are held.

The relative standalone selling price of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is recognized as a reduction to revenues for the department, which issued the complimentary offering, and as an increase to revenues for the department redeemed. Complimentary offerings periodically offered by third parties at the discretion and under our control are recorded as an expense when incurred.

Our gaming revenues included complimentary offerings and loyalty point redemptions for the three months ended June 30 as follows (in thousands):

	Three Months Ended June 30,	
	2023	2022
Rooms	\$ 1,731	\$ 1,489
Food and beverage	4,069	3,022
Other	283	198
	\$ 6,083	\$ 4,709

On May 5, 2022, Golden Nugget Online Gaming Inc. and DraftKings Holdings Inc. (“DraftKings”) completed a merger transaction (the “DraftKings Merger”). DraftKings agreed to pay royalties to FEL based upon gaming revenues as defined and DraftKings obtained the right to use the Golden Nugget brand.

In connection with the DraftKings Merger, we and DraftKings negotiated an arrangement to comply with state betting requirements in New Jersey which allows GNAC to resume direct control and obtain the economic benefit of “skins” associated with the GNAC’s land-based casino operating license. “Skins” allow market access opportunities for online betting operators within a jurisdiction. Historically GNOG conducted the “skins” business through their affiliation with GNAC. Revenues from market access agreements, royalties and permit fees associated with the “skins” is included in Gaming Other Revenues.

Slot Player Club Liability

We have established promotional slot and player clubs to encourage repeat business from frequent and active slot machine customers and table games patrons. Members earn points based on gaming activity and such points can be redeemed for complimentary amenities, including meals in our non-casino restaurants. The incentives earned by customers under these programs are based on their past play and represent separate performance obligations. Player club points generally expire within twelve months.

For transactions where player’s club points are earned we allocate a portion of the transaction price to the points that are earned based upon the relative standalone selling prices of the goods and services involved. We have determined the standalone selling price of player’s club points by computing the redemption value of points expected to be redeemed. We have applied the practical expedient under the portfolio approach to each of our player’s club transactions because of the similarity of gaming transactions. When the activity underlying the earning of the points has a wide range of selling prices and is highly variable, we use the residual approach in the allocation by computing the value of the player’s club points and allocating the residual amount to the remaining revenue generating activity. This allocation results in a portion of the transaction price being deferred and presented as contract liabilities in our accompanying balance sheets.

Our loyalty programs include 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 the complimentary offerings described above. 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.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on account and cash on hand. We consider short-term, highly liquid investments that have an original maturity of three months or less to be cash equivalents. Amounts held in financial institutions are in excess of FDIC insurance limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant risks on our cash in bank accounts. We separately track amounts due to players representing funds on deposit in their wagering accounts and per certain regulatory requirements must maintain a balance equal to or greater than amounts due as restricted cash.

Customer Deposits

Customer deposits are primarily liabilities that relate to amounts due to players and online betting operators and are required to be maintained to comply with regulatory requirements. The amounts due to players consist of customer deposits, plus bonuses converted to cash, plus winning wagers, less losing wagers, and less player withdrawals.

Accounts Receivable

Accounts receivable is comprised primarily of casino and hotel receivables, net of an allowance for doubtful accounts. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Receivables are written off when management deems the account to be uncollectible.

Inventories

Inventories consist primarily of food and beverages used in our restaurant outlets and retail goods are recorded at the lower of cost or net realizable value as determined by the average cost.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the depreciable assets, as follows: buildings and improvements 10 to 40 years; furniture, fixtures and equipment 5 to 15 years; and automobiles and limousines 4 to 5 years.

Costs of major improvements are capitalized; costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on dispositions of property and equipment are recognized in the consolidated statement of operations when incurred.

Insurance Liability

We maintain large deductible insurance policies related to property, general liability, workers' compensation coverage, and certain employee medical claims. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include the estimated costs to settle unpaid claims and estimated incurred but not reported claims using actuarial methodologies.

Advertising Costs

Advertising costs are expensed as incurred during such year. Advertising costs, included in casino, food, beverage, and general and administrative expense, were \$0.1 million for both the three months ended June 30, 2023 and 2022, and \$0.2 million for the six months ended June 30, 2023 and 2022.

Leases

We lease real estate and certain equipment. We evaluate our leases at the commencement of the lease to determine the classification as an operating or finance lease. The lease term commences on the date when we have the right to control the use of the leased property, which is typically before lease payments are due under the terms of the lease.

Our real estate lease requires payment of property taxes, insurance and maintenance costs in addition to the lease payments. We account for fixed lease and non-lease components of a lease as a single lease component. Operating lease liabilities are recognized based on the present value of minimum lease payments over the remaining expected lease term using our incremental borrowing rate. The right-of-use lease assets are measured based on the operating lease liability.

We recognize lease expense related to operating leases on a straight-line basis. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized on a straight-line basis over the lease term. Contingent rentals represent payment of variable lease obligations based on a percentage of revenues, as defined by the terms of the applicable lease agreement and are accrued at the point in time we determine that it is probable that such sales levels will be achieved.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash as of June 30 consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Unrestricted cash	\$ 25,526	\$ 25,636
Restricted cash	<u>52,319</u>	<u>62,708</u>
Total	<u>\$ 77,845</u>	<u>\$ 88,344</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30 consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Gaming	\$ 2,471	\$ 3,288
Allowance	(865)	(1,140)
Non-Gaming	7,846	7,065
Allowance hotel	(16)	(24)
Total	<u>\$ 9,436</u>	<u>\$ 9,189</u>

5. OTHER CURRENT ASSETS

Other current assets as of June 30 consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Deposits	\$ 192	\$ 424
Prepaid taxes	556	605
Other prepaid	469	466
Total	<u>\$ 1,217</u>	<u>\$ 1,495</u>

6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	133,488	131,115
Furniture, fixtures, equipment	79,069	73,960
Property and equipment, gross	<u>230,207</u>	<u>222,725</u>
Accumulated depreciation	(107,753)	(101,065)
Property and equipment, net	<u>\$ 122,454</u>	<u>\$ 121,660</u>

7. OTHER ASSETS

Other assets as of June 30 consisted of the following (in thousands):

	2023	2022
Gaming license	\$ 3,215	\$ 3,215
Software	191	483
Operating lease right-of-use asset	1,155	1,603
Deferred Taxes	12,724	13,464
Other Non-Current	200	200
Total	<u>\$ 17,485</u>	<u>18,965</u>

8. OTHER ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of June 30 consisted of the following (in thousands):

	2023	2022
Payroll and related	\$ 3,930	\$ 4,105
Customer Deposits	52,079	62,708
Advance Deposits	1,707	1,435
Other	32,352	27,721
Total accrued expenses	<u>\$ 90,068</u>	<u>\$ 92,969</u>
Operating lease liability	<u>\$ 471</u>	<u>\$ 448</u>
Total other current liabilities	<u>\$ 471</u>	<u>\$ 448</u>

9. LEASES

The components of total lease cost for the three months ended June 30 were as follows (in thousands):

	2023	2022
Operating lease cost	\$ 1,017	\$ 852
Variable lease cost	280	301
Total lease costs	<u>\$ 1,297</u>	<u>\$ 1,153</u>

Cash activities associated with leases for the six months ended June 30 were as follows (in thousands):

	2023	2022
Cash flows from operating activities:		
Payments for operating leases	\$ 1,017	\$ 852

10. INTERNET GAMING AND SPORTS WAGERING

We hold a license for both internet gaming and sports wagering and operate a retail sports wagering lounge. In addition, we have entered into several skin agreements with various online casino operators under which we provide the skin operator access to an available internet gaming and/or sports wagering license in the state of New Jersey.

<u>Skin Operator</u>	<u>Skin</u>	<u>Commencement</u> ⁽¹⁾	<u>Internet Gaming / Sports wagering</u>
Betfair/Fanduel	StardustCasino.com	May 2022	Internet gaming
Churchill Downs Interactive ⁽²⁾	nj.twinspires.com	May 2022	Both
Digital Gaming Corp	us.Betway.com	May 2022	Both
Golden Nugget Online Gaming	GoldenNuggetCasino.com	May 2022	Both
Rush Street Interactive	nj.betrivers.com	May 2022	Internet gaming

(1) Prior to May 2022 we operated under an affiliate license through Golden Nugget Online Gaming.

(2) Ceased online wagering in June 2022.

For the six months ended June 30, 2023, we recognized revenue of \$4.0 million which includes revenue related to reimbursable expenses of \$0.2 million.

11. EMPLOYEE BENEFIT PLAN

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded plan related expenses of \$2.1 million and \$2.0 million for the three months ended June 30, 2023 and 2022, respectively, and \$4.0 million and \$3.6 million for the six months ended June 30, 2023 and 2022, respectively.

We sponsor a qualified defined contribution retirement plan (401(k) Plan) covering our eligible, non-union employees. The 401(k) plan allows eligible employees to contribute, subject to Internal Revenue Service limitations on total annual contributions, up to 75% of their base compensation as defined in the 401(k) Plan, to various investment funds. We may match at our discretion, within prescribed limits, a portion of eligible employees' contributions. Matching contributions for the three months ended June 30, 2023 and 2022 were immaterial. Employee contributions vest immediately while our contributions vest 20% annually beginning in the participant's second year of eligibility.

12. COMMITMENTS AND CONTINGENCIES

Casino Reinvestment Development Authority Obligation

As required by the provisions of the New Jersey Casino Control Act (the "Act"), we are assessed an amount equal to 1.25% of our land-based gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an Investment Alternative Tax (the "IAT") equal to 2.5% of land-based gross gaming revenues. Once the funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at a below market rate of interest; (ii) direct investment in projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

In May 2016, pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters commonly referred to as the PILOT (payment in lieu of taxes) law, any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, related to all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City. The PILOT law directs that these funds 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. The provisions expire as of December 31, 2026.

We are required to make quarterly deposits with the CRDA to satisfy our investment obligations and, as a result of the PILOT law, record a charge to expense for 100% of the obligation amount as of the date the obligation arises.

For both the three months ended June 30, 2023 and 2022, we charged to general and administrative expense \$0.5 million, and for the six months ended June 30, 2023 and 2022, we charged \$0.8 million and \$0.9 million, respectively.

CRDA deposits and investments in CRDA bonds reflected in other assets, net on the accompanying consolidating balance sheets, net of allowances of \$21.5 million, as of June 30, 2023 and \$20.6 million at December 31, 2022, had no value.

Atlantic City PILOT Program

In June 2016, the State of New Jersey passed legislation known as the PILOT bill, which requires casino properties for the next 10 years, starting January 1, 2017, to make payments in lieu of property taxes based on a statutory formula. An additional part of that bill requires the casinos to make annual payments to the state starting retroactively in 2015 through 2022 based on a similar formula. In December 2021, the State of New Jersey passed legislation, which amended the original 2016 statutory PILOT formula for the years 2022 through 2026 as well as extended the additional annual payments from 2022 through 2026. For our contribution to the state, we incurred expenses of \$0.1 million for both the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, we charged \$0.2 million.

Lease Commitments

We have a non-cancelable operating lease that covers the land, building and marina adjacent to our property, which expires in 2025. Other lease commitments also include operating equipment used in daily operations. In addition to minimum lease commitments, the lease provides for contingent rentals based on a percentage of revenues in excess of specified amounts. See Note 9 for lease costs for the three months ended June 30, 2023 and 2022.

General Litigation

We are subject to legal proceedings and claims that arise in the ordinary course of business. We do not believe that the outcome of any of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

13. TRANSACTIONS WITH AFFILIATES

Shared Services Agreement

We have entered into Shared Services Agreements (SSA's) with affiliates. Pursuant to the SSA's, the parties agree to cooperatively develop and implement joint programs for the procurement and implementation of certain products and services including insurance and risk management, legal, information technology, entertainment, general purchasing, financial planning and accounting, human resources and employee benefit administration, marketing, strategic and tactical business planning, retail and executive management. The SSA's provide for the reimbursement of expenses if either party incurs costs in excess of its proportional share.

14. SUBSEQUENT EVENTS

We have evaluated subsequent events through August 15, 2023, which is the date our consolidated financial statements were available to be issued.