TEN RE ACNJ LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2018

REVISED 10/29/2019

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

**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

TEN RE ACNJ LLC
BALANCE SHEETS

AS OF DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	1	$32,045	$0
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, $ 242 ; 2017, $0)	1	9,113	0
4	Inventories	1	3,972	0
5	Other Current Assets	6	2,799	0
6	Total Current Assets		47,929	0
7	Investments, Advances, and Receivables		0	0
8	Property and Equipment - Gross	1	280,391	0
9	Less: Accumulated Depreciation and Amortization		(4,217)	0
10	Property and Equipment - Net		276,174	0
11	Other Assets		9,633	0
12	Total Assets		$333,736	$0
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$26,361	$0
14	Notes Payable		8,047	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	7	8,938	0
19	Other Current Liabilities	8	8,156	0
20	Total Current Liabilities		51,502	0
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	2	170,610	0
23	Deferred Credits		0	0
24	Other Liabilities		5,306	0
25	Commitments and Contingencies		0	0
26	Total Liabilities		227,418	0
27	Stockholders', Partners', or Proprietor's Equity		106,318	0
28	Total Liabilities and Equity		$333,736	$0

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

TEN RE ACNJ LLC
STATEMENTS OF INCOME

FOR THE PERIOD OF JUNE 25, 2018 THROUGH DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino	1	$44,856	$0
2	Rooms		28,612	0
3	Food and Beverage		31,755	0
4	Other		3,892	0
5	Net Revenue		109,115	0
	Costs and Expenses:			
6	Casino		35,807	0
7	Rooms, Food and Beverage		45,247	0
8	General, Administrative and Other		48,942	0
9	Total Costs and Expenses		129,996	0
10	Gross Operating Profit		(20,881)	0
11	Depreciation and Amortization	1	4,214	0
	Charges from Affiliates Other than Interest:			
12	Management Fees	3	600	0
13	Other			0
14	Income (Loss) from Operations		(25,695)	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External	2	(8,830)	0
17	CRDA Related Income (Expense) - Net		(1,217)	0
18	Nonoperating Income (Expense) - Net		(6,336)	0
19	Total Other Income (Expenses)		(16,383)	0
20	Income (Loss) Before Taxes		(42,078)	0
21	Provision (Credit) for Income Taxes		0	0
22	Net Income (Loss)		($42,078)	$0

The accompanying notes are an integral part of the financial statements.
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TEN RE ACNJ LLC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino	1	$15,653	$0
2	Rooms		10,905	0
3	Food and Beverage		12,716	0
4	Other		2,565	0
5	Net Revenue		41,839	0
	Costs and Expenses:			
6	Casino		19,628	0
7			19,913	0
8	General, Administrative and Other		24,620	0
9	Total Costs and Expenses		64,161	0
10	Gross Operating Profit		(22,322)	0
11	Depreciation and Amortization		2,367	0
	Charges from Affiliates Other than Interest:			
12	Management Fees	3	300	0
13	Other			0
14	Income (Loss) from Operations		(24,989)	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		(4,440)	0
17	CRDA Related Income (Expense) - Net		(516)	0
18	Nonoperating Income (Expense) - Net		(143)	0
19	Total Other Income (Expenses)		(5,099)	0
20	Income (Loss) Before Taxes		(30,088)	0
21	Provision (Credit) for Income Taxes			0
22	Net Income (Loss)		($30,088)	$0

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TEN RE ACNJ LLC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND THE 12 MONTHS ENDED DECEMBER 31, 2017

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2016..........**		N/A							$0
2	Net Income (Loss) - 2017.............									0
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................									0
5	Prior Period Adjustments.............									0
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2017..........**		0	0	0	0	0	0	0	0
11	Net Income (Loss) - 2018.............									0
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments.............									0
15										0
16										0
17										0
18										0
19	**Balance, ____________, 20__ ....**		0	$0	0	$0	$0	$0	$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.

TEN RE ACNJ LLC
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE PERIOD ENDING JUNE 25, 2018
AND THE PERIOD ENDING DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Other (e)	Total Equity (Deficit) (f)
1	**Balance, December 31,2016..........**					$0
2	Net Income (Loss) - 2017..........					0
3	Capital Contributions................		144,656			144,656
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7						0
8						0
9						0
10	**Balance June 25, 2018**		144,656	0	0	144,656
11	Net Income (Loss) - 2018..........			(42,078)		(42,078)
12	Capital Contributions................		3,709			3,709
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	Gain on Interest Rate Cap				31	31
17						0
18						0
19	**Balance, December 31, 2018.........**		$148,365	($42,078)	$31	$106,318

The accompanying notes are an integral part of the financial statements.
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TEN RE ACNJ LLC
STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$9,963	$0
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	
3	Proceeds from the Sale of Short-Term Investments		0	
4	Cash Outflows for Property and Equipment.....		(23,548)	0
5	Proceeds from Disposition of Property and Equipment.....		0	
6	CRDA Obligations		(1,192)	
7	Other Investments, Loans and Advances made.....		0	
8	Proceeds from Other Investments, Loans, and Advances		0	
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Gain on Interest Rate Cap		31	
11	.....		0	
12	Net Cash Provided (Used) By Investing Activities.....		(24,709)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	
14	Payments to Settle Short-Term Debt.....		0	
15	Proceeds from Long-Term Debt		914	
16	Costs of Issuing Debt.....		0	
17	Payments to Settle Long-Term Debt.....		0	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		3,709	0
19	Purchases of Treasury Stock.....		0	
20	Payments of Dividends or Capital Withdrawals.....		0	
21	.....		0	
22	.....		0	
23	Net Cash Provided (Used) By Financing Activities.....		4,623	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(10,123)	0
25	Cash and Cash Equivalents at Beginning of Period.....		42,168	
26	Cash and Cash Equivalents at End of Period.....		$32,045	$0

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

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

TEN RE ACNJ LLC
STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING DECEMBER 31, 2018
(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($42,078)	
30	Depreciation and Amortization of Property and Equipment		4,214	
31	Amortization of Other Assets		0	
32	Amortization of Debt Discount or Premium		0	
33	Deferred Income Taxes - Current		0	
34	Deferred Income Taxes - Noncurrent		0	
35	(Gain) Loss on Disposition of Property and Equipment		0	
36	(Gain) Loss on CRDA-Related Obligations		0	
37	(Gain) Loss from Other Investment Activities		0	
38	(Increase) Decrease in Receivables and Patrons' Checks		(4,695)	
39	(Increase) Decrease in Inventories		(2,481)	
40	(Increase) Decrease in Other Current Assets		2,576	
41	(Increase) Decrease in Other Assets		26,803	
42	Increase (Decrease) in Accounts Payable		16,975	
43	Increase (Decrease) in Other Current Liabilities		13,572	
44	Increase (Decrease) in Other Liabilities		(4,923)	
45				
46				
47	Net Cash Provided (Used) By Operating Activities		$9,963	$0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($23,548)	
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($23,548)	$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired			
52	Goodwill Acquired			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed			
55	Issuance of Stock or Capital Invested			
56	Cash Outflows to Acquire Business Entities		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions		$3,709	$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		$3,709	$0

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

TEN RE ACNJ LLC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE PERIOD OF JUNE 25, 2018 THROUGH DECEMBER 31, 2018 AMENDED 10/2019
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	142,084	10,154		$0
2	Food	97,160	4,858	5,300	106
3	Beverage	1,720,675	3,679	0	0
4	Travel		0	4,145	1,022
5	Bus Program Cash		0		0
6	Promotional Gaming Credits	444,000	19,265		
7	Complimentary Cash Gifts	200,146	5,264		0
8	Entertainment	24,991	682	242	34
9	Retail & Non-Cash Gifts	2,443	57	52,100	2,605
10	Parking	271,800	1,359	290,200	1,451
11	Other	709	3,436	15,571	190
12	Total	2,904,008	$48,754	367,558	$5,408

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	65,893	$4,709		$0
2	Food	58,100	2,905	550	11
3	Beverage	767,031	1,640	0	0
4	Travel	0	0	1,841	454
5	Bus Program Cash		0		0
6	Promotional Gaming Credits	157,271	6,822		
7	Complimentary Cash Gifts	110,034	2,894		
8	Entertainment	21,840	596	242	34
9	Retail & Non-Cash Gifts	2,400	56	40,120	2,006
10	Parking	102,600	513	64,600	323
11	Other	340	3,411	3,606	45
12	Total	1,285,509	$23,546	110,959	$2,873

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

TEN RE ACNJ LLC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2018

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.

4/22/2019
Date

Jacob D. Witmer

Vice President of Finance
Title

009885-11
License Number

On Behalf of:

TEN RE ACNJ LLC
Casino Licensee

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ten RE AC NJ LLC ("the Company" or "Ten RE") was formed on December 15, 2016 to acquire, renovate, develop, construct, own, and operate a hotel and casino property.

Basis of Presentation

Ten RE is the sole member of

- AC Beachfront LLC, a DE single member LLC formed on October 31, 2017, to hold the NJ operating entity for the hotel and casino operations.

AC Beachfront LLC is the sole member of

- ACOWRE LLC, a DE single member LLC formed on October 31, 2017, to own the real property in which the Ten RE hotel and casino is operated, and
- ACOWMGR LLC, a DE single member LLC formed on October 31, 2017, to manage AC Ocean Walk LLC.

Together AC Beachfront LLC and ACOWMGR LLC own 100% of

- AC Ocean Walk, LLC, a NJ multi member LLC formed on August 2, 2017 to hold the NJ Casino license and conduct operations of the hotel and casino.
- The casino and hotel opened on June 27, 2018.

AC Ocean Walk, LLC entered into a partnership agreement with Blue Ocean Waters, LLC on April 11, 2018 to operate the Day and Night Club. They each own 50% of both the Day and Night Club assets plus any future additional capital expenditures and/or additions to the club.

The consolidated financial statements include the accounts of Ten RE and these subsidiaries for the period June 25, 2019 through December 31, 2019. Intercompany balances and transactions are eliminated.

Basis of Accounting

The accompanying consolidated financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606) (ASC 606)*, which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under the standard, revenue is recognized when an entity transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services.

The Company adopted ASC 606 effective January 1, 2018.

Revenue from contracts with customers primarily consists of casino wagers, room sales, food and beverage transactions, convention sales and entertainment ticket sales. These contracts can be written, oral or implied by customary business practices.

Gross casino revenue is the aggregate of gaming wins and losses. The commissions rebated to gaming promoters and premium players for rolling play, cash discounts and other cash incentives to patrons related to gaming play are recorded as a reduction to gross casino revenue. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis to incentivize gaming or in exchange for points earned under the Company's loyalty programs.

For wagering contracts that include complimentary products and services provided by the Company to incentivize gaming, the Company allocates the relative stand-alone selling price of each product and service to the respective revenue type. Complimentary products or services provided under the Company's control and discretion, which are supplied by third parties, are recorded as an operating expense.

For wagering contracts that include products and services provided to a patron in exchange for points earned under the Company's loyalty programs, the Company allocates the estimated fair value of the points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs. Upon redemption of loyalty program points for Company-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party. Any discounts received by the Company from the third party in connection with this transaction are recorded to other revenue.

After allocation to the other revenue types for products and services provided to patrons as part of a wagering contract, the residual amount is recorded to casino revenue as soon as the wager is settled. As all wagers have similar characteristics, the Company accounts for its gaming contracts collectively on a portfolio basis versus an individual basis.

Hotel revenue recognition criteria are met at the time of occupancy. Food and beverage revenue recognition criteria are met at the time of service. Convention revenues are recognized when the related service is rendered or the event is held. Deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred revenue until the revenue recognition criteria are met. Cancellation fees for hotel, convention space and food and beverage services are recognized upon cancellation by the customer and are included in other revenues. Entertainment revenue recognition criteria are met at the completion of the event. Revenue from contracts with a combination of these services is allocated pro rata based on each service's relative stand-alone selling price.

The Company's player program allows members, through the frequency of their play at the casino, to earn and accumulate points which may be redeemed for a variety of goods and services. Points may be applied toward room stays at the hotel, food and beverage at the various restaurants, gift shops, additional game play, and entertainment.

Internet Gaming is available through the Company's contract with GAN Platform Licensing, LLC, which delivered, monitors and services the hardware platform and data warehouse through which the activities are conducted. Internet gaming revenue represents net win from online gaming activity, which is the difference between wins and losses less promotional offers related to a patron's level of play.

Rental revenues from tenants are recognized on a straight-line basis over the terms of the related leases. Percentage rental revenues are recognized in the periods in which the tenants exceed their respective percentage rent thresholds.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term securities purchased with maturities of three months or less, as well as, working capital and debt service spendable reserves to be cash equivalents.

The Company maintains cash balances with local banks, which at times throughout the year may exceed the FDIC insured limit at one institution. It historically has not experienced any losses due to uninsured balances.

Customer and Other Receivables

Since operations have commenced, the Company extends short-term credit to its approved customers. Such credit is non-interest bearing and due on demand. In addition, the Company will have receivables due from hotel guests, which will be primarily secured with a credit card at the time the customer checks in.

The Company has not accrued interest on outstanding accounts receivable. Accounts receivable will be stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a valuation allowance and a charge to bad debt expense based on its experience and on any unusual circumstances that may affect collectability. The allowance for uncollectible accounts at December 31, 2018 was $242,000. Balances that are still outstanding after management has used reasonable collection efforts will be written off against the valuation allowance.

Casino Jackpots

The Company accrues a liability for the incremental jackpot amounts of progressive-type slot machines. The jackpot will be accrued as the obligation becomes unavoidable over the period in which the incremental progressive jackpot amount is generated commensurate with a corresponding reduction in casino revenue.

Inventory

Inventory consists of food, beverages, linen, uniforms, retail merchandise, general supplies, china and glass, and fuel and oil inventory. The values are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. At December 31, 2018, inventory was valued at $3,972,000.

Property and Equipment

Property and equipment is stated at cost and as of December 31, 2018 consists of the following:

Category	**Estimated Useful Lives**	**Cost**
Land		37,609,000
Buildings	40 years	165,169,000
Improvements	15-40 years	42,689,000
Furniture & equipment	5-7 years	33,625,000
Transportation equipment	5 years	1,299,000
Total		**280,391,000**

Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the related assets. Depreciation expense for the six months ended December 31, 2018 was $4,214,000.

Additions, improvements, and expenditures for repairs and maintenance that significantly extend the life of an asset are capitalized. Other expenditures for routine repairs and maintenance are charged directly to expense when incurred.

The Company evaluates property and equipment and other long-lived assets for impairment in accordance with GAAP. For assets to be disposed of, the Company recognizes the asset to be sold at the lower of carrying value or fair value less costs of disposal. For assets to be held and used, the Company reviews fixed assets for impairment annually during the fourth quarter of each year, or whenever indicators of impairment exist. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no adjustment is indicated. If the undiscounted cash flows do not exceed the carrying value, the impairment is measured based on fair value compared to the carrying value, with fair value typically based on a discounted cash flow model or market comparables, when available. For the six months ended December 31, 2018, there were no impairment charges.

Right of Use Assets

The Company has elected to early implement new accounting standards for leases, which are effective for periods beginning after December 15, 2018. Accordingly, leases identified as operating leases under current accounting guidance are recognized as lease assets and liabilities, measured as the present value of the lease payments to be paid using the discount rate for the lease at commencement. Leases are expensed on a straight-line basis over the term of the lease.

Vehicles

On April 12, 2018, the Company entered into a limousine services agreement for the right to use certain vehicles. The right to use the vehicles conferred by that agreement has been capitalized and amortized over the thirty-six month period of the agreement ending June 30, 2021. Rent expense of $168,000 has been recorded with $610,000 remaining as a right of use asset at December 31, 2018.

Possessory Rights to the HQ Day/Night Club

Effective May 18, 2018, the Company entered into an agreement to purchase the possessory rights of the former tenants of the HQ Day/Night Club. The right to use the HQ Day/Night Club property conferred by that agreement has been capitalized and amortized over the 48 month remaining term of the original lease. A discount rate of 10.75% has been applied. Rent expense for the six months ended December 31, 2018 was $1,166,000, with $5,651,000 remaining as a right of use asset at December 31, 2018. This space is being operated by the Joint Venture between AC Ocean Walk, LLC and Blue Ocean Waters, LLC, a related party.

Fair Value of Financial Instruments

The company applies the following fair value hierarchy, which prioritizes the inputs utilized to measure fair value into three levels:

- Level 1 - Quoted prices for identical assets or liabilities in active markets;
- Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets or valuations based on models where the significant inputs are observable or can be corroborated by observable market data; and
- Level 3 – Valuations based on models where the significant inputs are unobservable. The unobservable inputs reflect the Company's estimates or assumptions that market participants would utilize in pricing such assets or liabilities.

The Company's assessment of the significance of a particular input requires judgment and may affect the valuation of financial assets and liabilities and their placement within the fair value hierarchy.

The carrying amount of cash and cash equivalents, restricted cash, receivables, accounts payables, and loans from financial institution approximates the value. The estimated fair value of the Company's LIBOR cap agreement is a Level 2 investment.

Income Taxes

Generally, income taxes have not been provided because the Company is treated as a partnership for federal and state income tax purposes as provided in the Internal Revenue Code and State Tax Code. As such, the Company's income or loss and credits are passed through to the members and reported on their individual income tax returns.

Management has evaluated uncertain tax positions taken by the Company. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service or other taxing authority. The

Company has recognized no interest or penalties related to uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions. As the Company was formed in 2016, all relevant tax years are still subject to federal and state income tax examinations.

Gaming Taxes

New Jersey imposes a tax equal to 8% of the gross gaming revenues and 15% on internet gaming revenues. Included in casino expenses, for the period of June 25, 2018 through December 31, 2018, are the Company paid gaming taxes in the amount of $4,043,000 to the State of New Jersey.

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Prepaid rental fees associated with billboard advertisements are amortized over the terms of the related rental agreements. For the six months ended December 31, 2018, $6,041,000 was incurred for advertising costs.

Pre-Opening Costs

Pre-opening costs and expenses totaled $143,000 and $6,336,000 for the 3 months ended December 31, 2018 and the period of June 25, 2018 through December 31, 2018 respectively.

NOTE 2 - DEBT

On June 4, 2018, the Company entered into a $163,000,000 mortgage note agreement ("Mortgage Note") and a $12,000,000 mezzanine note agreement ("Mezzanine Note"), collectively known as (the "Loans"). The Loans call for monthly payments of interest at a rate of LIBOR plus 750 basis points, over a term of three years, at which time the full balance of principal is due. The Loans requires certain reserves to be held by the lender and are subject to various restrictive covenants and prepayment penalties. The Loans are collateralized by substantially all of the assets of the Company. In addition, the Company is required to obtain interest rate protection with a cap of LIBOR at a strike of 3.25% throughout the term of the loan. As of December 31, 2018, unamortized loan fees were $4,389,000 and amortization for the six months then ended was $5,534,000. The Company is also required to maintain certain financial and other covenants (See Note 10 – Subsequent Event).

There are various notes payable to purchase gaming equipment, maturing from October 31, 2019 to August 20, 2021, with monthly payments totaling $341,000. At December 31, 2018, the remaining balance of the notes is $8,242,000, of which $5,436,000 is current and $2,806,000 is long-term. The leases are collateralized by the leased equipment.

Interest on debt for the six months ended December 31, 2018 was $8,830,000.

As described in Note 1, on May 18, 2018, the Company entered into an agreement to purchase the possessory rights of the former tenants of the HQ Day/ Night Club for the sum of $8,000,000. $3,000,000 was paid on the date hereof and the balance is due in five annual installments of $1,000,000 each, the first one being on July 1, 2019. The debt has been recorded at the present value of the lease payments, discounted with a rate of 10.75% or $6,616,000. The balance at December 31, 2018 was $3,616,000.

Minimum future debt payments at December 31, 2018 are as follows:

	Financial Institution	Capital Leases	Rent Payable
Year ended December 31, 2019	$ -	$ 5,436,000	$ 537,000
Year ended December 31, 2020	-	2,275,000	650,000
Year ended December 31, 2021	175,000,000	531,000	724,000
Year ended December 31, 2022	-	-	807,000
Year ended December 31, 2023	-	-	898,000
Total	$ 175,000,000	$ 8,242,000	$ 3,616,000

The Company uses LIBOR cap agreements to convert a portion of its interest rate exposure from floating rates to fixed rates to reduce its cash flow risk. The Company has $175,000,000 of notional amount of LIBOR cap agreements consisting of $163,000,000, expiring on July 15, 2020 and $12,000,000 expiring on July 15, 2020. Under the cap agreements, the Company receives a variable rate of LIBOR plus 750 basis points and pays a fixed rate of interest adjusted quarterly.

The cap agreements are formally designated and qualify as cash flow hedges and are recorded at fair value in the consolidated balance sheet in other assets at December 31, 2018. Gains and losses due to changes in fair value of the LIBOR cap agreements completely offset changes in the fair value of the hedged portion of the underlying debt. Therefore, no gain or loss has been recognized due to hedge ineffectiveness. Offsetting changes in fair value of both the LIBOR cap agreements and the hedged portion of the underlying debt both were recognized in accumulated other comprehensive income in the consolidated statement of operations and members' equity. The Company does not hold or issue any derivative instrument for trading or speculative purposes.

The fair values of the LIBOR cap agreements as of December 31, 2018 were assets of $31,000 and are included in other long-term assets in the consolidated balance sheet. The fair value of the cap agreements excludes accrued interest and takes into consideration current interest rates and current likelihood of the cap counterparties' compliance with its contractual obligations.

NOTE 3 - RELATED PARTY TRANSACTIONS

There is a management agreement in effect between Mile High Dice Mgr. LLC, an affiliate of one of the Company's members and Ten RE, which calls for management fees of $100,000 to be paid monthly. For the six months ended December 31, 2018, the Company incurred an expense of $600,000 under this agreement.

There is a consulting agreement in effect between Winding Trail, LLC, which is a member, and Ten RE, which calls for payments of $35,000 per month through June 27, 2019. For the six months ended December 31, 2018, the Company incurred an expense of $210,000 under this agreement.

The Company has borrowed $1,816,000 from an affiliate of one of the members. Interest accrues on the debt at the rate of 10%. As of December 31, 2018, the accrued interest is $158,000 and the balance is $1,974,000. The note and interest are payable on the earlier of either the issuance of any equity in the Company (subject to limitations placed by third party lenders) or February 15, 2021. The note is uncollateralized.

NOTE 4 - LEASES

As described in Note 1, the Company entered into an agreement to purchase the right to control the Club for the period the prior tenant had possessory rights which was the term of the original lease. Rent expense for the six months ended December 31, 2018 was $1,166,000.

As described in Note 4, the Company entered into an agreement with its Joint Venture partner to lease the Club for ten years and an option to renew for five more. Rent expense for the six months ended December 31, 2018 was $311,000 and has been eliminated in the consolidated statement of operations.

As described in Note 1, the Company leases vehicles through July 14, 2020 and June 30, 2021. Rent expense for the period through December 31, 2018 was $185,000.

Minimum future payments under vehicle lease obligations at December 31, 2018 are as follows:

Year ended December 31, 2019	$	251,000
Year ended December 31, 2020		268,000
Year ended December 31, 2021		117,000
Total	$	636,000

An operating lease was entered into on January 4, 2018 between ACOWRE, LLC and AC Ocean Walk, LLC to lease the premises for a nominal fee of $10 per annum plus Supplementary and Other Rent which includes all FF&E expenditures. The lease term was for five years.

The lease was restated on May 31, 2018 for a term of ten years and $20,000,000 per annum. All payments paid to any Mortgagee and Mezzanine Lender for debt service and reserves in accordance with the Mortgage Loan Documents shall be deemed to be a credit against operating lease payable. A Right of Use Asset has not been booked for this agreement as all payments are variable.

The lease was amended to require monthly installments of $1,666,000 of the annual rent mentioned above, and to give the tenant the right to pay and discharge when due any or all of the Supplementary Rent and Other Rent by payment directly to third parties in lieu of paying such amounts to the landlord.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Total interest paid for the six months ended December 31, 2018 was $3,173,000 and non-cash payment of interest in the amount of $5,723,000 was removed from the reserves held at financial institutions. For the six months ended December 31, 2018, gaming equipment purchased under capital lease obligations totaled $3,813,000.

NOTE 6 – OTHER CURRENT ASSETS

Other Current Assets as of December 31, 2018 consist of the following:

Prepaid Insurance	$	243,000
Prepaid Sewer		237,000
Prepaid Slot Machine Licenses		486,000
Prepaid Advertising & Marketing		217,000
Prepaid Entertainment		428,000
Prepaid Service Contracts		794,000
Prepaid Other		394,000
	$	2,799,000

NOTE 7 – OTHER ACCRUED EXPENSES

Other Accrued Expenses as of December 31, 2018 consist of the following:

Accrued Utilities	$ 808,000
Accrued Payroll & Benefits	5,147,000
Accrued CRDA	504,000
Accrued Insurance Reserves	379,000
Accrued Sales/Use/Luxury Taxes	736,000
Accrued Hotel Operations Expenses	499,000
Accrued Gaming Taxes	326,000
Accrued Other	539,000
	$ 8,938,000

NOTE 8 – OTHER CURRENT LIABILITIES

Other Current Liabilities as of December 31, 2018 consist of the following:

Deposits	$ 1,372,000
Deferred Revenue	1,021,000
Gaming Liabilities	4,188,000
Chip Liability	1,054,000
Other	521,000
	$ 8,156,000

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

The Company's operations are dependent on obtaining and retaining continued licensing from the New Jersey gaming authorities. The inability to obtain a license or subsequent loss of a license could have a material adverse effect on future results of operations.

The Company is party to legal actions, various claims and complaints that arise in the normal course of business. It is management's belief that its defenses are substantial in each of these matters and the Company's position can be successfully defended or settled without material adverse effect on its results of operations or cash flows.

NOTE 10 – SUBSEQUENT EVENT

In February 2019, the majority owner transferred his interest in the Company to a divestiture trust for the benefit of investment vehicles managed by Luxor Capital Group, LP, a New York City based investment manager.

On February 8, 2019 and February 14, 2019, the Company issued promissory notes in the aggregate principal amount of $25 million which are convertible into common equity units of the Company. The notes bear interest at a rate of 10% per annum and mature on February 8, 2024. The notes are unsecured.

On February 8, 2019 the Company entered into a $50 million mezzanine loan ("Luxor Mezz") with an affiliated entity. The Luxor Mezz bears interest at a rate of 10.75% per annum until the maturity date of June 9, 2021.

On February 8, 2019, a $72 million payment of principal was made on the Mortgage Note, bringing the balance down to $91 million, and a loan advance of $23.02 million was made to the Company from the Mezzanine Note bringing the balance to $35.02 million. The Loans require certain reserves to be held by the lender and are subject to various restrictive covenants and prepayment penalties.

The Luxor Mezz of $50 million along with the Mezzanine Note advance of $23 million, retired $72 million of the Mortgage Note and funded $1 million in associated legal expenses.

TEN RE ACNJ LLC

ANNUAL FILINGS

FOR THE PERIOD ENDING DECEMBER 31, 2018

AMENDED 10/29/2019

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

TEN RE ACNJ LLC

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE PERIOD ENDING DECEMBER 31, 2018

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks	$3,875		
2	Returned Patrons' Checks	756		
3	Total Patrons' Checks	4,631	$226	$4,405
4	Hotel Receivables	865	16	$849
	Other Receivables:			
5	Receivables Due from Officers and Employees	-		
6	Receivables Due from Affiliates	-		
7	Other Accounts and Notes Receivables	3,859		
8	Total Other Receivables	3,859	-	$3,859
9	Totals (Form DGE-205)	$9,355	$242	$9,113

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)	$0
11	Counter Checks Issued	57,616
12	Checks Redeemed Prior to Deposit	(45,290)
13	Checks Collected Through Deposits	(7,695)
14	Checks Transferred to Returned Checks	(756)
15	Other Adjustments	0
16	Ending Balance	$3,875
17	"Hold" Checks Included in Balance on Line 16	0
18	Provision for Uncollectible Patrons' Checks	$163
19	Provision as a Percent of Counter Checks Issued	0.3%

TEN RE ACNJ LLC
ANNUAL EMPLOYMENT AND PAYROLL REPORT
FOR THE PERIOD 6/25/18 THROUGH 12/31/18
($ IN THOUSANDS)

Line	Department	Number of Employees	Salaries and Wages		
			Other Employees	Officers & Owners	Totals
(a)	(b)	(c)	(d)	(e)	(f)
	CASINO:				
1	Table and Other Games	544			
2	Slot Machines	66			
3	Administration	0			
4	Casino Accounting	113			
5	Simulcasting	0			
6	Other	31			
7	Total - Casino	754	$8,996	$0	$8,996
8	ROOMS	504	7,304	0	7,304
9	FOOD AND BEVERAGE	1,074	12,918	0	12,918
10	GUEST ENTERTAINMENT	222	1,129	0	1,129
11	MARKETING	135	3,961	0	3,961
12	OPERATION AND MAINTENANCE	161	4,411	0	4,411
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	944	633	1,577
14	Accounting and Auditing	85	1,753	0	1,753
15	Security	231	2,824	0	2,824
16	Other Administrative and General	0	0	0	0
	OTHER OPERATED DEPARTMENTS:				
17	H/R	15	650	0	650
18	I/T	17	717	0	717
19	Spa Retail & Other	2	23	0	23
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,208	$45,630	$633	$46,263