

**BOARDWALK 1000, LLC DBA  
HARD ROCK HOTEL & CASINO  
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**

# HARD ROCK HOTEL & CASINO

## BALANCE SHEETS

AS OF JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$89,290	\$112,740
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$15,301; 2022, \$12,832).....	2, 4	35,367	21,409
4	Inventories .....	2	1,921	1,889
5	Other Current Assets.....		16,753	18,481
6	Total Current Assets.....		143,331	154,519
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2,5	615,936	598,582
9	Less: Accumulated Depreciation and Amortization.....	2,5	(226,757)	(193,787)
10	Property and Equipment - Net.....	5	389,179	404,795
11	Other Assets.....		645	167
12	Total Assets.....		\$533,155	\$559,481
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,989	\$8,019
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	523,377	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	6	39,098	35,748
19	Other Current Liabilities.....	2,7,11	113,596	105,763
20	Total Current Liabilities.....		685,060	149,530
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	523,251
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....	2,10,11	6,003	9,725
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		691,063	682,506
27	Stockholders', Partners', or Proprietor's Equity.....		(157,908)	(123,025)
28	Total Liabilities and Equity.....		\$533,155	\$559,481

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

# HARD ROCK HOTEL & CASINO

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

\* Amended 10/25/23

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	3	\$120,790	\$161,900
2	Rooms.....		41,055	41,888
3	Food and Beverage.....		49,628	46,995
4	Other.....		51,252	40,136
5	Net Revenue.....		262,725	290,919
	Costs and Expenses:			
6	Casino.....	2,3	46,243	66,185
7	Rooms, Food and Beverage.....		57,872	54,424
8	General, Administrative and Other.....		105,940	105,329
9	Total Costs and Expenses.....		210,055	225,938
10	Gross Operating Profit.....		52,670	64,981
11	Depreciation and Amortization.....	2, 5	16,081	16,450
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	9,085	10,776
13	Other.....	11	4,147	4,319
14	Income (Loss) from Operations.....		23,357	33,436
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	(16,450)	(17,274) *
16	Interest Expense - External.....	12	(254)	(269) *
17	CRDA Related Income (Expense) - Net.....	2	(2,617)	(3,770)
18	Nonoperating Income (Expense) - Net.....	2	872	44
19	Total Other Income (Expenses).....		(18,449)	(21,269)
20	Income (Loss) Before Taxes .....		4,908	12,167
21	Provision (Credit) for Income Taxes.....	2	0	0
22	Net Income (Loss).....		\$4,908	\$12,167

\* Prior period amounts have been reclassified to conform to the current period presentation.

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

# HARD ROCK HOTEL & CASINO

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

\*Amended 10/25/23

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	3	\$61,725	\$82,582
2	Rooms.....		22,725	25,310
3	Food and Beverage.....		26,047	26,681
4	Other.....		27,550	25,939
5	Net Revenue.....		138,047	160,512
	Costs and Expenses:			
6	Casino.....	2,3	23,621	34,092
7	Rooms, Food and Beverage.....		30,725	30,660
8	General, Administrative and Other.....		53,221	57,672
9	Total Costs and Expenses.....		107,567	122,424
10	Gross Operating Profit.....		30,480	38,088
11	Depreciation and Amortization.....	2, 5	7,577	8,231
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	4,895	6,184
13	Other.....	11	2,086	2,638
14	Income (Loss) from Operations.....		15,922	21,035
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	(8,234)	(8,645) *
16	Interest Expense - External.....	12	(130)	(136) *
17	CRDA Related Income (Expense) - Net.....	2	(1,525)	(1,992)
18	Nonoperating Income (Expense) - Net.....	2	459	22
19	Total Other Income (Expenses).....		(9,430)	(10,751)
20	Income (Loss) Before Taxes .....		6,492	10,284
21	Provision (Credit) for Income Taxes.....	2	0	0
22	Net Income (Loss).....		\$6,492	\$10,284

\* Prior period amounts have been reclassified to conform to the current period presentation.

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, 2022 AND  
THE SIX MONTHS ENDED JUNE 30, 2023

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2021.....		\$159,000	(\$294,192)	\$0	(\$135,192)
2	Net Income (Loss) - 2022.....			8,698		8,698
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....			(36,322)		(36,322)
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2022.....		159,000	(321,816)	0	(162,816)
11	Net Income (Loss) - 2023.....			4,908		4,908
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....			0		0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, June 30, 2023.....		\$159,000	(\$316,908)	\$0	(\$157,908)

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

# HARD ROCK HOTEL & CASINO STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$2,671)	\$5,880
	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	(10,428)	(8,271)
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.....		(10,428)	(8,271)
	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.....		0	0
21	.....		0	0
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(13,099)	(2,391)
25	Cash and Cash Equivalents at Beginning of Period.....		102,389	115,131
26	Cash and Cash Equivalents at End of Period.....	2	\$89,290	\$112,740
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....	9	\$19,206	\$23,314
28	Income Taxes.....		\$0	\$0

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

# HARD ROCK HOTEL & CASINO STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$4,908	\$12,167
30	Depreciation and Amortization of Property and Equipment...	2,5	16,069	16,438
31	Amortization of Other Assets.....		12	12
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....	4	(9,324)	(166)
39	(Increase) Decrease in Inventories .....		(32)	(120)
40	(Increase) Decrease in Other Current Assets.....		(6,747)	(9,644)
41	(Increase) Decrease in Other Assets.....		(81)	327
42	Increase (Decrease) in Accounts Payable.....		1,227	467
43	Increase (Decrease) in Other Current Liabilities .....		(6,328)	37,648
44	Increase (Decrease) in Other Liabilities .....		(2,375)	(52,072)
45	Amortization of Loan Issuance Costs .....	9	0	823
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$2,671)	\$5,880

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....	5	(\$10,428)	(\$8,271)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$10,428)	(\$8,271)
	<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 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	648,921	\$23,858		
2	Food	273,381	14,773		
3	Beverage	1,607,645	8,231		
4	Travel			2,142	964
5	Bus Program Cash				
6	Promotional Gaming Credits	464,816	41,237		
7	Complimentary Cash Gifts	1,778	2,666		
8	Entertainment	23,319	2,403		
9	Retail & Non-Cash Gifts			127,235	6,730
10	Parking			286,678	2,356
11	Other	321,900	5,241	492,900	7,453
12	Total	3,341,760	\$98,409	908,955	\$17,503

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	341,562	\$12,483		
2	Food	147,303	7,753		
3	Beverage	812,276	4,159		
4	Travel			1,168	526
5	Bus Program Cash				
6	Promotional Gaming Credits	236,453	20,602		
7	Complimentary Cash Gifts	819	1,228		
8	Entertainment	11,510	1,244		
9	Retail & Non-Cash Gifts			57,119	2,818
10	Parking			142,362	1,178
11	Other	149,600	2,436	252,300	3,815
12	Total	1,699,523	\$49,905	452,949	\$8,337

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



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

FOR THE QUARTER ENDED JUNE 30, 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.

10/25/2023

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.

***Nature of Business***

The Hard Rock Hotel & Casino features: two hotel towers with a combined total of 1,971 rooms, including high end suites; 2,349 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, including a variety of slot game options and sports betting (“online gaming”). All participants must be 21 years of age or older and be physically located in the State of New Jersey to play. See Note 3.

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

***Basis of Presentation***

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

***Use of Estimates***

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

***Certain Concentrations of Risk***

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

As of June 30, 2023, 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.

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

***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>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Unrestricted cash	\$ 62,263	\$ 95,957
Restricted cash	27,027	16,783
	\$ 89,290	\$ 112,740

Restricted cash at June 30, 2023 was \$27,027, which included \$12,626 of restricted cash related to the balances of patrons' internet gaming accounts, \$3,864 related to cash collateral for letters of credit related to the Company's workers compensation insurance, and \$10,537 of cash related to third party internet gaming operations. Restricted cash at June 30, 2022 was \$16,783, which principally included \$10,658 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 \$2,083 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 deposited 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.

***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

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

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 six months ended June 30, 2023 and 2022.

***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.

***Internet Gaming Operations***

During 2022, online gaming revenues represented the difference between wins and losses from online gaming activities and were recognized as a component of casino revenue in the statements of income. The Company made cash promotional offers to certain of its online 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. See Note 3.

***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.

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

***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 \$7,968 and \$10,717 during the three months ended June 30, 2023 and 2022, respectively, and \$15,214 and \$20,717 during the six months ended June 30, 2023 and 2022, respectively.

***Casino Reinvestment Development Authority (“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 \$1,525 and \$1,991 during the three months ended June 30, 2023 and 2022, respectively, and \$2,617 and \$3,770 during the six months ended June 30, 2023 and 2022, 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 12.

***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 \$1,800 and \$4,200 during the three months ended June 30, 2023 and 2022, respectively, and \$3,583 and \$7,995 during the six months ended June 30, 2023 and 2022, respectively.

***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

**BOARDWALK 1000, LLC**  
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**(Unaudited)**  
**(In thousands)**

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, 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.

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 adoption of this new update did not have an impact on the Company's financial position, results of operations, or cash flows.

### **NOTE 3 – ONLINE GAMING AND SPORTS WAGERING**

The Company holds a sports wagering license and an internet gaming permit, both of which are issued by the 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.

#### *Online Gaming and Retail Sportsbook Services Agreement*

On March 8, 2023, the Company entered into an Online Gaming and Retail Sportsbook Services Agreement with 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. The share of revenues received by the Company is included within other revenue in the 2023 statements of income. 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.

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*Online 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 and are included within other revenue in the statements of income. 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 and are included within other revenue in the statements of income. 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.

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

Receivables and patrons’ checks consist of the following:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Casino receivables, net of an allowance for doubtful accounts (\$15,050 in 2023 and \$12,817 in 2022)	\$ 14,207	\$ 11,270
Hotel receivables, net of an allowance for doubtful accounts (\$251 in 2023 and \$15 in 2022)	5,072	3,614
Online gaming receivables	2,622	2,508
Due from related parties (see Note 11)	7,725	1,302
Other	5,741	2,715
<b>Receivables and patrons' checks, net</b>	<b><u>\$ 35,367</u></b>	<b><u>\$ 21,409</u></b>

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

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 31,600	\$ 31,600
Building and improvements	389,336	381,530
Furniture and equipment	187,787	177,563
Construction in progress	7,213	7,889
<b>Total property and equipment</b>	<b>615,936</b>	<b>598,582</b>
Less accumulated depreciation	(226,757)	(193,787)
<b>Property and equipment, net</b>	<b>\$ 389,179</b>	<b>\$ 404,795</b>

Depreciation expense was \$7,571 and \$8,225 during the three months ended June 30, 2023 and 2022, respectively, and \$16,069 and \$16,438 during the six months ended June 30, 2023 and 2022, 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:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Accrued payroll and related expenses	\$ 16,267	\$ 15,159
Accrued interest	4,125	4,125
Accrued insurance and legal reserves	7,693	7,851
Accrued igaming expenses	3,798	2,557
Accrued expenses and other liabilities	7,215	6,056
<b>Other accrued expenses</b>	<b>\$ 39,098</b>	<b>\$ 35,748</b>

**NOTE 7 – OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Casino-related liabilities	\$ 20,106	\$ 18,376
Online gaming related liabilities	9,576	11,720
Deferred revenue	19,842	18,293
Due to related parties (see Note 11)	59,135	52,798
Other	4,937	4,576
<b>Other current liabilities</b>	<b>\$ 113,596</b>	<b>\$ 105,763</b>



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

**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. The ROU asset and related liability was \$526 and \$343, respectively as of June 30, 2023.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense for the three and six months ended June 30, 2023 were as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating lease cost	\$ 56	\$ 94	\$ 193	\$ 189
Short-term lease cost	1,128	1,317	2,492	2,601
<b>Total lease expense</b>	<b>\$ 1,184</b>	<b>\$ 1,411</b>	<b>\$ 2,685</b>	<b>\$ 2,790</b>

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 June 30, 2023 is as follows:

2023	\$ 692
2024	1,389
2025	1,382
2026	1,340
2027	1,293
Thereafter	615
<b>Total minimum rental income</b>	<b>\$ 6,711</b>

**NOTE 9 – RELATED PARTY DEBT**

Related party debt consisted of the following as of June 30, 2023 and 2022:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Loan Agreement - HRAC Lender	\$ 445,977	\$ 445,977
Unamortized debt financing costs	-	(126)
<b>Loan Agreement - HRAC Lender, net</b>	<b>445,977</b>	<b>445,851</b>
Promissory Notes - Tristate	77,400	77,400
<b>Total debt, affiliates</b>	<b>\$ 523,377</b>	<b>\$ 523,251</b>
Less: Current portion of long-term debt, affiliates	(523,377)	-
<b>Long-term debt, affiliates</b>	<b>\$ -</b>	<b>\$ 523,251</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

**BOARDWALK 1000, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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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.

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 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").

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 May 15 and October 15 of each year, 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 \$412 and \$823 during the three and six months ended June 30, 2022, respectively, which is included within interest expense in the statements of income.

The Company has made interest payments in accordance with the amended and restated Loan Agreement. Accrued interest related to the Loan Agreement was \$3,345 as of June 30, 2023 and 2022.

*Promissory Notes - Tristate*

During 2018, Tristate loaned the Company \$77,400 (the "Promissory Notes") to fund the payment of costs associated with the construction of the Hard Rock Hotel & Casino. The Promissory Notes bear interest at 8% per annum. Interest payments are due on May 15 and October 15 of each year. The Company has made interest payments in accordance with the amended and restated Promissory Notes. Accrued interest related to the Promissory Notes as of June 30, 2023 and 2022 was \$780. Amounts due under the Promissory Notes are subordinate and junior in right of payment to amounts due and outstanding under the Loan Agreement.

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").

The Company does not have sufficient capital on hand to repay the principal amounts under the Loan Agreement and Promissory Notes ("Related Party Debt") when due. However, the Company has various alternatives to obtain sufficient capital to repay the Related Party Debt including, raising additional equity investment, obtaining third-party financing, or extending the terms of the Related Party Debt.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(Unaudited)**  
**(In thousands)**

**NOTE 10 – OTHER LIABILITIES**

Other liabilities consisted of the following:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Deferred revenue	\$ 436	\$ 3,796
Other accrued expenses	5,567	5,929
<b>Other liabilities</b>	<b>\$ 6,003</b>	<b>\$ 9,725</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 Hard Rock Hotel & Casino. The letter of credit expires on August 18, 2023, and is expected to be extended for an additional year.

*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 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 HR Atlantic City 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 \$56,865 and \$51,358 as of June 30, 2023 and 2022, respectively, and primarily relate to management fees. These amounts are included in other current liabilities in the accompanying balance sheets.

In addition, the Company incurs expenses with other affiliated entities, principally related to the Company’s hotel room reservation center and other support services. The Company recognized \$1,392 and \$1,825 of expense associated with such services during the three months ended June 30, 2023 and 2022, respectively, and \$2,780 and \$2,835 during the six months ended June 30, 2023 and 2022, respectively. Amounts due to such affiliates were \$1,209

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and \$779 as of June 30, 2023 and 2022, respectively, and are included other current liabilities in the accompanying balance sheets.

*Rocktane Gas & Wash Lease Agreement*

The Company leases Rocktane Gas & Wash, a fuel, convenience store and car wash facility to AC Gas Station LLC, a subsidiary of Tristate. The lease expires on June 27, 2028 and may be renewed for one ten-year period. The Company receives rental income based on a percentage of Rocktane's gross sales, as defined in the lease. Rental income was \$104 and \$140 during the three months ended June 30, 2023 and 2022, respectively, and \$195 and \$239 during the six months ended June 30, 2023 and 2022, 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 \$694 and \$813 during the three months ended June 30, 2023 and 2022, respectively, and \$1,367 and \$1,484 during the six months ended June 30, 2023 and 2022, respectively. Such expenses are included in charges from affiliates – other in the accompanying statements of income.

**NOTE 12 - 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 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 years 2023 and 2022 is \$112.2 million and \$110 million, respectively. The Company recognized \$2,852 and \$2,359 of expense during the three months ended June 30, 2023 and 2022 and \$5,704 and \$4,719 during the six months ended June 30, 2023 and 2022, respectively, representing its proportionate share of the 2023 and 2022 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 through 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 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.

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**(Unaudited)**  
**(In thousands)**

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.

*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 June 30, 2023, 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 13 – EMPLOYEE BENEFIT PLANS**

*Defined Contribution Plan*

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 \$418 and \$362 during the three months ended June 30, 2023 and 2022, respectively, and \$844 and \$707 during the six months ended June 30, 2023 and 2022, respectively, related to the 401(k) plan. Such amounts are included in general, administrative and other costs in the statements of income. On April 5, 2023, the Company’s retirement savings plan merged into Seminole Hard Rock Entertainment, Inc.’s Hard Rock FutureCare 401(k) plan, and the Company became a participating employer in the Hard Rock FutureCare 401(k) plan.

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*Multiemployer Pension Plans*

The Company participates in the multiemployer Adjustable Plan of the Unite Here National Retirement Fund, EIN 82-0994119/002 (the “Plan”). Per the latest available actuarial report dated January 1, 2022, the Plan was at least 80% funded. The Plan covers approximately 1,200 hotel, food and beverage, and other employees, which participate in a collective bargaining agreement with the Unite Here Local 54 union, which is effective through May 31, 2026. The contributions to the Plan were \$417 and \$413 during the three months ended June 30, 2023 and 2022, respectively, and \$783 and \$783 during the six months ended June 30, 2023 and 2022, respectively, which are reflected in the accompanying statements of income.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer ceases to contribute to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company were to withdraw from the Plan, it may be obligated to contribute its share of any unfunded liability for vested benefits as of the last day of the plan year preceding the withdrawal.

The Company also participates in other multiemployer pension plans. The contributions to these plans were \$138 and \$128 during the three months ended June 30, 2023 and 2022, respectively, and \$268 and \$251 during the six months ended June 30, 2023 and 2022, respectively, which are reflected in the accompanying statements of income.

**NOTE 14 - SUBSEQUENT EVENTS**

There were no subsequent events that would require adjustments to or disclosures in the financial statements. The Company has evaluated subsequent events through August 15, 2023, the date these financial statements were issued.