TEN RE ACNJ LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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 SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2	$55,307	$51,562
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, $4,004; 2019, $1,742)	2, 3	6,691	9,580
4	Inventories	2	4,326	4,375
5	Other Current Assets		3,729	4,623
6	Total Current Assets		70,053	70,140
7	Investments, Advances, and Receivables		0	0
8	Property and Equipment - Gross	2, 4	303,395	289,739
9	Less: Accumulated Depreciation and Amortization	2, 4	(32,985)	(14,797)
10	Property and Equipment - Net		270,410	274,942
11	Other Assets	2	1,055	5,805
12	Total Assets		$341,518	$350,887
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$12,766	$18,340
14	Notes Payable	5	2,665	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates	8	86,502	23,320
16	External	8	133,685	6,966
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	6	16,846	11,909
19	Other Current Liabilities	7	7,073	5,903
20	Total Current Liabilities		259,537	66,438
	Long-Term Debt:			
21	Due to Affiliates	8	0	54,593
22	External	8	126	125,478
23	Deferred Credits		0	0
24	Other Liabilities		3,784	3,548
25	Commitments and Contingencies	9	0	0
26	Total Liabilities		263,447	250,057
27	Stockholders', Partners', or Proprietor's Equity		78,071	100,830
28	Total Liabilities and Equity		$341,518	$350,887

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino	2	$61,603	$75,183
2	Rooms	2	44,445	61,307
3	Food and Beverage	2	18,368	45,416
4	Other	2	6,795	9,866
5	Net Revenue	2	131,211	191,772
	Costs and Expenses:			
6	Casino		33,494	55,104
7	Rooms, Food and Beverage		27,418	57,359
8	General, Administrative and Other		58,287	81,841
9	Total Costs and Expenses		119,199	194,304
10	Gross Operating Profit		12,012	(2,532)
11	Depreciation and Amortization	2	14,145	12,640
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		(2,133)	(15,172)
	Other Income (Expenses):			
15	Interest Expense - Affiliates	8	(5,957)	(5,413)
16	Interest Expense - External	8	(9,251)	(11,089)
17	CRDA Related Income (Expense) - Net	2, 9	(1,661)	(2,193)
18	Nonoperating Income (Expense) - Net	11	344	399
19	Total Other Income (Expenses)		(16,525)	(18,296)
20	Income (Loss) Before Taxes		(18,658)	(33,468)
21	Provision (Credit) for Income Taxes		0	0
22	Net Income (Loss)		($18,658)	($33,468)

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 SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino	2	$36,005	$28,379
2	Rooms	2	30,445	28,068
3	Food and Beverage	2	7,287	19,648
4	Other	2	3,847	3,805
5	Net Revenue	2	77,584	79,900
	Costs and Expenses:			
6	Casino		16,372	20,153
7	Rooms, Food and Beverage		12,319	21,127
8	General, Administrative and Other		24,474	28,394
9	Total Costs and Expenses		53,165	69,674
10	Gross Operating Profit		24,419	10,226
11	Depreciation and Amortization	2	4,754	4,629
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		19,665	5,597
	Other Income (Expenses):			
15	Interest Expense - Affiliates	8	(2,054)	(2,040)
16	Interest Expense - External	8	(3,133)	(3,193)
17	CRDA Related Income (Expense) - Net	2, 9	(982)	(843)
18	Nonoperating Income (Expense) - Net	11	61	(92)
19	Total Other Income (Expenses)		(6,108)	(6,168)
20	Income (Loss) Before Taxes		13,557	(571)
21	Provision (Credit) for Income Taxes		0	0
22	Net Income (Loss)		$13,557	($571)

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 TWELVE MONTHS ENDED DECEMBER 31, 2019
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(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, 2018..........**		$148,365	($42,078)	$31	$106,318
2	Net Income (Loss) - 2019..........			(37,128)		(37,128)
3	Capital Contributions.................		2,202			2,202
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments...........					0
7	Loss on Interest Rate Cap	2, 9			(31)	(31)
8	Joint Venture Loss	1, 11	(581)			(581)
9	Convert Notes to Equity	9	26,250			26,250
10	**Balance, December 31, 2019..........**		176,236	(79,206)	0	97,030
11	Net Income (Loss) - 2020..........			(18,658)		(18,658)
12	Capital Contributions.................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments...........					0
16	Joint Venture Loss	1, 11	(301)			(301)
17						0
18						0
19	**Balance, September 30, 2020.........**		$175,935	($97,864)	$0	$78,071

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)	
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$17,488	($21,509)	*
	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...........................		(4,196)	(9,357)	
5	Proceeds from Disposition of Property and Equipment...........		0	0	
6	CRDA Obligations		0	0	*
7	Other Investments, Loans and Advances made.......................		0	0	
8	Proceeds from Other Investments, Loans, and Advances		0	0	
9	Cash Outflows to Acquire Business Entities...........................		0	0	
10	Gain (loss) on Interest Rate Cap		0	(31)	
11	....		0	0	
12	Net Cash Provided (Used) By Investing Activities....................		(4,196)	(9,388)	*
	CASH FLOWS FROM FINANCING ACTIVITIES:				
13	Proceeds from Short-Term Debt		0	20,820	
14	Payments to Settle Short-Term Debt......................................		0	0	
15	Proceeds from Long-Term Debt		0	31,139	
16	Costs of Issuing Debt..		(50)	(1,346)	
17	Payments to Settle Long-Term Debt......................................		0	0	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	2,202	
19	Purchases of Treasury Stock..		0	0	
20	Payments of Dividends or Capital Withdrawals......................		0	0	
21	Capital Lease Obligations and Other Payments		(3,970)	(2,401)	
22	....		0	0	
23	Net Cash Provided (Used) By Financing Activities...................		(4,020)	50,414	
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		9,272	19,517	
25	Cash and Cash Equivalents at Beginning of Period....................		46,035	32,045	
26	Cash and Cash Equivalents at End of Period.............................		$55,307	$51,562	

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$6,142	$8,240
28	Income Taxes..		$0	$0

*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 CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)	
	CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss)		($18,658)	($33,468)	
30	Depreciation and Amortization of Property and Equipment		11,945	10,587	
31	Amortization of Other Assets		2,200	2,053	
32	Amortization of Debt Discount or Premium		176	857	
33	Deferred Income Taxes - Current		0	0	
34	Deferred Income Taxes - Noncurrent		0	0	
35	(Gain) Loss on Disposition of Property and Equipment		2	64	
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		5,884	(467)	
39	(Increase) Decrease in Inventories		292	(402)	
40	(Increase) Decrease in Other Current Assets		(516)	(1,824)	
41	(Increase) Decrease in Other Assets		106	1,774	
42	Increase (Decrease) in Accounts Payable		710	(8,021)	
43	Increase (Decrease) in Other Current Liabilities		6,152	2,716	*
44	Increase (Decrease) in Other Liabilities		271	4,622	
45	PIK Interest Converted to Debt		8,924	0	*
46			0	0	
47	Net Cash Provided (Used) By Operating Activities		$17,488	($21,509)	*

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($4,196)	($9,357)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($4,196)	($9,357)
	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		$0	$28,452
58	Less: Issuances to Settle Long-Term Debt		0	(26,250)
59	Consideration in Acquisition of Business Entities		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions		$0	$2,202

*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 NINE MONTHS ENDED SEPTEMBER 30, 2020
(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	143,323	$28,733	0	$0
2	Food	88,180	4,409	27,566	551
3	Beverage	561,250	2,245	0	0
4	Travel	0	0	1,614	242
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	868,680	21,717	0	0
7	Complimentary Cash Gifts	95,280	2,382	0	0
8	Entertainment	6,900	345	2,000	100
9	Retail & Non-Cash Gifts	16,920	423	31,614	1,581
10	Parking	463,200	2,316	304,533	1,210
11	Other	13,500	135	16,000	160
12	Total	2,257,233	$62,705	383,327	$3,844

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	84,253	$19,775	0	$0
2	Food	31,680	1,584	7,704	154
3	Beverage	177,750	711	0	0
4	Travel	0	0	727	109
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	564,840	14,121	0	0
7	Complimentary Cash Gifts	40,440	1,011	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	4,240	106	20,259	1,013
10	Parking	313,600	1,568	148,200	741
11	Other	12,400	124	8,400	84
12	Total	1,229,203	$39,000	185,290	$2,101

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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.

November 13, 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 ACNJ, 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 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. In addition, on May 6, 2020, Luxor was granted a Plenary Qualification license as a Holding Company of AC Ocean Walk, LLC and its related entities.

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. The impact of the Joint Venture is not material to the accompanying consolidated financial statements.

State Mandated Closure – COVID-19

The novel coronavirus ("COVID-19") pandemic has caused, and is continuing to cause, significant economic disruption both globally and in the United States, and has had a significant impact on the Company's business, financial condition and results of operations. On March 16, 2020, The Governor of New Jersey ordered all New Jersey casinos to suspend operations as part of the effort to control the spread of COVID-19. The Company's casino and hotel remained closed pursuant to state and local government requirements as a result of the unprecedented public health crisis from the COVID-19 pandemic until July 2, 2020 when all New Jersey casinos were permitted to reopen to the public. As a result, the Company's operations effectively generated no revenue during the suspension of operations, other than those revenues generated by online gaming. Upon reopening, and until September 3, 2020, the New Jersey regulations, among other restrictions, limited the number of patrons on the casino floor to 25% of the maximum allowable capacity, required social distancing and masks to be worn by all, and prohibited indoor dining, serving of beverages, and smoking within the building. On September 4, 2020, certain restrictions were modified; including, to permit the serving of beverages on the casino floor and to also allow indoor dining at 25% of the maximum capacity. However, due to recent increases in the number of COVID-19 cases in New Jersey, beginning on November 12, 2020, indoor dining and casino floor beverage service must close each day from 10pm to 5am, and indoor bars are no longer permitted to serve seated patrons.

During the closure, we took significant steps to address the impact of our operating costs, including; the reduction of our staffing to minimum levels as mandated by regulation or for the security and maintenance of the building, requesting relief from our lenders to defer payments due in accordance with our loan agreements, the negotiation of payment plans with our vendors, and the participation in certain relief programs that have been made available from various governmental agencies.

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 consolidated 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 as of and for the nine months ended September 30, 2020 and 2019. These financial statements should be read in conjunction with the financial statements and notes included in the Company's December 31, 2019 Quarterly Report as filed with the Division of Gaming Enforcement of the State of New Jersey.

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.

(dollars in thousands)

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:

	September 30, 2020	September 30, 2019
Unrestricted cash and cash equivalents	$ 30,339	$ 23,748
Restricted cash	24,968	27,814
Total cash and cash equivalents	$ 55,307	$ 51,562

The Company classifies reserve funds being held for working capital, debt service, and taxes as restricted cash. Certain of these funds are restricted pursuant to the Company's loan agreements. Also, the Company maintains amounts to satisfy certain deposit and contractual 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 $782 and $701 at September 30, 2020 and 2019, respectively. These amounts include patron deposits, which were $423 and $65 at September 30, 2020 and 2019, respectively. The patron deposits are classified as restricted cash and other current liabilities in the accompanying consolidated financial statements.

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 September 30, 2020 and 2019, was $4,004 and $1,742, 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 September 30, 2020 and 2019, inventory was valued at $4,326 and $4,375, 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 recorded using the straight-line method over the estimated useful lives of the related assets as follows:

(dollars in thousands)

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 $11,945 and $10,587 for the nine months ended September 30, 2020 and 2019, 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 such assets 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 recorded. 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 nine months ended September 30, 2020 and 2019, there were no impairment charges recognized.

Intangible Asset

In 2020, the Company incurred costs associated with the development of software for internal use. These costs are included in Other Assets in the accompanying consolidated financial statements. The total costs incurred were $180 with accumulated amortization of $20 as of September 30, 2020. Intangible assets are amortized over their useful life and are tested for impairment whenever an indicator exists. If the undiscounted cash flows exceed the carrying value, no adjustment is recorded. 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 nine months ended September 30, 2020, 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. The right-of-use assets and related obligations are not significant at September 30, 2020.

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.

Revenues
Revenues 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 as follows:

- 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.

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 Company's share of the difference between amounts wagered and won by patrons, less all associated expenses, including but not limited to, gaming taxes.
- Rental revenues from retail tenants are recognized on a monthly basis over the terms of the related leases. Rental revenues are based on a percentage of the retail tenants' respective revenues.
- Entertainment revenue recognition criteria are met at the completion of the event.
- Other revenues such as 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 casino customers at no additional charge. Such complimentaries are provided in conjunction with other gaming 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 lodging, food, beverage, and other services provided to patrons without charge is included as a reduction to Casino revenues in the accompanying consolidated statements of income. The estimated costs of providing such promotional allowances are included in Rooms, Food & Beverage and General, Administrative and Other expenses in the accompanying consolidated 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 a reduction to revenue on the date the related revenue is recorded. Customer loyalty program awards earned by patrons are accrued as the patron earns the points and recorded against Casino revenues in the accompanying consolidated 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 and are discretionary in nature, the Company includes such awards within General, Administrative and Other expenses in the accompanying consolidated statements of income. Such amounts are expensed on the date the awards are 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, recorded against Casino revenues, 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 accompanying consolidated statements of income and amounted to $9,365 and $11,334 for the nine months ended September 30, 2020 and 2019, respectively. As discussed above, gaming taxes related to sports betting provided by William Hill (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 Casino Reinvestment Development Authority ("CRDA"), the Company, as a casino licensee, is assessed an amount equal to 1.25% of its land-based gross gaming revenues and 2.5% of its online gaming gross revenues. The Company is required to make quarterly payments to the CRDA to satisfy these 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 $1,237 and $2,678 for the nine months ended September 30, 2020 and 2019, 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. Under the New Jersey Casino Control Act, casino licensees are required to file New Jersey Consolidated Corporation Business 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.

(dollars in thousands)

NOTE 3 – RECEIVABLES AND PATRONS' CHECKS

	September 30, 2020	September 30, 2019
Casino receivables (net of allowance for doubtful accounts – 2020, $3,972 and 2019, $1,637)	$ 4,216	$ 5,589
Other (net of allowance for doubtful accounts – 2020, $32 and 2019, $105)	2,475	3,991
Receivables and patrons' checks, net	$ 6,691	$ 9,580

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	September 30, 2020	September 30, 2019
Land and land improvements	$ 37,704	$ 37,697
Building and building improvements	218,068	210,214
Furniture and fixtures	45,270	41,488
Construction-in-progress	2,353	340
Total property and equipment	303,395	289,739
Less: accumulated depreciation and amortization	(32,985)	(14,797)
Property and equipment, net	$ 270,410	$ 274,942

NOTE 5 – NOTE PAYABLE

As discussed in Note 1 – Nature of Business, 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 two installments were paid in July 2019 and July 2020 and the present value of the balance due at September 30, 2020 was $2,665.

(dollars in thousands)

NOTE 6 – OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following:

	September 30, 2020	September 30, 2019
Accrued payroll and benefits	$ 8,326	$ 7,033
Accrued insurance reserves	2,771	1,224
Accrued taxes and fees	2,371	2,460
Other	3,378	1,192
Total	$ 16,846	$ 11,909

NOTE 7 – OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following:

	September 30, 2020	September 30, 2019
Gaming/loyalty program liabilities	$ 5,343	$ 4,114
Advance deposits	1,283	1,523
Other	447	266
Total	$ 7,073	$ 5,903

(dollars in thousands)

NOTE 8 – DEBT

Debt consists of the following:

	September 30, 2020	September 30, 2019
First Mortgage Loan: Interest – LIBOR + 5.29%, Due 6/21, net of unamortized debt issuance costs of $1,220 and $3,036 at September 30, 2020 and 2019, respectively	$ 91,352	$ 87,964
Mezzanine Loan: Interest – LIBOR + 13.25%, Due 6/21, net of unamortized debt issuance costs of $398 and $867 at September 30, 2020 and 2019, respectively	37,892	36,028
Mezzanine Note B: Interest – 10.75%, Due 6/21, net of unamortized debt issuance costs of $399 and $976 at September 30, 2020 and 2019, respectively	59,364	52,470
Demand Promissory Notes: Interest – 7%	22,302	20,820
Member Loan: Interest – 10%, Due 2/21	2,336	2,123
Due to affiliate on demand	2,500	2,500
Convertible Promissory Notes: Interest – 10%	—	—
Capital Lease Obligations and Other	4,567	8,452
Total Debt	$ 220,313	$ 210,357
Less: current portion	(220,187)	(30,286)
Total Debt, net of current portion	$ 126	$ 180,071

First Mortgage Loan

On June 4, 2018, the Company entered into a $163,000 mortgage loan agreement ("Mortgage Loan") with a financial institution 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.

As discussed in Note 1 – Nature of Business, the Company requested relief from lenders to defer certain payments due as a result of the ongoing impacts of the COVID-19 pandemic. The Company reached agreement with the lenders of the Mortgage Loan to defer the interest payments due, commencing with the payment due May 9, 2020, for a term equal to the lessor of (i) thirty days after Ocean is permitted to re-open or (ii) August 9, 2020. As previously mentioned in Note 1 – Nature of Business, the Company reopened on July 2, 2020; therefore, the Company resumed making interest payments beginning with the payment due August 9, 2020. As of September 30, 2020, unpaid interest in the amount of $1,572 for the payments due May, June and July of 2020 was included in the outstanding loan balance. Subsequent to September 30, 2020, the unpaid interest in the amount of $1,572 was paid.

Mezzanine Loan

On June 4, 2018, the Company entered into a $12,000 mezzanine loan agreement ("Mezzanine Loan") with a financial institution 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 outstanding principal 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.

As discussed in Note 1 – Nature of Business, the Company requested relief from lenders to defer certain payments due as a result of the ongoing impacts of the COVID-19 pandemic. The Company reached agreement with the lenders of the Mezzanine Loan to defer the interest payments due, commencing with the payment due May 9, 2020, for a term equal to the lessor of (i) thirty days after Ocean is permitted to re-open or (ii) August 9, 2020. As previously mentioned in Note 1 – Nature of Business, the Company reopened on July 2, 2020; therefore, the Company resumed making interest payments beginning with the payment due August 9, 2020. As of September 30, 2020, unpaid interest in the amount of $1,395 for the payments due May, June and July of 2020 was included in the outstanding loan balance. Subsequent to September 30, 2020, a portion of this amount was paid.

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 September 30, 2020, $9,763 of interest had been recorded as PIK interest. Also, as of September 30, 2020 and 2019, unamortized debt fees were $399 and $976, respectively. In addition, amortization expense of $432 and $370 was recorded for the nine months ended September 30, 2020 and 2019, respectively. 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 nine months ended September 30, 2020 and 2019 in the amounts of $1,119 and $570, respectively, has been recorded as PIK interest.

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. Interest is being satisfied by adding the PIK interest to the principal amount on a monthly basis. 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. As of September 30, 2020, $520 of interest had been recorded as PIK interest.

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.

Capital Lease Obligations and Other

There are various agreements to purchase gaming equipment and other items maturing from June 2020 to February 2023 with interest rates up to 6.9%. At September 30, 2020, the remaining balances are $4,567, of which $4,441 is current and $126 is long-term. Also, at September 30, 2019, the remaining balances were $8,452, of which $6,966 was current and $1,486 was long-term. The agreements are collateralized by the related equipment. Interest expense related to these agreements for the nine months ended September 30, 2020 and 2019 was $85 and $134, respectively.

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 extended on July 15, 2020 and will expire on July 15, 2021. 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 fair values of the swap agreements were not significant as of September 30, 2020 or 2019. The fair values of the swap agreements exclude accrued interest and take into consideration current interest rates and current likelihood of the cap counterparties' compliance with its contractual obligations.

NOTE 9 - 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

The State of New Jersey imposes Gross Casino Revenue 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, casino license holders or online gaming permit holders are required to remit additional Casino Investment Alternative Taxes of 1.25% for 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 Investment Alternative Tax ("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 2019 and 2020 was $132,600 and $152,600, 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 2017 through 2021. The Company expensed $5,656 and $5,650 for the nine months ended September 30, 2020 and 2019, respectively, related to the PILOT program.

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. For the nine months ended September 30, 2020 and 2019, the Company expensed $271 and $207, respectively, related to this fund, and such amounts are included in General, Administrative and Other expenses in the accompanying consolidated statements of income.

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.

Parking Fee Agreement

In connection with the purchase of the real property now known as Ocean by the Company on January 4, 2018, the Company is obligated to the previous owner of the asset for a fee per car parked in Ocean's parking garage. This agreement is for a term of ninety-nine (99) years, with liability for the fee to commence two years after the agreement date. The fee will be one dollar and fifty cents per car parked, beginning in year three of the agreement (2020), increasing to three dollars per car for years seven through nine, and then increasing to four dollars per car for each year thereafter.

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 10 - RELATED PARTY TRANSACTIONS

Joint Venture

As discussed in Note 1 – Nature of Business, 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.

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. Interest is being satisfied by adding the PIK interest to the principal amount on a monthly basis. 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. As of September 30, 2020, $520 of interest had been recorded as PIK interest.

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 nine months ended September 30, 2019, the Company paid $207 under this agreement.

(dollars in thousands)

NOTE 11 – NON-OPERATING INCOME (EXPENSE), NET

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

	September 30,	
	2020	2019
Joint Venture partner interest	$ 301	$ 441
Interest income	45	52
Loss on disposal of assets	(2)	(64)
Other	—	(30)
Total	$ 344	$ 399

NOTE 12 – 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 nine months ended September 30, 2020 or 2019.

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 nine months ended September 30, 2020 and 2019, totaled $190 and $325, respectively. These contributions were not individually significant to any of the respective plans.

NOTE 13 – SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after September 30, 2020 up to November 13, 2020, the date the financial statements were available for issuance, and we believe that the appropriate disclosures have been made throughout these footnotes.