STATE OF NEW JERSEY
Office of the Attorney General
Department of Law and Public Safety
Division of Gaming Enforcement

In the Matter of the Amended Petition of Boardwalk 1000, LLC, HR Atlantic City, LLC, and Hard Rock Tristate AC, LLC for the Approval of a Material Debt Transaction	ORDER PRN 1782403

It is ORDERED that the attached letter dated March 4, 2025, by Deputy Attorney General Jordan Hollander regarding a material debt transaction, for the reasons expressed therein, is hereby adopted.

Dated: March 4, 2025

Mary Jo Flaherty

MARY JO FLAHERTY
INTERIM DIRECTOR

Casino Licensing

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DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF GAMING ENFORCEMENT
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March 4, 2025

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Re: In the Matter of the Amended Petition of Boardwalk 1000, LLC, HR Atlantic City, LLC, and Hard Rock Tristate AC, LLC for the Approval of a Material Debt Transaction (PRN 1782403)

Dear Counsel:

By petition PRN 1782043 dated June 25, 2024, as amended and supplemented on January 10, 2025 and January 21, 2025, casino licensees Boardwalk 1000, LLC (Boardwalk 1000) and HR Atlantic City, LLC (HR Atlantic City), the owner and manager respectively of the Hard Rock Hotel & Casino Atlantic City (HR Casino), together with Hard Rock Tristate AC, LLC (HR Tristate) which is a qualified holding company of Boardwalk 1000, seek material debt transaction (Transaction) approval from the Division of Gaming Enforcement (Division) pursuant to *N.J.A.C.* 13:69C-4.3. Specifically, Boardwalk 1000 seeks to obtain up to $460 million in new senior secured loans (New Loans) to refinance its existing term loan (Existing Term Loan) that currently matures on May 1, 2025, as well as to fund transaction-related costs. The New Loans will consist of a new term loan (New Term Loan) ranging from between $400 million and $450 million and a $10 million revolving credit facility (New Revolver). For the reasons set forth below, and subject to the conditions set forth on Exhibit A (Conditions) to this report, the Division approves the Transaction pursuant to *N.J.A.C.* 13:69C-4.3(a).

I. INTRODUCTION AND BACKGROUND

By way of background, on May 9, 2018, Boardwalk 1000 and HR Atlantic City were granted casino licenses and their designated holding companies, financial sources, and entity qualifiers were plenarily qualified. See Resolution No. 18-05-09-17. In connection with the acquisition of the former Trump Taj Mahal Casino Resort property and its renovation into the HR Casino and pursuant to a loan agreement dated August 20, 2017, as amended most recently on April 15, 2024, Boardwalk 1000 borrowed $400 million from HR Atlantic City Lender, LLC (HR AC Lender), a qualified financial source and entity qualifier, with HR Tristate as a guarantor under the loan agreement. This Existing Term Loan has a 6% interest rate, but the interest expense associated with that loan was not paid in cash initially. Instead, it was paid in kind and was added to the balance of the loan. Therefore, the Existing Term Loan had an outstanding balance of approximately $446 million as of December 31, 2024.

In addition, pursuant to promissory notes (Promissory Notes) dated October 9, 2018, November 14, 2018, November 27, 2018, and December 31, 2018, HR Tristate borrowed a total of $77.4 million at an 8% interest rate from HR Atlantic City Investor, LLC (HR AC Investor), a qualified holding company of Boardwalk 1000. The Promissory Notes were then loaned by HR Tristate to Boardwalk 1000 on the same terms and conditions and used to support post-opening capital improvements and other cash needs following the opening of the HR Casino facility in June 2018. As a result, the total existing debt of Boardwalk 1000 was approximately $523.4 million as of December 31, 2024. On two separate occasions due to then-existing market conditions and other factors, the maturity dates of the Existing Term Loan and the Promissory Notes were extended and both currently mature on May 1, 2025, or the date on which the Existing Term Loan is refinanced, whichever is earlier.

By this Transaction, Boardwalk 1000 seeks to refinance the Existing Term Loan by borrowing between $400 million and $450 million in a New Term Loan, as well as obtain a New Revolver of $10 million that will not be drawn at the time of closing. In connection with the Transaction, HR Tristate, the current 100% direct owner of Boardwalk 1000, has formed a new wholly-owned subsidiary, Boardwalk 1000 Holdings, LLC (BW 1000 Holdings). Upon receipt of regulatory approvals and upon closing of the Transaction, HR Tristate will transfer its interest in Boardwalk 1000 to BW 1000 Holdings, which will become the 100% direct owner, with HR Tristate the indirect owner, of Boardwalk 1000. BW 1000 Holdings will then pledge its equity interest in Boardwalk 1000 as security for the New Term Loan.[1]

The Division has reviewed the proposed Transaction. Given that the amount of the New Term Loan has a potential range of between $400 million and $450 million, the Division has prepared its analysis, set forth below, based upon a midpoint, or at $425 million, of a New Term Loan borrowing.

A. Sources and Uses of Cash

A $425 million New Term Loan amount and $33 million in cash on hand at Boardwalk 1000 are projected to be used to repay the Existing Term Loan and to fund related transaction costs, as reflected in the following table:

Table 1
Boardwalk 1000
Transaction Sources and Uses of Cash
Pro Forma as of December 31, 2024
($ in Millions)

Sources of Cash		Uses of Cash	
New Term Loan	$425	Repay Existing Term Loan	$446
Boardwalk 1000 Cash	33	Transaction Costs	12
Total Sources of Cash	$458	Total Uses of Cash	$458

[1] As a new intermediary holding company of Boardwalk 1000, BW 1000 Holdings requires qualification pursuant to *N.J.S.A.* 5:12-85.1. Consideration of the qualification of BW 1000 Holdings is anticipated for the March 12, 2025 meeting of the Casino Control Commission (Commission), and the Division will report separately on the results of its investigation of BW 1000 Holdings. One of the Conditions included in Exhibit A is that the Transaction may not be consummated until BW 1000 Holdings is qualified by the Commission.

B. Impact on Long-Term Debt

As of December 31, 2024 and as indicated above, Boardwalk 1000 maintained $523.4 million in debt, comprised of the to-be-refinanced $446 million balance of the Existing Term Loan and $77.4 million owed toward the Promissory Notes. Pursuant to the proposed Transaction, the Existing Term Loan will be replaced by the New Term Loan and the Promissory Notes will become a liability solely of HR Tristate. Consequently, the Promissory Notes will no longer be reflected on the financial statements of Boardwalk 1000. As a result, Boardwalk 1000's long-term debt is expected to decrease by $98.4 million following the Transaction, as reflected in the table below:

Table 2
Boardwalk 1000
Long-Term Debt
Pro Forma as of December 31, 2024
($ in Millions)

Debt Component	Balance	Adjustments	Post-Transaction
Existing Term Loan	$446.0	($446.0)	$ -
Promissory Notes	77.4	(77.4)	-
New Term Loan	-	425.0	425.0
Total	$523.4	($ 98.4)	$425.0

Boardwalk 1000's long-term debt following the Transaction, therefore, is expected to consist of the $425 million New Term Loan, which is anticipated to have a maturity date of five years from the date of closing, in addition to the $10 million New Revolver which will be undrawn at closing. The interest rate on the New Term Loan will be based on market rates plus a spread, with an initial interest rate projected to be approximately 8.35%. The New Term Loan is anticipated to require annual principal repayments of 6% of the total loan amount, or approximately $[redacted] million per year, for the first two years of the loan term, *i.e.* 2025 and 2026, in the forecasts. For the remaining three years of the projected five years of the loan period, the New Term Loan is expected to require annual principal repayments of 7.5% of the loan amount, or approximately $[redacted] million. The New Term Loan also is projected to require additional principal repayments based upon excess cash flow, as that term will be defined in the New Term Loan agreement, and such repayments are projected to be in the amount of $[redacted] paid in 2026 and $[redacted] million paid in 2027.

The $10 million New Revolver will be undrawn at closing and is expected to have the same five-year maturity and interest rate as the New Term Loan. In June 2026, Boardwalk 1000 projects borrowing $[redacted] million against the New Revolver to support its cash needs, including costs associated with a planned $50 million capital expenditure project to renovate 782 rooms in the North Tower (Room Renovation Project). This New Revolver borrowing is expected to be repaid in [redacted] and to be fully available thereafter.

C. Debt Service Requirements

While the 6% interest rate on Boardwalk 1000's Existing Term Loan is expected to increase to around 8.35% under the New Term Loan arrangement initially, long-term debt is expected to decrease $98.4 million overall following the Transaction. As a result, interest expense is expected to remain essentially unchanged at $[redacted] million for the first twelve months after the Transaction. As far as principal

repayments, the Existing Term Loan does not require principal repayments, whereas the New Term Loan is expected to require principal repayments of approximately $[redacted] million for the first two years of the New Term Loan, and approximately $[redacted] million for each year thereafter until maturity. Due to the principal repayment requirements under the New Term Loan, Boardwalk 1000's total debt service is projected to increase by around $[redacted] million, or [redacted]%, for the first year after the Transaction, from $33 million under the current debt structure to approximately $[redacted] million after the Transaction.[2]

D. Projected EBITDA and Uses of Cash

Boardwalk 1000 reported EBITDA[3] of $93 million for 2023. Boardwalk 1000 estimates EBITDA of $102 million for 2024 and projects moderate EBITDA growth to $[redacted] million for 2025, $[redacted] million for 2026, and $[redacted] million for 2027. The forecasted growth in 2026 and 2027 includes the anticipated completion of the Room Renovation Project noted above. If achieved, the projected EBITDA would be sufficient to fund Boardwalk 1000's projected uses of cash, including the increased debt service requirements, as summarized below:

Table 3
Boardwalk 1000
Forecasted Sources and Uses of Cash
For the Three Years Ending December 31, 2027
($ in Millions)

	2025	2026	2027
Sources of Cash:			
EBITDA	$[redacted]	$[redacted]	$[redacted]
Uses of Cash:			
Interest Payments	[redacted]	[redacted]	[redacted]
Maintenance Capital Expenditures	16	17	17
Room Renovation CapEx	25	25	-
New Term Loan Repayments	[redacted]	[redacted]	[redacted]
Other – net	[redacted]	[redacted]	[redacted]
Total Uses of Cash	[redacted]	[redacted]	[redacted]
Increase in Cash	[redacted]	[redacted]	[redacted]
Beginning Bank Cash Balance (a)	[redacted]	[redacted]	[redacted]
Ending Bank Cash Balance (a)	$[redacted]	$[redacted]	$[redacted]

(a) Bank Cash Balances exclude $[redacted] million in funds maintained by Boardwalk 1000 for daily casino floor operations.

As noted above, Boardwalk 1000 projects $[redacted] million in EBITDA for 2025, which would primarily be used to fund the forecasted $[redacted] million in debt service requirements and $16 million in maintenance capital expenditures at HR Casino, with $25 million for the Room Renovation Project. While the expenditure of $33 million in cash on hand for the Transaction will result in a significant reduction to its

[2] Importantly, as the New Term Loan interest rate is based on market interest rates, Boardwalk 1000 may experience rate fluctuations in accordance with market interest rate changes in the future.
[3] EBITDA, or earnings before interest, taxes, depreciation and amortization, as used in this report, is after accounting for the base and incentive management fees.

available cash balance, Boardwalk 1000 anticipates having $[redacted] million in bank cash and the fully available $10 million New Revolver at year-end 2025, in addition to the casino floor operation funds. Thereafter, Boardwalk 1000 expects to increase its cash position by $[redacted] million to $[redacted] million for 2026 and reach a projected cash balance of $[redacted] million by year-end 2027. It is important to note that the remaining funds for the Room Renovation Project are expected to be expended during 2026, with the rooms anticipated to be completed and fully available for the second half of 2026 and all of 2027. At each year-end of the forecast period, Boardwalk 1000 also expects to have the fully available $10 million New Revolver.

E. Capital Expenditures

Pursuant to Section 84a of the Casino Control Act (Act), *N.J.S.A.* 5:12-1 *et seq.*, a casino licensee is presumed to satisfy the financial stability criteria of having "the ability to make necessary capital expenditures in a timely manner which are adequate to ensure a superior, first-class facility of exceptional quality" if its capital expenditures over the immediately preceding five calendar years average at least 5% of net revenue. In connection with its review of the Transaction, the Division also has reviewed Boardwalk 1000's aforementioned capital expenditures for recent statutory analysis periods.

Boardwalk 1000 plans between $16 million and $17 million in maintenance capital expenditures per year over the next three calendar years, as well as the aforementioned Room Renovation Project in 2025 and 2026 in the approximate total amount of $50 million. For the five-year period of 2020 through 2024, Boardwalk 1000 invested 4.7% of net revenue on capital improvements, slightly below the 5% presumptive threshold. Notably, Boardwalk 1000 had spent $428 million through year-end 2018 on the renovations of the property that is now HR Casino. Based on the forecasts, Boardwalk 1000 expects to spend approximately 5.8% of its net revenue on capital improvements for the five years ending December 31, 2027, thus satisfying the 5% capital expenditure threshold set forth in the Act.

Thus, the completion of the Room Renovation project is necessary for Boardwalk 1000 to meet the 5% minimum presumptive statutory threshold of the above-mentioned financial stability criteria for the five-year period ending December 31, 2027. If the Room Renovation Project were not to be completed, Boardwalk 1000 would need to undertake another major capital expenditure project in order to meet the 5% presumptive threshold. Accordingly, the Division has included Conditions as set forth on Exhibit A requiring Boardwalk 1000 to: (1) complete the Room Renovation Project by December 31, 2026 with a budget of at least $40 million, (2) undertake any necessary capital expenditures required to ensure that the minimum 5% of net revenue presumptive threshold is met for the five-year period ending December 31, 2026 and for each five-year period thereafter, inclusive of the Room Renovation Project, and (3) submit biannual reports to the Division on January 31 and July 31 of each year, commencing on July 31, 2025, detailing its progress toward completing the Room Renovation Project and meeting the minimum 5% presumptive threshold. Furthermore, to ensure that Boardwalk 1000 continues to receive the financial support that may be necessary to complete the Room Renovation Project and meet the Conditions requirements, the Division has included a condition that the qualified holding companies of Boardwalk 1000 fund any advances necessary, as well address any unforeseen cash needs, so that Boardwalk 1000 may continue to demonstrate its financial stability.

F. Promissory Notes

As noted above, upon consummation of the Transaction, the Promissory Notes will become solely an obligation of HR Tristate. The Promissory Notes will mature on the same date as the Existing Term Loan which, as noted, is the earlier of May 1, 2025 or the refinancing of the Existing Term Loan.

In order for Boardwalk 1000 to close on the Transaction, the Promissory Notes must be repaid, refinanced, extended, placed into forbearance, or otherwise addressed. The members of HR Tristate, HR Atlantic City, HR AC Investor, and qualified holding company TriState Partners, LLC are currently negotiating the manner in which to address the Promissory Notes in connection with the Transaction. As counsel for Boardwalk 1000 and HR Tristate and on their behalf, you have represented that the Promissory Notes will remain current while negotiations are ongoing.

Under the Transaction, Boardwalk 1000 would in any event be precluded from funding debt service on the Promissory Notes or on any loan that replaces the Promissory Notes pursuant to the total net leverage ratio requirements to be contained in the New Term Loan agreement. The Division's action is in reliance on the inclusion of that provision in the New Term Loan agreement. According to its forecasts, Boardwalk 1000 is not expected to meet the required total net leverage ratio in order to be permitted to advance any funds to any holding company until the end of [redacted] at the earliest. That total net leverage ratio requirement effectively ensures that funds are retained by Boardwalk 1000 to fund debt service on the New Term Loan until such time as the total net leverage ratio protection would permit payments toward any other debt obligation.

In light of the elimination of the Promissory Notes from Boardwalk 1000's financial statements and the ongoing negotiations to address such obligations, the Division sees that the Transaction can be reviewed and approved. Given the uncertainty of the Promissory Notes situation, it is necessary, however, for the Division to impose certain Conditions, as set forth on Exhibit A, in connection with the Transaction regarding such obligations. In that regard, the Division has included a condition requiring Boardwalk 1000's financial obligations with respect to the Promissory Notes between HR AC Investor and HR Tristate to be fully eliminated and not reinstituted in any way upon Boardwalk 1000 and to preclude Boardwalk 1000 from funding any distributions to its intermediary or holding companies beyond those permitted under the New Term Loan agreement, which relates to and factors in the total net leverage ratio requirement. Moreover, the Division has included a condition requiring that the Promissory Notes between HR AC Investor and HR Tristate are to be current at the time that the Transaction closes and for at least the duration and continuation of the negotiation process amongst the partners. The Division has also included a condition requiring HR Tristate to file a report with the Division updating the status of the negotiations regarding the Promissory Notes on the first business day of each month, commencing in April 2025 until the matter has been resolved. Finally, there is a condition that any debt obligation used to address the Promissory Notes requires prior written approval of the Division.

II. DISCUSSION

Pursuant to *N.J.A.C.* 13:69C-4.3(a), no casino licensee shall consummate a material debt transaction without the prior approval of the Division. A material debt is a debt of $50 million or more, whether in a single transaction or cumulative transactions during any 12-month period, or such other amount as the Division may determine is appropriate to ensure the continued financial stability of a casino licensee. *N.J.A.C.* 13:69C-4.1. The anticipated $410 million to $460 million Transaction therefore requires prior Division approval.

Under the Transaction, the $446 million Existing Term Loan would be refinanced with a New Term Loan ranging in an amount between $400 million and $450 million. As discussed above, in connection with the Transaction, the manner in which the Promissory Notes are to be addressed remains an open matter. The relevant parties, however, have decided to move forward with the Transaction only addressing the Existing Term Loan component. The status and resolution of the Promissory Notes debt will require and be the subject of close Division monitoring and approval under the Conditions.

The debt service requirements associated with the Transaction are weighty relative to the existing debt structure of Boardwalk 1000. While the interest expense impact is essentially neutral, the New Term Loan will require substantial principal repayments based upon 6% of the New Term Loan per year for the first two years, totaling approximately $[redacted] million per year, and thereafter 7.5% of the New Term Loan per year, totaling approximately $[redacted] million annually. Given those principal repayments under the New Term Loan, compared with no principal repayments under the Existing Term Loan, the financial effect of the Transaction on Boardwalk 1000 is significant, with debt service requirements projected to be $[redacted] million for the first year after the Transaction which is $[redacted] million greater, or [redacted]% higher, than the $33 million amount due per year under the existing debt structure. From a cash flow perspective, the Transaction will reduce Boardwalk 1000's liquidity, at least initially, since $33 million in cash on hand at Boardwalk 1000 is expected to be used to partially fund the Transaction. Together, the increased debt service requirements and reduced initial cash position post-Transaction adds a degree of risk to Boardwalk 1000's ability to fund and timely complete the Room Renovation Project. As noted above, Boardwalk 1000 intends to draw $[redacted] million from the New Revolver in 2026 to support the Room Renovation Project, leaving only $[redacted] million in remaining availability on the New Revolver should any unforeseen cash needs arise or if EBITDA falls short of projections. As a result, financial flexibility could become somewhat limited during 2026 under the forecasts.

In light of the financial implications of the Transaction and the uncertainty attendant to the Promissory Notes, it is appropriate for the Conditions discussed above and set forth on Exhibit A to be imposed to ensure the continued financial stability of the HR Casino operation, as well as the necessary continued reinvestment into HR Casino, including through completion of the Room Renovation Project by year-end 2026.

III. CONCLUSION

For the reasons set forth above, the Division approves the Transaction pursuant to *N.J.A.C.* 13:69C-4.3(a), subject to the Conditions as set forth on Exhibit A. This writing is not effective without an accompanying Order approving the Transaction signed by the Director.

Sincerely,

Jordan Hollander
Deputy Attorney General

EXHIBIT A

1. Boardwalk 1000 shall complete the Room Renovation Project to refurbish 782 rooms in the North Tower by December 31, 2026, with an expended budget of at least $40 million.

2. Boardwalk 1000 shall undertake the necessary capital expenditures to ensure that a minimum of 5% of net revenue is spent on capital expenditures for the five-year period ending December 31, 2026, and for each five-year statutory analysis period thereafter, inclusive of the Room Renovation Project.

3. Boardwalk 1000 shall file a report with the Division biannually on January 31 and July 31 of each year detailing its progress toward completing the Room Renovation Project and the capital expenditure requirements detailed in Conditions 1 and 2. Compliance with this reporting obligation shall begin on July 31, 2025, and end on January 31, 2027, provided that Boardwalk 1000 is and remains in compliance with Conditions 1 and 2.

4. The qualified holding companies and entity qualifier of Boardwalk 1000 shall not cease funding any advances necessary for Boardwalk 1000 to comply with the capital expenditure requirements in Conditions 1 and 2, as well as to address any unforeseen cash needs, so that Boardwalk 1000 can continue to demonstrate its financial stability.

5. Any and all of Boardwalk 1000's financial obligations related to the Promissory Notes between HR AC Investor and HR Tristate shall be eliminated at the closing of the Transaction with evidence thereof submitted to the Division immediately thereafter, and such financial obligations related to the Promissory Notes shall not be reinstituted in any way upon Boardwalk 1000.

6. Boardwalk 1000 shall not fund any distributions to its intermediary or holding companies or any other affiliates beyond those which are expressly permitted under the provisions of the New Term Loan agreement documents.

7. The Promissory Notes between HR AC Investor and HR Tristate shall be current at the time that the Transaction closes and for at least the duration and continuation of the negotiation process.

8. On the first business day of each month commencing in April 2025 and until the Promissory Notes obligations are resolved, HR Tristate shall file a report with the Division providing information and updates as to the status of the Promissory Notes negotiation process.

9. Any new debt obligation to address the Promissory Notes obligations shall require a written submission to the Division, with supporting documentation and with a minimum of 10 business days of advance notice, and the prior written approval of the Division before execution.

10. The Transaction may not be consummated until BW 1000 Holdings is found to be qualified by the Commission as a holding company of Boardwalk 1000.

11. Within 10 days of closing, Boardwalk 1000 shall submit (1) an actual sources and uses of cash as of the closing date based on the final New Term Loan borrowing amount; (2) updated financial forecasts for 2024 through 2027 in the same format supplied to the Division based on the final terms and principal amount of the New Term Loan, as of the closing date; and (3) all final documents related to the Transaction.

12. The requirements as set forth in the above Conditions shall not be modified or eliminated except with the approval of the Division Director or their designee, with notice of such approval directed to the Chair of the Commission.