TEN RE ACNJ LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 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, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents	2	$46,035	$34,672	*
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, $2,597; 2018, $242)	2, 3	12,575	9,113	
4	Inventories	2	4,618	3,972	
5	Other Current Assets	5	3,213	2,799	
6	Total Current Assets		66,441	50,556	
7	Investments, Advances, and Receivables		0	0	
8	Property and Equipment - Gross	2, 4	298,320	280,391	
9	Less: Accumulated Depreciation and Amortization	2, 4	(21,040)	(4,217)	
10	Property and Equipment - Net	2, 4	277,280	276,174	
11	Other Assets		1,182	7,006	*
12	Total Assets		$344,903	$333,736	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$11,630	$26,361	
14	Notes Payable	6	3,489	0	*
	Current Portion of Long-Term Debt:				
15	Due to Affiliates	9	23,683	4,475	*
16	External	9	5,937	6,072	*
17	Income Taxes Payable and Accrued		0	0	
18	Other Accrued Expenses	7	9,622	8,938	
19	Other Current Liabilities	8	7,873	7,539	*
20	Total Current Liabilities		62,234	53,385	
	Long-Term Debt:				
21	Due to Affiliates	9	56,430	0	
22	External	9	125,696	173,416	*
23	Deferred Credits		0	0	
24	Other Liabilities		3,513	617	*
25	Commitments and Contingencies	11	0	0	
26	Total Liabilities		247,873	227,418	
27	Stockholders', Partners', or Proprietor's Equity		97,030	106,318	
28	Total Liabilities and Equity		$344,903	$333,736	

*Amounts indicated with an asterick have been restated to conform to the current presentation.

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 TWELVE MONTHS ENDED 12/31/19 AND THE PERIOD 6/25 - 12/31/18*

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018* (d)
	Revenue:			
1	Casino	2	$98,588	$44,856
2	Rooms	2	78,731	28,612
3	Food and Beverage	2	59,116	31,755
4	Other	2	16,176	3,892
5	Net Revenue		252,611	109,115
	Costs and Expenses:			
6	Casino		65,766	35,807
7	Rooms, Food and Beverage		76,248	45,247
8	General, Administrative and Other		103,849	48,942
9	Total Costs and Expenses		245,863	129,996
10	Gross Operating Profit		6,748	(20,881)
11	Depreciation and Amortization	2	19,615	4,214
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	600
13	Other		0	0
14	Income (Loss) from Operations		(12,867)	(25,695)
	Other Income (Expenses):			
15	Interest Expense - Affiliates	9	(7,469)	0
16	Interest Expense - External	9	(14,623)	(8,830)
17	CRDA Related Income (Expense) - Net	2, 11	(2,967)	(1,217)
18	Nonoperating Income (Expense) - Net	13	800	(6,336)
19	Total Other Income (Expenses)		(24,259)	(16,383)
20	Income (Loss) Before Taxes		(37,126)	(42,078)
21	Provision (Credit) for Income Taxes	15	2	0
22	Net Income (Loss)		($37,128)	($42,078)

*The Company commenced gaming operations on June 25, 2018.

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 THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino	2	$23,405	$15,653
2	Rooms	2	17,424	10,905
3	Food and Beverage	2	13,700	12,716
4	Other	2	6,310	2,565
5	Net Revenue		60,839	41,839
	Costs and Expenses:			
6	Casino		10,662	19,628
7	Rooms, Food and Beverage		18,889	19,913
8	General, Administrative and Other		22,008	24,620
9	Total Costs and Expenses		51,559	64,161
10	Gross Operating Profit		9,280	(22,322)
11	Depreciation and Amortization	2	6,975	2,367
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	300
13	Other		0	0
14	Income (Loss) from Operations		2,305	(24,989)
	Other Income (Expenses):			
15	Interest Expense - Affiliates	9	(2,056)	0
16	Interest Expense - External	9	(3,534)	(4,440)
17	CRDA Related Income (Expense) - Net	2, 11	(774)	(516)
18	Nonoperating Income (Expense) - Net	13	401	(143)
19	Total Other Income (Expenses)		(5,963)	(5,099)
20	Income (Loss) Before Taxes		(3,658)	(30,088)
21	Provision (Credit) for Income Taxes	15	2	0
22	Net Income (Loss)		($3,660)	($30,088)

The accompanying notes are an integral part of the financial statements.
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TEN RE ACNJ LLC
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE PERIOD OF JUNE 25, 2018 THROUGH DECEMBER 31, 2018
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Other (e)	Total Equity (Deficit) (f)
1	**Balance, June 25, 2018..................**		$144,656	$0	$0	$144,656
2	Net Income (Loss) - 2018..........			(42,078)		(42,078)
3	Capital Contributions.................		3,709			3,709
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	Gain (loss) on Interest Rate Cap	9			31	31
8						0
9						0
10	**Balance, December 31, 2018.........**		148,365	(42,078)	31	106,318
11	Net Income (Loss) - 2019..........			(37,128)		(37,128)
12	Capital Contributions.................	9	2,202			2,202
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	Gain (loss) on Interest Rate Cap	9			(31)	(31)
17	Joint Venture Loss	1, 6, 12	(581)			(581)
18	Convert Notes to Equity	9	26,250			26,250
19	**Balance, December 31, 2019.........**		$176,236	($79,206)	$0	$97,030

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 TWELVE MONTHS ENDED 12/31/19 AND THE PERIOD 6/25/18-12/31/18

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)	
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		($18,245)	$2,259	*
	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	2, 4	(11,924)	(23,548)	
5	Proceeds from Disposition of Property and Equipment		210	0	
6	CRDA Obligations	2, 11	(2,562)	(1,192)	
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	(Gain)/Loss on Interest Rate Swap Agreement	9	(31)	31	
11					
12	Net Cash Provided (Used) By Investing Activities		(14,307)	(24,709)	
	CASH FLOWS FROM FINANCING ACTIVITIES:				
13	Proceeds from Short-Term Debt	9	27,298	0	
14	Payments to Settle Short-Term Debt		0	0	
15	Proceeds from Long-Term Debt	9	98,179	914	
16	Costs of Issuing Debt	9	(2,542)	0	
17	Payments to Settle Long-Term Debt	9	(72,000)	0	
18	Cash Proceeds from Issuing Stock or Capital Contributions	9	2,202	3,709	
19	Purchases of Treasury Stock		0	0	
20	Payments of Dividends or Capital Withdrawals		0	0	
21	Capital Lease Obligations and Other Payments	9	(9,222)	0	
22				0	
23	Net Cash Provided (Used) By Financing Activities		43,915	4,623	
24	Net Increase (Decrease) in Cash and Cash Equivalents		11,363	(17,827)	*
25	Cash and Cash Equivalents at Beginning of Period		34,672	52,499	*
26	Cash and Cash Equivalents at End of Period		$46,035	$34,672	*

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$11,601	$0
28	Income Taxes		$0	$0

*Amounts indicated with an asterick have been restated to conform to the current presentation

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TEN RE ACNJ LLC
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 12/31/19 AND THE PERIOD 6/25/18-12/31/18

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($37,128)	($42,078)
30	Depreciation and Amortization of Property and Equipment	2, 4	16,829	4,214
31	Amortization of Other Assets	2	2,786	0
32	Amortization of Debt Discount or Premium		414	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment		(146)	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	2, 3	(3,462)	(4,695)
39	(Increase) Decrease in Inventories	2	(646)	(2,481)
40	(Increase) Decrease in Other Current Assets	5	(414)	2,576
41	(Increase) Decrease in Other Assets		(792)	19,099 *
42	Increase (Decrease) in Accounts Payable		(11,030)	16,975
43	Increase (Decrease) in Other Current Liabilities	7	4,625	13,572
44	Increase (Decrease) in Other Liabilities		2,909	(4,923)
45	Gain (Loss) on Joint Venture	1, 6, 12	(581)	0
46	PIK Interest Converted to Debt	9	8,391	
47	Net Cash Provided (Used) By Operating Activities		($18,245)	$2,259

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment	2, 4	($11,924)	($23,548)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($11,924)	($23,548)
	ACQUISITION OF BUSINESS ENTITIES:			
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
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions	9	$28,452	$3,709
58	Less: Issuances to Settle Long-Term Debt	9	(26,250)	0
59	Consideration in Acquisition of Business Entities		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions		$2,202	$3,709

*Amounts indicated with an asterick have been restated to conform to the current presentation

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 TWELVE MONTHS ENDED DECEMBER 31, 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	291,935	$44,473	0	$0
2	Food	256,560	12,828	85,100	1,702
3	Beverage	1,683,750	6,735	0	0
4	Travel	0	0	6,860	1,029
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,585,080	39,627	0	0
7	Complimentary Cash Gifts	144,520	3,613	0	0
8	Entertainment	62,200	3,110	1,000	50
9	Retail & Non-Cash Gifts	42,840	1,071	98,600	4,930
10	Parking	743,000	3,715	470,200	2,351
11	Other	16,200	162	17,900	179
12	Total	4,826,085	$115,334	679,660	$10,241

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	72,464	$10,776	0	$0
2	Food	69,080	3,454	24,300	486
3	Beverage	429,750	1,719	0	0
4	Travel	0	0	1,147	172
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	411,240	10,281	0	0
7	Complimentary Cash Gifts	42,720	1,068	0	0
8	Entertainment	20,680	1,034	760	38
9	Retail & Non-Cash Gifts	16,800	420	16,060	803
10	Parking	201,000	1,005	127,400	637
11	Other	2,200	22	5,200	52
12	Total	1,265,934	$29,779	174,867	$2,188

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

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

FOR THE QUARTER ENDED DECEMBER 31, 2019

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.

April 30, 2020
Date

Daniel McFadden

Vice President of Finance
Title

7167-11
License Number

On Behalf of:

TEN RE ACNJ LLC
Casino Licensee

TEN RE ACNJ, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

NOTE 1 - NATURE OF BUSINESS

Organization and Operations

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

Ten RE is the sole member of:

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

AC Beachfront, LLC is the sole member of:

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

Together, AC Beachfront, LLC and ACOWMGR, LLC own 100% of:

- AC Ocean Walk, LLC, which is a multi-member LLC formed in New Jersey on August 2, 2017 to hold the NJ Casino license and conduct operations of the casino and hotel. The casino and hotel operate on 20 acres of ocean-front property in Atlantic City, New Jersey with over 6.4 million square feet of building space and officially opened for business on June 25, 2018 as Ocean Casino Resort ("Ocean"). Ocean derives its revenues primarily from casino operations, rooms sales, convention sales, food and beverage revenues, and entertainment ticket sales.

Ten RE, together with AC Beachfront, LLC, ACOWRE, LLC, ACOWMGR, LLC, and AC Ocean Walk, LLC, are herein referred to as the "Company".

In April 2018, AC Ocean Walk, LLC entered into a partnership agreement with Blue Ocean Waters, LLC, a related party, (the "Joint Venture") to operate the Day Club and the Night Club. The term of the agreement is ten years with a Blue Ocean Waters, LLC option to extend for five additional years. The two parties share equally in the adjusted income/loss of the operations and each own 50% of the Day Club and Night Club's assets in addition to any future capital expenditures and/or additions.

In February 2019, the then majority owner of the Company transferred his interest in the Company to a divestiture trust for the benefit of investment vehicles managed by Luxor Capital Group, LP ("Luxor"), a New York City based investment manager. On August 7, 2019, Luxor was granted an Interim Casino Authorization license from the State of New Jersey Casino Control Commission; and the ownership interest held in the divestiture trust was transferred to Luxor.

State Mandated Closure

On March 16, 2020, all casinos in Atlantic City, New Jersey were ordered to suspend operations in an attempt to limit the spread of COVID-19. As of the date of this report, there is no definitive re-opening date available.

(dollars in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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"), which requires the use of estimates and assumptions that affect certain reported amounts and disclosures at the date of the accompanying financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates and assumptions are appropriate, however, actual results could differ from those estimates.

The accompanying consolidated financial statements include the accounts of the Company for the period January 1, 2019 through December 31, 2019 and for the period June 25, 2018 through December 31, 2018.

In preparing the accompanying financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2019 through April 30, 2020, the date the financial statements were available for issuance.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ten RE and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications of prior year balances have been made to conform with the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, cash on hand in the casino cages, money market funds and highly liquid investments as follows:

	December 31,	
	2019	**2018**
Unrestricted cash and cash equivalents	$ 18,476	$ 11,930
Restricted cash	27,559	22,742
Total cash and cash equivalents	$ 46,035	$ 34,672

The Company classifies reserve funds being held for working capital, debt service, and taxes as restricted cash. These funds are restricted pursuant to the Company's loan agreements. Also, the Company maintains amounts to satisfy certain deposit requirements that are also included in restricted cash. In addition, pursuant to N.J.A.C. 13:69O-1.3(j), the Company maintains separate New Jersey bank accounts to ensure security of funds held in patrons' online gaming ("iGaming") accounts. The total balance in such bank accounts was $724 and $360 at December 31, 2019 and 2018, respectively. Patron deposits held in iGaming accounts were $399 and $156 at December 31, 2019 and 2018, respectively. The patron deposits are classified as restricted cash and other current liabilities in the accompanying financial statements.

(dollars in thousands)

Receivables and Allowance for Doubtful Accounts

Upon request, the Company extends short-term credit on a discretionary basis to certain of its casino customers following an investigation of their creditworthiness. Economic conditions, business conditions or other significant events could impact the collectability of these receivables. Such credit is typically non-interest bearing and due on demand. In addition, the Company has receivables due from hotel guests, which are primarily secured with a credit card at the time that the customer checks in.

The Company does not accrue interest on outstanding accounts receivables. Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a valuation allowance and a charge to bad debt expense based on its experience and on all known factors that may affect collectability. The allowance for doubtful accounts at December 31, 2019 and 2018 was $2,597 and $242, respectively. Balances that are deemed uncollectible, after management has used all reasonable collection efforts, are written off against the valuation allowance. Recoveries of accounts previously written off are recorded when received.

Inventories

Inventory consists of food, beverages, linen, uniforms, retail merchandise, gift cards, general supplies, china and glass, and fuel/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. As of December 31, 2019 and 2018, inventory was valued at $4,618 and $3,972, respectively.

Property and Equipment

Additions, improvements, and expenditures for repairs and maintenance that significantly extend the life of an asset are capitalized and stated at cost. Other expenditures for routine repairs and maintenance are charged directly to expense when incurred. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the related assets as follows:

Land improvements	3 through 40 years
Building and building improvements	5 through 40 years
Furniture, fixtures and equipment	3 through 10 years

Depreciation expense related to property and equipment was $16,829 and $4,214 for the year ended December 31, 2019 and the period of June 25, 2018 through December 31, 2018, respectively.

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 equivalents, when available. For the years ended December 31, 2019 and 2018, there were no impairment charges recognized.

Right of Use Assets

In 2018, the Company elected to early implement ASU No. 2016-02, codified as Accounting Standards Codification 842, Leases, ("ASC 842") which addresses the recognition and measurement of leases. Accordingly, leases which would have been identified as operating leases under previous accounting guidance have been recognized as lease assets and liabilities, measured at 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*
  During 2017 and 2018, the Company entered agreements for the right to use certain vehicles, including limousines. The right to use the vehicles conferred by these agreements has been capitalized and is being amortized over the period of the agreements, which expire on various dates through May 1, 2021. For the year ended December 31, 2019 and the period of June 25, 2018 through December 31, 2018, rent expense of $321 and $194, respectively, has been recognized. In addition, as of December 31, 2019 and 2018, there is $389 and $653, respectively, remaining as a right of use asset related to these agreements.

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 institutions approximates the value. The estimated fair value of the Company's LIBOR cap agreement is a Level 2 investment.

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 this standard, revenue is recognized when an entity transfers promised goods or services to customers in an amount that reflects what the entity expects in exchange for the goods or services. The Company adopted ASC 606 effective January 1, 2018.

Revenues

Revenue from contracts with customers consist of casino revenues, non-gaming revenues and other revenues as follows:

Casino Revenues

The majority of the Company's revenues are derived from gaming activities. As gaming revenues are primarily generated from cash transactions, the Company's revenues do not typically require the use of estimates. The Company's casino revenues include land-based gaming and online gaming.

- Land-based gaming revenues represent the difference between customer amounts wagered and amounts won, less certain sales incentives and other adjustments related to their gaming play. 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 program.
- Online gaming is available through the Company's website (oceanonlinecasino.com). The Company has a contract with a third party, which delivered, monitors and services the hardware platform and data warehouse through which the activities are conducted. Online 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.

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.

Non-gaming Revenues

Revenues from hotel and other services are recognized as follows:

- Hotel revenue recognition criteria are met at the time of occupancy.
- Convention revenue is recognized when the related service is rendered, or the event is held.
- Food and beverage revenue recognition criteria are met at the time of service.
- Entertainment revenue recognition criteria are met at the completion of the event.

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 then included in revenues. Revenues from contracts with a combination of these services are allocated pro rata based on each service's relative stand-alone selling price.

Other Revenues

Other revenues are recognized as follows:

- On June 11, 2018, New Jersey approved the NJ Sports Betting Bill. In June 2018, the Company entered into an agreement with William Hill New Jersey Inc. ("William Hill"), who operates a sportsbook at the property, in addition to an online sports betting platform. Revenues recorded represent the difference between amounts wagered and won by patrons, less all associated expenses, including but not limited to, gaming taxes and amounts due to William Hill.
- Rental revenues from retail tenants are recognized on a monthly 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.

- Other revenues such as parking revenues, cash services commissions, etc., are recorded when the applicable services are rendered.

Complimentaries

As part of our normal business operations, we provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Such complimentaries are provided in conjunction with other revenue earning activities and are generally provided to encourage additional customer spending on those activities. Accordingly, we record the transaction price to the respective revenue type of the complimentary goods and services based on the average cash sales prices received for similar services.

The retail value of accommodations, food, beverage, and other services provided to patrons without charge is included as a reduction to Casino revenues in the accompanying statements of income. The estimated costs of providing such promotional allowances are included in Rooms, Food & Beverage and General, Administrative & Other expenses in the accompanying statements of income. Complimentary products or services provided under the Company's control and discretion, which are supplied by third parties, are recorded as an operating expense. Cash discounts based upon a negotiated amount with each affected patron are recognized as promotional allowances on the date the related revenue is recorded. Customer loyalty program cash awards earned by patrons are accrued as the patron earns the points and recorded against Casino revenues in the accompanying statements of income.

The Company offers other incentive programs. These programs include gift giveaways and other promotional programs. Management elects the type of gift and the person to whom it will be offered. Since these awards are not cash awards, the Company includes them within General, Administrative and Other Expenses in the accompanying statements of income. Such amounts are expensed on the date the award is provided to the patron.

Loyalty Program

For wagering contracts that include products and services provided to a patron in exchange for points earned under the Company’s loyalty program, 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.

Gaming Taxes

The Company is subject to gaming tax assessments as follows:

- 8.0% of land-based gross gaming revenues; and
- 15.0% of online gaming gross revenues.

Gaming taxes related to land-based and online gaming gross revenues are recorded within “Casino” expenses in the attached statements of income and amounted to $15,575 and $7,613 for the year ended December 31, 2019 and the period of June 25, 2018 through December 31, 2018, respectively. As discussed above, gaming taxes related to sports betting (land-based and online) are net against Other revenues.

CRDA Obligations

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), and the agreement dated June 28, 2018 between AC Ocean Walk, LLC and the CRDA, the Company, as a casino licensee, is assessed an amount equal to 1.25% of its land-based gross gaming revenues. This assessment is made in lieu of an Investment Alternative Tax ("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 gaming gross revenues, which is made in lieu of an IAT equal to 5.0% of online gaming gross revenues. The Company is required to make quarterly payments to the CRDA to satisfy its investment obligations.

Advertising Costs

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising costs totaled $2,854 and $6,041 for the year ended December 30, 2019 and the period of June 25, 2018 through December 31, 2018, respectively.

Income Taxes

Generally, income taxes have not been recognized 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. The Company was formed in 2016; therefore, all relevant tax years are still subject to federal and state income tax examinations.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments" ("ASC 326"), which replaces the existing incurred loss model with a current expected credit loss (CECL) model that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company would be required to use a forward-looking CECL model for accounts receivables and other financial instruments. ASC 326 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Although we are currently assessing the impact of the adoption of ASC 326, we do not expect it to have a material impact on our financial statements and footnote disclosures.

In December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), which intends to simplify the guidance by removing certain exceptions to the general principles and clarifying or amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Although we are currently assessing the impact of the adoption of ASU 2019-12, we do not expect it to have a material impact on our financial statements and footnote disclosures.

(dollars in thousands)

NOTE 3 – RECEIVABLES AND PATRONS' CHECKS

	December 31, 2019	December 31, 2018
Casino receivables (net of allowance for doubtful accounts – 2019, $2,525 and 2018, $226)	$ 6,089	$ 4,404
Other (net of allowance for doubtful accounts – 2019, $72 and 2018, $16)	6,486	4,709
Receivables and patrons' checks, net	$ 12,575	$ 9,113

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	December 31, 2019	December 31, 2018
Land and land improvements	$ 37,697	$ 37,689
Building and building improvements	217,323	207,499
Furniture and fixtures	41,604	34,924
Construction-in-progress	1,696	279
Total property and equipment	298,320	280,391
Less: accumulated depreciation and amortization	(21,040)	(4,217)
Property and equipment, net	$ 277,280	$ 276,174

NOTE 5 – OTHER CURRENT ASSETS

Other Current Assets consist of the following:

	December 31, 2019	December 31, 2018
Prepaid taxes and licenses	$ 1,106	$ 527
Prepaid service contracts	787	794
Prepaid utilities	231	237
Prepaid entertainment	226	428
Prepaid advertising and marketing	197	217
Prepaid insurance	157	243
Other*	509	353
Total	$ 3,213	$ 2,799

* none of the individual components of Other exceed 5% of the total

(dollars in thousands)

NOTE 6 – NOTE PAYABLE

In April 2018, the Company entered into an agreement to purchase the possessory rights of the Day Club and the Night Club from the former tenants for $8,000. The rights conferred by that agreement have been capitalized, after applying a discount rate of 7.0%. The Company paid $3,000 upon execution of the agreement with the balance of $5,000 to be paid in five annual installments of $1,000 in July each year. The first installment was paid in July 2019 and the present value of the balance due at December 31, 2019 was $3,489.

NOTE 7 – OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following:

	December 31,	
	2019	2018
Accrued payroll and benefits	$ 4,538	$ 5,196
Accrued insurance reserves	1,637	379
Accrued taxes and fees	1,471	1,554
Accrued CRDA obligations	765	504
Accrued utilities	723	808
Other*	488	497
Total	$ 9,622	$ 8,938

*none of the individual components of Other exceed 5% of the total

NOTE 8 – OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following:

	December 31,	
	2019	2018
Gaming/loyalty program liabilities	$ 4,662	$ 4,811
Advance deposits	1,450	1,342
Unredeemed chip liability	1,087	1,107
Deferred revenue	482	177
Other*	192	102
Total	$ 7,873	$ 7,539

*none of the individual components of Other exceed 5% of the total

(dollars in thousands)

NOTE 9 – DEBT

Debt consists of the following:

	December 31, 2019	December 31, 2018
First Mortgage Loan: Interest – LIBOR + 5.29% and 7.50%, Due 6/21, net of unamortized debt issuance costs of $2,580 and $4,390 at December 31, 2019 and 2018, respectively	$ 88,420	$ 158,610
Mezzanine Loan: Interest – LIBOR + 13.25% and 7.50%, Due 6/21, net of unamortized debt issuance costs of $736 and $0 at December 31, 2019 and 2018, respectively	36,159	12,000
Mezzanine Note B: Interest – 10.75%, Due 6/21, net of unamortized debt issuance costs of $830 and $0 at December 31, 2019 and 2018, respectively	54,258	—
Demand Promissory Notes: Interest – 7%	21,183	—
Member Loan: Interest – 10%, Due 2/21	2,172	1,975
Due for Acquisition of Lease	2,500	2,500
Capital Lease Obligations and Other	7,054	8,878
Total Debt	$ 211,746	$ 183,963
Less: current portion	(29,620)	(10,547)
Total Debt, net of current portion	$ 182,126	$ 173,416

First Mortgage Loan

On June 4, 2018, the Company entered into a $163,000 mortgage loan agreement ("Mortgage Loan") with an unaffiliated entity, which called for monthly payments of interest at a rate of the London Inter-Bank Offered Rate ("LIBOR") plus 750 basis points over a term of three years, at which time the full balance of principal was due. On February 8, 2019, a $72,000 payment of principal was made reducing the balance to $91,000. Also at February 8, 2019, the Mortgage Loan was amended and restated to include among other items, options to extend the initial maturity date of June 2021 for two successive one-year terms and adjusting the payments of interest to LIBOR plus 529 basis points. The Mortgage Loan requires certain reserves to be held by the lender and is subject to various restrictive covenants and prepayment penalties. The Mortgage Loan is collateralized by substantially all of the assets of the Company. In addition, the Company is required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 3.25% throughout the term of the Mortgage Loan.

Mezzanine Loan

On June 4, 2018, the Company entered into a $12,000 mezzanine loan agreement ("Mezzanine Loan") with an unaffiliated entity which called 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 was due. On February 8, 2019, a loan advance of $23,020 was made to the Company from the Mezzanine Loan bringing the balance to $35,020. Interest was deferred from February 2019 until July 2019 in the amount of $1,875 and will become payable when the principal amount of the Mezzanine Loan has been repaid in full. Also at February 8, 2019, the Mezzanine Loan was amended and restated to include among other items, options to extend the initial maturity date of June 2021 for two successive one-year terms and adjusting the payments of interest to LIBOR plus 1,325 basis points. The Mezzanine Loan requires certain reserves to be held by the lender, is subject to various restrictive covenants and prepayment penalties, and is collateralized by a mortgage on substantially all of the assets of the Company. In addition, the Company is required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 3.25% throughout the term of the Mezzanine Loan.

Mezzanine Note B

On February 8, 2019, the Company entered into a $50,000 mezzanine note ("Note B") with an affiliated entity which bears interest at a rate of 10.75% per annum until the maturity date of June 2021. Interest is being satisfied by adding the amount of the interest to the principal amount ("PIK interest") on a monthly basis. As of December 31, 2019, $5,088 of interest had been recorded as PIK interest. Also, as of December 31, 2019, unamortized debt fees were $830 and amortization expense was $516 for the year ended December 31, 2019. The Company is required to maintain certain covenants under the terms of Note B.

Demand Promissory Notes

Beginning in February 2019, the Company issued various demand promissory notes to affiliated entities in the aggregate principal amount of $20,250. These promissory notes accrue interest at a rate of 7% per annum and are payable on demand. Interest expense for the year ended December 31, 2019 was $933 and has been recorded as PIK interest and added to the principal amount.

Member Loan

The Company had borrowed $1,816 from an affiliate of one of its members in 2018 which accrues interest at a rate of 10% per annum. The balance of this loan, $1,994 (principal and interest), was transferred in February 2019 to a new affiliated entity as part of the ownership transfer discussed in Note 1 – Nature of Business. Interest expense for the years ended December 31, 2019 and 2018 was $197 and $159, respectively, and has been recorded as PIK interest and added to the principal amount.

Convertible Promissory Notes

On February 8, 2019, the Company issued promissory notes to an affiliated entity in the aggregate principal amount of $25,000 which were convertible into common equity units of the Company. The notes held interest at a rate of 10% per annum for a period of two years from the date of issuance and were to mature on February 8, 2024. On August 7, 2019, these notes, including accrued unpaid interest of $1,250, were fully converted by their terms to common equity units.

Due for Acquisition of Lease

In January 2018, the Company recorded $2,500 due to a previous lessee upon the purchase of the lease. In 2019, the previous lessee transferred the right to receive this amount to an affiliate of the Company.

Capital Lease Obligations and Other

There are various agreements to purchase gaming equipment and other items maturing from March 2020 to February 2023 with interest rates up to 6.9%. At December 31, 2019, the remaining balances are $7,054, of which $5,937 is current and $1,117 is long-term. The agreements are collateralized by the related equipment. Interest expense related to these agreements for the year ended December 31, 2019 and the period of June 25, 2018 through December 31, 2018 was $227 and $142, respectively.

(dollars in thousands)

Interest Rate Swap Agreements

As discussed above, the Company utilizes interest rate swap agreements to convert a portion of its interest rate exposure from floating rates to fixed rates to reduce its cash flow risk associated with the First Mortgage Loan and the Mezzanine Loan. These agreements were initially entered into in 2018 and were amended on February 8, 2019. The amended notional amounts are now $91,000 and $35,020, with both expiring on July 15, 2020. Under the swap agreements, the Company receives a variable rate of LIBOR plus 750 basis points and pays a fixed rate of interest that is adjusted quarterly.

The swap agreements are formally designated and qualify as cash flow hedges and are recorded at fair value and are included in other assets in the accompanying balance sheets. 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 interest rate swaps and the hedged portion of the underlying debt were recognized in accumulated other comprehensive income in the accompanying statements of income and members' equity. The Company does not hold or issue any derivative instrument for trading or speculative purposes.

The fair values of the swap agreements as of December 31, 2019 and 2018, were $0 and $31, respectively, and are included in other long-term assets in the accompanying balance sheets. The fair value of the swap agreements excludes accrued interest and takes into consideration current interest rates and current likelihood of the cap counterparties' compliance with its contractual obligations.

Maturities of the principal amount of the Company's long-term debt as of December 31, 2019 are as follows:

	Unaffiliated Entities	Affiliated Entities	Capital Lease Obligations and Other	Total
Year ended December 31, 2020	$ —	$ 23,683	$ 5,937	$ 29,620
Year ended December 31, 2021	127,895	57,261	1,017	186,173
Year ended December 31, 2022	—	—	84	84
Year ended December 31, 2023	—	—	15	15
Year ended December 31, 2024	—	—	—	—
Total	$ 127,895	$ 80,944	$ 7,053	$ 215,892

NOTE 10 - LEASES

Vehicles

During 2017 and 2018, the Company entered agreements for the right to use certain vehicles, including limousines. The right to use the vehicles conferred by these agreements has been capitalized and is being amortized over the period of the agreements, which expire on various dates through May 1, 2021. For the year ended December 31, 2019 and the period of June 25, 2018 through December 31, 2018, rent expense of $321 and $194, respectively, has been recognized. In addition, as of December 31, 2019 and 2018, there is $389 and $653, respectively, remaining as a right of use asset related to these agreements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Licensing

The Company's operations are dependent upon 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.

New Jersey Gross Casino Revenue Tax and Casino Investment Alternative Tax

As previously mentioned (see *Note 2 – Summary of Significant Accounting Policies, Gaming Tax*)*,* the State of New Jersey imposes annual taxes as follows: 8.0% for land-based gross gaming revenues; 15.0% for online gaming gross revenues; 8.5% for land-based sports betting gross revenues; and 13.0% for online sports betting gross revenues. Additionally, as previously stated (see *Note 2 – Summary of Significant Accounting Policies, CRDA Obligations*), casino license holders or online gaming permit holders are required to remit an additional 1.25% of its land-based gross gaming revenues and sports betting combined gross revenues, and 2.5% of its online gaming gross revenues.

NJ PILOT Law

On May 27, 2016, New Jersey enacted the Casino Property Tax Stabilization Act (the "NJ PILOT Law") which exempted Atlantic City casino gaming properties from ad valorem property taxation in exchange for an agreement to make annual payments in lieu of tax payments ("PILOT Payments") to the City of Atlantic City. The NJ PILOT Law also made changes to the NJ Tourism District Law and redirected certain IAT payments to assist in the stabilization of Atlantic City finances. Under the NJ PILOT Law, commencing in 2017 and for a period of ten (10) years, each Atlantic City casino gaming property (as defined in the NJ PILOT Law) is required to pay their prorated portion 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. For the first year of the program, calendar year 2017, the aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties was $120,000, prorated among operating casino properties based upon the above factors. 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 2018 and 2019 was $130,000 and $132,600, respectively. For each year from 2017 through 2021, each casino gaming property's prorated share of PILOT Payments is capped (the "PILOT CAP") at an amount equal to the real estate taxes due and payable in calendar year 2015, which was calculated based upon the assessed value of the casino gaming property for real estate tax purposes and tax rate. The PILOT CAP for the Company is $7,541 for the years through 2021.

The NJ PILOT Law also provided for the abolishment, effective January 1, 2015, of the Atlantic City Alliance ("ACA"), which had been established in 2011 as a five-year public private partnership with the casinos in Atlantic City to market tourism in the city. The $30,000 in ACA funds paid by the casinos for each of the years 2015 and 2016 under the Tourism District Law was redirected to the State of New Jersey for Atlantic City fiscal relief. Beginning with 2017, as part of the PILOT program with the State of New Jersey, the Atlantic City casino industry is required to provide $15,000 in 2017, $10,000 in 2018 and $5,000 from 2019 through 2023, to a separate State fund for marketing initiatives aimed at growing tourism in the city. These payments are prorated among operating casino properties based on their share of the prior year's GGR.

In addition, the NJ PILOT Law also provides for IAT payments made by the casino operators since the effective date of the NJ PILOT Law, which were previously deposited with the CRDA and which have not been pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund such bonds, to be allocated to the State of New Jersey for purposes of paying debt service on bonds previously issued by Atlantic City.

CRDA Project Grant Agreement

Pursuant to an agreement between AC Ocean Walk, LLC and the CRDA dated June 28, 2018 (the "Project Grant Agreement"), the Company is entitled to reimbursement of certain sales taxes and other fees incurred through January 2036. Such amounts that are due and outstanding are recorded within Receivables and Patrons' Checks in the accompanying balance sheets.

Other

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 financial position, results of operations, or cash flows.

NOTE 12 - RELATED PARTY TRANSACTIONS

Joint Venture

As discussed in Note 1, in April 2018, a Joint Venture was formed between AC Ocean Walk, LLC and Blue Ocean Waters, LLC, a related party, to operate the Day Club and the Night Club. The term of the agreement is ten years with a Blue Ocean Waters, LLC option to extend for five additional years. The two parties share equally in the adjusted income/loss of the operations and each own 50% of the Day Club and Night Club's assets in addition to any future capital expenditures and/or additions.

Member Loan

The Company had borrowed $1,816 from an affiliate of one of its members in 2018 which accrues interest at a rate of 10% per annum. The balance of this loan, $1,994 (principal and interest), was transferred in February 2019 to a new affiliated entity as part of the ownership transfer discussed in Note 1 – Nature of Business. Interest expense for the years ended December 31, 2019 and 2018 was $197 and $159, respectively, and has been recorded as PIK interest and added to the principal amount.

Winding Trail, LLC

There was a consulting agreement in effect between Winding Trail, LLC, which is a member, and Ten RE, which called for payments of $35 per month. The agreement ended in 2019 and for the years ended December 31, 2019 and 2018, the Company paid $350 and $420, respectively, under this agreement.

Interim Casino Authorization License

As discussed in Note 1, on August 7, 2019, Luxor was granted an Interim Casino Authorization license from the State of New Jersey's Casino Control Commission. During 2019, the Company reimbursed Luxor $226 for legal fees related to this license.

(dollars in thousands)

Mile High Dice Mgr, LLC

There was a management agreement in effect between Mile High Dice Mgr, LLC, an affiliate of one of the Company's previous members and TEN RE, which called for monthly payments of $100 for management fees. For the years ended December 31, 2019 and 2018, the Company paid $0 and $1,200, respectively, under this agreement. The agreement ended in conjunction with the transfer of ownership discussed in Note 1.

NOTE 13 – NON-OPERATING INCOME (EXPENSE), NET

Non-operating Income (Expense), net, consists of the following:

	December 31,	
	2019	**2018**
Joint Venture partner interest	$ 581	$ 1,339
Gain on disposal of assets	146	—
Interest income	73	8
Preopening expenses	—	(7,683)
Total	$ 800	$ (6,336)

NOTE 14 – EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company offers a defined contribution 401(k) plan, which covers substantially all employees who are not covered by a collective bargaining agreement and who reach certain age and length of service requirements. Plan participants can elect to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis. Such deferrals are regulated under Section 401(k) of the Internal Revenue Code. The plan allows for the Company to make an employer contribution on the employee's behalf at the Company's discretion. The Company did not pay any matching contributions during the years ended December 31, 2019 or 2018.

Multiemployer Pension Plans

Approximately 100 of the Company's trade workers, such as painters, carpenters and mechanics, are represented by collective bargaining agreements. The Company contributes to multiemployer pension defined-benefit plans under the terms of these agreements. The Company is obligated to make defined contributions under these plans.

The significant risks of participating in multiemployer plans include, but are not limited to, the following:

- If the Company elects to withdraw from participation in the multiemployer plans, the Company may be required to pay a withdrawal liability based on the underfunded status of the plans, as applicable.
- The Company may contribute assets for the benefit of its covered employees to the multiemployer plans, but the assets could be used to provide benefits to employees of other participating employers.
- The Company may be required to fund additional amounts if other participating employers stop contributing to the multiemployer plan.

Contributions, which are based on hours worked by covered employees, for the years ended December 31, 2019 and 2018, totaled $431 and $367, respectively. These contributions were not individually significant to any of the respective plans.

NOTE 15 – INCOME TAXES

Federal Income Taxes

The accompanying financial statements do not include a provision for federal income taxes since the Company is taxed as a partnership for federal income tax purposes. Therefore, the Company's income and losses are allocated and reported for federal income tax purposes to the Company's members.

State Income Taxes

Under the New Jersey Casino Control Act (the "Act"), the Company is subject to state income taxes and is required to file New Jersey Consolidated Corporation Business Tax returns. As of December 31, 2019, the Company has New Jersey State net operating loss carryforwards of $22,500 available to offset future taxable income. The New Jersey State net operating loss carryforwards expire in 2039.

The state minimum tax of $2 was recorded in 2019.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company would recognize interest and penalties accrued, if any, related to unrecognized tax benefits in the provision for income taxes.

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 does not have any uncertain tax provisions as of December 31, 2019.

Income Tax Audits

The Company is subject to routine audits by taxing jurisdictions. The Company was formed in 2016; therefore, all relevant tax years are still subject to federal and state income tax examinations

NOTE 16 – SUBSEQUENT EVENTS

On March 16, 2020, all casinos in Atlantic City, New Jersey were ordered to suspend operations in an attempt to limit the spread of COVID-19. As of the date of this report, there is no definitive re-opening date available.

TEN RE ACNJ LLC

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 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 YEAR ENDED DECEMBER 31, 2019

(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................................	$4,707		
2	Returned Patrons' Checks....................................	3,907		
3	Total Patrons' Checks..	8,614	$2,525	$6,089
4	Hotel Receivables...	1,369	72	$1,297
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates...........................	-		
7	Other Accounts and Notes Receivables................	5,189		
8	Total Other Receivables....................................	5,189		$5,189
9	Totals (Form DGE-205)...	$15,172	$2,597	$12,575

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$3,875
11	Counter Checks Issued..	138,893
12	Checks Redeemed Prior to Deposit..	(111,238)
13	Checks Collected Through Deposits..	(23,672)
14	Checks Transferred to Returned Checks..	(3,151)
15	Other Adjustments..	
16	Ending Balance...	$4,707
17	"Hold" Checks Included in Balance on Line 16...	0
18	Provision for Uncollectible Patrons' Checks...	$2,374
19	Provision as a Percent of Counter Checks Issued...	1.7%

TEN RE ACNJ LLC
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2019

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	592			
2	Slot Machines	67			
3	Administration	0			
4	Casino Finance	143			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	802	$15,786	$0	$15,786
8	ROOMS	499	12,999	0	12,999
9	FOOD AND BEVERAGE	799	15,446	0	15,446
10	GUEST ENTERTAINMENT	199	1,973	0	1,973
11	MARKETING	140	6,205		6,205
12	OPERATION AND MAINTENANCE	139	7,182	0	7,182
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	6	308	842	1,150
14	Accounting and Auditing	72	2,869	0	2,869
15	Security	249	5,401	0	5,401
16	Other Administrative and General	2	177	0	177
	OTHER OPERATED DEPARTMENTS:				
17	Human Resources	15	1,034	0	1,034
18	Information Technology	21	1,347	0	1,347
19	Retail	6	120		120
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,949	$70,847	$842	$71,689