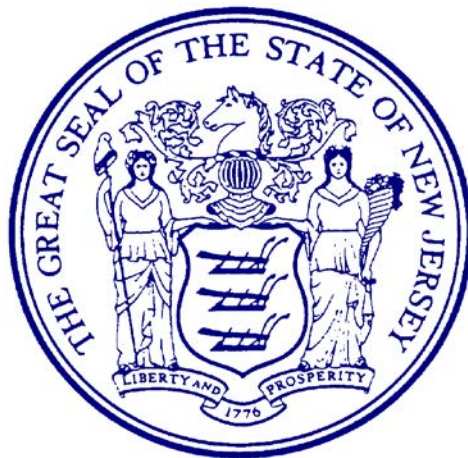


**TEN RE ACNJ LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 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 JUNE 30, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$33,874	\$44,595
2	Short-Term Investments.....			0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$3,687; 2019, \$989).....	2, 3	3,430	12,600
4	Inventories .....	2	4,409	3,903
5	Other Current Assets.....		2,869	6,190
6	Total Current Assets.....		44,582	67,288
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2, 4	302,086	284,217
9	Less: Accumulated Depreciation and Amortization.....	2, 4	(28,979)	(10,897)
10	Property and Equipment - Net.....		273,107	273,320
11	Other Assets.....	2	894	8,884
12	Total Assets.....		\$318,583	\$349,492
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$13,205	\$23,195
14	Notes Payable.....	5	3,613	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	8	84,302	21,761
16	External.....	8	134,054	6,378 *
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	6	7,523	10,913
19	Other Current Liabilities.....	7	7,177	7,230 *
20	Total Current Liabilities.....		249,874	69,477
	Long-Term Debt:			
21	Due to Affiliates.....	8	0	54,164
22	External.....	8	191	150,252
23	Deferred Credits .....		0	0
24	Other Liabilities.....		3,943	584 *
25	Commitments and Contingencies.....	9	0	0
26	Total Liabilities.....		254,008	274,477
27	Stockholders', Partners', or Proprietor's Equity.....		64,575	75,015
28	Total Liabilities and Equity.....		\$318,583	\$349,492

\*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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$25,598	\$46,804
2	Rooms.....	2	14,000	33,239
3	Food and Beverage.....	2	11,081	25,768
4	Other.....	2	2,948	6,061
5	Net Revenue.....	2	53,627	111,872
	Costs and Expenses:			
6	Casino.....		17,122	34,951
7	Rooms, Food and Beverage.....		15,099	36,232
8	General, Administrative and Other.....		33,813	53,447
9	Total Costs and Expenses.....		66,034	124,630
10	Gross Operating Profit.....		(12,407)	(12,758)
11	Depreciation and Amortization.....	2	9,391	8,011
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		(21,798)	(20,769)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	8	(3,903)	(3,373)
16	Interest Expense - External.....	8	(6,118)	(7,896)
17	CRDA Related Income (Expense) - Net.....	2, 9	(679)	(1,350)
18	Nonoperating Income (Expense) - Net.....	11	283	491
19	Total Other Income (Expenses).....		(10,417)	(12,128)
20	Income (Loss) Before Taxes .....		(32,215)	(32,897)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$32,215)	(\$32,897)

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 JUNE 30, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$2,149	\$23,853
2	Rooms.....	2	0	19,778
3	Food and Beverage.....	2	0	14,609
4	Other.....	2	183	3,455
5	Net Revenue.....	2	2,332	61,695
	Costs and Expenses:			
6	Casino.....		3,018	17,517
7	Rooms, Food and Beverage.....		433	18,749
8	General, Administrative and Other.....		10,714	26,630
9	Total Costs and Expenses.....		14,165	62,896
10	Gross Operating Profit.....		(11,833)	(1,201)
11	Depreciation and Amortization.....	2	4,715	4,874
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		(16,548)	(6,075)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	8	(1,979)	(2,196)
16	Interest Expense - External.....	8	(3,035)	(4,309)
17	CRDA Related Income (Expense) - Net.....	2, 9	(65)	(735)
18	Nonoperating Income (Expense) - Net.....	11	86	141
19	Total Other Income (Expenses).....		(4,993)	(7,099)
20	Income (Loss) Before Taxes .....		(21,541)	(13,174)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		(\$21,541)	(\$13,174)

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 SIX MONTHS ENDED JUNE 30, 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Other (e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2018.....</b>		\$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, 12	(581)			(581)
9	Convert Notes to Equity	9	26,250			26,250
10	<b>Balance, December 31, 2019.....</b>		176,236	(79,206)	0	97,030
11	Net Income (Loss) - 2020.....			(32,215)		(32,215)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Joint Venture Loss	1, 12	(240)			(240)
17						0
18						0
19	<b>Balance, June 30, 2020.....</b>		\$175,996	(\$111,421)	\$0	\$64,575

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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$8,252)	(\$39,179) *
	<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
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.....		(1,969)	(3,896)
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.....		(1,969)	(3,927) *
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
13	Proceeds from Short-Term Debt .....		0	19,648
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....		0	33,806
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	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 .....		(1,940)	0
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		(1,940)	55,656
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(12,161)	12,550
25	Cash and Cash Equivalents at Beginning of Period.....		46,035	32,045
26	Cash and Cash Equivalents at End of Period.....		\$33,874	\$44,595
	<b>CASH PAID DURING PERIOD FOR:</b>			
27	Interest (Net of Amount Capitalized).....		\$4,053	\$5,764
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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$32,215)	(\$32,897)
30	Depreciation and Amortization of Property and Equipment...		7,939	6,687
31	Amortization of Other Assets.....		1,452	1,324
32	Amortization of Debt Discount or Premium.....		124	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	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 .....		9,145	(3,487)
39	(Increase) Decrease in Inventories .....		209	69
40	(Increase) Decrease in Other Current Assets.....		344	(4,715)
41	(Increase) Decrease in Other Assets.....		283	749
42	Increase (Decrease) in Accounts Payable.....		1,167	(3,166)
43	Increase (Decrease) in Other Current Liabilities .....		(3,012)	1,500 *
44	Increase (Decrease) in Other Liabilities .....		430	(5,307)
45	PIK Interest Converted to Debt .....		5,882	0 *
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		(\$8,252)	(\$39,179) *

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$1,969)	(\$3,896)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$1,969)	(\$3,896)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$2,202
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$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 SIX MONTHS ENDED JUNE 30, 2020  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	59,070	\$8,958	0	\$0
2	Food	56,500	2,825	19,862	397
3	Beverage	383,500	1,534	0	0
4	Travel	0	0	887	133
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	303,840	7,596	0	0
7	Complimentary Cash Gifts	54,840	1,371	0	0
8	Entertainment	6,900	345	2,000	100
9	Retail & Non-Cash Gifts	12,680	317	11,355	568
10	Parking	149,600	748	156,333	469
11	Other	1,100	11	7,600	76
12	Total	1,028,030	\$23,705	198,037	\$1,743

FOR THE THREE MONTHS ENDED JUNE 30, 2020

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	0	\$0	0	\$0
2	Food	0	0	0	0
3	Beverage	0	0	0	0
4	Travel	0	0	0	0
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	4,320	108	0	0
7	Complimentary Cash Gifts	15,440	386	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	0	0	0	0
10	Parking	0	0	0	0
11	Other	0	0	0	0
12	Total	19,760	\$494	0	\$0

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



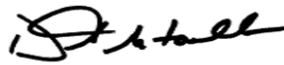
**TEN RE ACNJ LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 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.

August 14, 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 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 Joint Venture. The impact of the Joint Venture is not material to the accompanying consolidated financial statements.

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.

**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,

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

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, the New Jersey regulations, among other restrictions, limits the number of patrons on the casino floor to 25% of the maximum allowable capacity, require social distancing and masks to be worn by all, and do not allow indoor dining, serving of beverages, or smoking within the building.

During the closure, we took significant steps to address the impact of our operating costs, including; reducing 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, negotiating payment plans with our vendors, and participating 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 six months ended June 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.

**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:

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

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Restricted cash	\$ 22,602	\$ 24,943
Unrestricted cash and cash equivalents	11,272	19,652
<b>Total cash and cash equivalents</b>	<b>\$ 33,874</b>	<b>\$ 44,595</b>

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. 13:690-1.3(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 \$684 and \$250 at June 30, 2020 and 2019, respectively. These amounts include patron deposits, which were \$427 and \$82 at June 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 June 30, 2020 and 2019, was \$3,687 and \$989, 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 June 30, 2020 and 2019, inventory was valued at \$4,409 and \$3,903, 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:

**TEN RE ACNJ, LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**  
**(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 \$7,939 and \$6,687 for the six months ended June 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 six months ended June 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 \$5 as of June 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 six months ended June 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 June 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

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- 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

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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. Percentage rental revenues are recognized in the periods in which the tenants exceed their respective percentage rent thresholds.
- 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 cash 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

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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 accompanying consolidated statements of income and amounted to \$3,882 and \$6,796 for the six months ended June 30, 2020 and 2019, 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 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 \$831 and \$1,139 for the six months ended June 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.



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**NOTE 3 – RECEIVABLES AND PATRONS’ CHECKS**

	June 30,	
	2020	2019
Casino receivables (net of allowance for doubtful accounts – 2020, \$3,655 and 2019, \$968)	\$ 2,349	\$ 6,108
Other (net of allowance for doubtful accounts – 2020, \$32 and 2019, \$21)	1,081	6,492
<b>Receivables and patrons’ checks, net</b>	<b>\$ 3,430</b>	<b>\$ 12,600</b>

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following:

	June 30,	
	2020	2019
Land and land improvements	\$ 37,704	\$ 37,690
Building and building improvements	217,785	208,847
Furniture and fixtures	44,872	37,474
Construction-in-progress	1,725	206
<b>Total property and equipment</b>	302,086	284,217
Less: accumulated depreciation and amortization	(28,979)	(10,897)
<b>Property and equipment, net</b>	<b>\$ 273,107</b>	<b>\$ 273,320</b>

**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 installment was paid in July 2019 and the present value of the balance due at June 30, 2020 was \$3,613.

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**NOTE 6 – OTHER ACCRUED EXPENSES**

Other Accrued Expenses consist of the following:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Accrued payroll and benefits	\$ 2,918	\$ 5,985
Accrued insurance reserves	2,308	806
Accrued taxes and fees	239	2,816
Other	2,058	1,306
<b>Total</b>	<b>\$ 7,523</b>	<b>\$ 10,913</b>

**NOTE 7 – OTHER CURRENT LIABILITIES**

Other Current Liabilities consists of the following:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Gaming/loyalty program liabilities	\$ 4,633	\$ 4,088
Advance deposits	2,154	2,806
Other	390	336
<b>Total</b>	<b>\$ 7,177</b>	<b>\$ 7,230</b>

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**NOTE 8 – DEBT**

Debt consists of the following:

	June 30,	
	2020	2019
First Mortgage Loan: Interest – LIBOR + 5.29% and 7.50%, Due 6/21, net of unamortized debt issuance costs of \$1,677 and \$3,491 at June 30, 2020 and 2019, respectively	\$ 90,373	\$ 87,509
Mezzanine Loan: Interest – LIBOR + 13.25% and 7.50%, Due 6/21, net of unamortized debt issuance costs of \$478 and \$996 at June 30, 2020 and 2019, respectively	37,346	35,973
Mezzanine Note B: Interest – 10.75%, Due 6/21, net of unamortized debt issuance costs of \$544 and \$1,121 at June 30, 2020 and 2019, respectively	57,607	50,970
Demand Promissory Notes: Interest – 7%	21,914	19,261
Member Loan: Interest – 10%, Due 2/21	2,281	2,073
Due to affiliate on demand	2,500	2,500
Convertible Promissory Notes: Interest – 10%	—	25,973
Capital Lease Obligations and Other	6,526	8,296
<b>Total Debt</b>	<b>\$ 218,547</b>	<b>\$ 232,555</b>
Less: current portion	(218,356)	(28,139)
<b>Total Debt, net of current portion</b>	<b>\$ 191</b>	<b>\$ 204,416</b>

**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 lesser 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 will resume making interest payments beginning with the payment due August 9, 2020. Unpaid interest

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in the amount of \$1,050 for the payments due May 2020 and June 2020 has been added to the outstanding loan balance.

**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 Mortgage Loan to defer the interest payments due, commencing with the payment due May 9, 2020, for a term equal to the lesser 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 will resume making interest payments beginning with the payment due August 9, 2020. Unpaid interest in the amount of \$929 for the payments due May 2020 and June 2020 has been added to the outstanding loan balance.

**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 June 30, 2020, \$8,151 of interest had been recorded as PIK interest. Also, as of June 30, 2020 and 2019, unamortized debt fees were \$544 and \$1,121, respectively. In addition, amortization expense was \$286 and \$225 for the six months ended June 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 six months ended June 30, 2020 and 2019 in the amounts of \$732 and \$211, respectively, 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

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to a new affiliated entity as part of the ownership transfer discussed in Note 1 – Nature of Business. Interest expense for the six months ended June 30, 2020 and 2019 in the amounts of \$108 and \$98, respectively, 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. As of June 30, 2019, \$973 of interest had been accrued. 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 June 30, 2020, the remaining balances are \$6,526, of which \$6,335 is current and \$191 is long-term. Also, at June 30, 2019, the remaining balances were \$8,296, of which \$6,378 was current and \$1,918 was long-term. The agreements are collateralized by the related equipment. Interest expense related to these agreements for the six months ended June 30, 2020 and 2019 was \$52 and \$57, 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 June 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.

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**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 \$3,770 and \$3,768 for the six months ended June 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 six months ended June 30, 2020 and 2019, the Company expensed \$181 and \$162, 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.

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**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. 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 six months ended June 30, 2020 and 2019 in the amounts of \$108 and \$98, respectively, 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 six months June 30, 2020 and 2019, the Company paid \$0 and \$140, respectively, under this agreement.

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

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

	June 30,	
	2020	2019
Joint Venture partner interest	\$ 240	\$ 577
Interest income	43	8
Loss on disposal of assets	—	(64)
Other	—	(30)
<b>Total</b>	<b>\$ 283</b>	<b>\$ 491</b>

**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 six months ended June 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 six months ended June 30, 2020 and 2019, totaled \$120 and \$226, respectively. These contributions were not individually significant to any of the respective plans.



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**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 June 30, 2020 up to August 14, 2020, the date the financial statements were available for issuance, and we believe that the appropriate disclosures have been made throughout these footnotes.