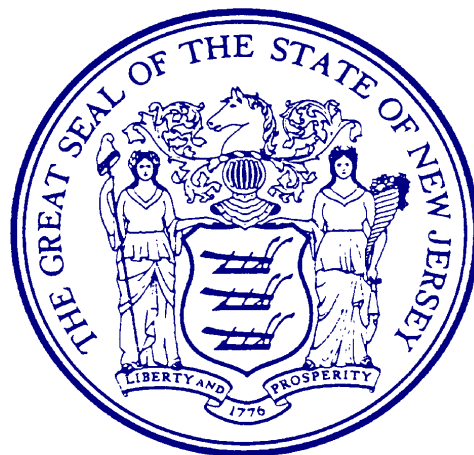


**OCEAN CASINO RESORT HOLDINGS, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED MARCH 31, 2022

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

OCEAN CASINO RESORT HOLDINGS, LLC

BALANCE SHEETS

AS OF MARCH 31, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$62,123	\$52,723
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, \$3,750; 2021, \$4,042).....	2,3	13,867	9,557
4	Inventories	2	4,531	3,942
5	Other Current Assets.....	4	5,950	3,410
6	Total Current Assets.....		86,471	69,632
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2,5	365,252	311,313
9	Less: Accumulated Depreciation and Amortization.....	2,5	(59,910)	(41,268)
10	Property and Equipment - Net.....		305,342	270,045
11	Other Assets.....		1,382	1,116
12	Total Assets.....		\$393,195	\$340,793
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$18,025	\$10,691
14	Notes Payable.....	6	0	2,760
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	2,500	28,020
16	External.....	9	581	1,518
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	7	16,520	16,827
19	Other Current Liabilities.....	8	20,712	9,981
20	Total Current Liabilities.....		58,338	69,797
	Long-Term Debt:			
21	Due to Affiliates.....	9	17,093	62,975
22	External.....	9	104,011	128,928
23	Deferred Credits		0	0
24	Other Liabilities.....		6,290	4,050
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		185,732	265,750
27	Stockholders', Partners', or Proprietor's Equity.....		207,463	75,043
28	Total Liabilities and Equity.....		\$393,195	\$340,793

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

OCEAN CASINO RESORT HOLDINGS, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....	2	\$50,352	\$32,720
2	Rooms.....	2	21,491	16,884
3	Food and Beverage.....	2	13,090	8,505
4	Other.....	2	3,455	2,617
5	Net Revenue.....	2	88,388	60,726
	Costs and Expenses:			
6	Casino.....		19,338	15,287
7	Rooms, Food and Beverage.....		21,476	13,973
8	General, Administrative and Other.....		29,048	23,518
9	Total Costs and Expenses.....		69,862	52,778
10	Gross Operating Profit.....		18,526	7,948
11	Depreciation and Amortization.....	2	5,070	4,930
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		150	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		13,306	3,018
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	(355)	(2,105)
16	Interest Expense - External.....	9	(1,038)	(3,013)
17	CRDA Related Income (Expense) - Net.....	2, 10	(1,084)	(801)
18	Nonoperating Income (Expense) - Net.....	12	(75)	1,066
19	Total Other Income (Expenses).....		(2,552)	(4,853)
20	Income (Loss) Before Taxes		10,754	(1,835)
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$10,754	(\$1,835)

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

OCEAN CASINO RESORT HOLDINGS, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021
AND THE THREE MONTHS ENDED MARCH 31, 2022

(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, 2020.....		\$175,864	(\$98,865)	\$0	\$76,999
2	Net Income (Loss) - 2021.....			44,086		44,086
3	Capital Contributions.....	1	177,605			177,605
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Joint Venture Loss	1, 12	1,229			1,229
8	Gain on Interest Rate Cap	9			111	111
9	Equity Distributions	1	(104,030)			(104,030)
10	Balance, December 31, 2021.....		250,668	(54,779)	111	196,000
11	Net Income (Loss) - 2022.....			10,754		10,754
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Joint Venture Gain	1, 12	83			83
17	Gain on Interest Rate Cap	9			626	626
18						0
19	Balance, March 31, 2022.....		\$250,751	(\$44,025)	\$737	\$207,463

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

OCEAN CASINO RESORT HOLDINGS, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$18,658	\$9,741
	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.....		(26,463)	(5,393)
5	Proceeds from Disposition of Property and Equipment.....		2	86
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 Interst Rate Cap		0	0
11		0	0
12	Net Cash Provided (Used) By Investing Activities.....		(26,461)	(5,307)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt	9	16,189	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....	9	(7,521)	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Capital Lease Obligations and Other Payments		(562)	(1,768)
22			
23	Net Cash Provided (Used) By Financing Activities.....		8,106	(1,768)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		303	2,666
25	Cash and Cash Equivalents at Beginning of Period.....		61,820	50,057
26	Cash and Cash Equivalents at End of Period.....		\$62,123	\$52,723
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,242	\$2,955
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.

OCEAN CASINO RESORT HOLDINGS, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$10,754	(\$1,835)
30	Depreciation and Amortization of Property and Equipment...		4,835	4,198
31	Amortization of Other Assets.....		235	732
32	Amortization of Debt Discount or Premium.....		0	48
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		26	(86)
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		2,700	907
39	(Increase) Decrease in Inventories		19	(162)
40	(Increase) Decrease in Other Current Assets.....		99	414
41	(Increase) Decrease in Other Assets.....		0	99
42	Increase (Decrease) in Accounts Payable.....		150	1,045
43	Increase (Decrease) in Other Current Liabilities		(3,831)	2,736
44	Increase (Decrease) in Other Liabilities		3,316	(460)
45	PIK Interest Converted to Debt		355	2,105
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$18,658	\$9,741

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$26,463)	(\$5,393)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$26,463)	(\$5,393)
	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	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

OCEAN CASINO RESORT HOLDINGS, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2022
(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	73,470	\$13,926	0	\$0
2	Food	40,460	2,023	8,750	175
3	Beverage	448,000	1,792	0	0
4	Travel	0	0	1,327	199
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	407,400	10,185	0	0
7	Complimentary Cash Gifts	79,440	1,987	0	0
8	Entertainment	1,340	67	1,160	58
9	Retail & Non-Cash Gifts	5,360	134	33,160	1,658
10	Parking	127,200	636	143,333	430
11	Other	2,300	23	8,900	89
12	Total	1,184,970	\$30,773	196,630	\$2,609

FOR THE THREE MONTHS ENDED MARCH 31, 2022

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	73,470	\$13,926	0	\$0
2	Food	40,460	2,023	8,750	175
3	Beverage	448,000	1,792	0	0
4	Travel	0	0	1,327	199
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	407,400	10,185	0	0
7	Complimentary Cash Gifts	79,440	1,987	0	0
8	Entertainment	1,340	67	1,160	58
9	Retail & Non-Cash Gifts	5,360	134	33,160	1,658
10	Parking	127,200	636	143,333	430
11	Other	2,300	23	8,900	89
12	Total	1,184,970	\$30,773	196,630	\$2,609

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

OCEAN CASINO RESORT HOLDINGS, LLC STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2022

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.

May 16, 2022

Date



Laura Palazzo

SVP Chief Financial Officer

Title

02461-11

License Number

On Behalf of:

OCEAN CASINO RESORT HOLDINGS, LLC

Casino Licensee

OCEAN CASINO RESORT HOLDINGS, 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, own, and operate a casino and hotel property. Pursuant to the Ten RE restructuring transactions on November 24, 2021 (the “2021 Transactions”), Ten RE formed Ocean Casino Resort Holdings, LLC, a Delaware limited liability company (“OCRH” or the “Company”) and contributed all of its outstanding equity interests of AC Beachfront, LLC to the Company, which assumed Ten RE liabilities under the Mezzanine Note B (as defined below) and Demand Promissory Notes (as defined below). Ten RE was subsequently liquidated. In addition, the Ilitch Organization (“Ilitch”), through various subsidiaries, invested and now owns and controls 50% of the Company. As a result of these transactions, Luxor Capital Group, LP (“Luxor”), a New York City based investment manager, who was the previous majority owner of Ten RE since 2019, now controls, but does not own, the remaining 50%.

OCRH 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; and
- 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 features approximately 1,400 rooms, including high end suites, a variety of fine dining and casual restaurants, approximately 1,700 slot machines, 112 table games, a sportsbook, multiple entertainment venues and various other amenities. Ocean derives its revenues primarily from casino operations, rooms sales, food and beverage revenues, and entertainment ticket sales.

OCRH, together with AC Beachfront, LLC, ACOWRE, LLC, ACOWMGR, LLC, and AC Ocean Walk, LLC, are herein referred to as the “Company”.

In April 2018, AC Ocean Walk, LLC entered into a partnership agreement with Blue Ocean Waters, LLC, a related party, (the “Joint Venture”) to operate the Day Club and the Night Club. The term of the agreement is ten years with a Blue Ocean Waters, LLC option to extend for five additional years. The two parties share equally in the adjusted income/loss of the operations. The impact of the Joint Venture is not material to the accompanying consolidated financial statements.

OCEAN CASINO RESORT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

2021 Transactions

In March 2021, Luxor signed a Framework and Investment Agreement, subject to regulatory approvals and final closing conditions, which resulted in the Ilitch Organization, through a subsidiary, OCR Investment, LLC, investing \$175,000 in and owning up to 50% of the Company, with Luxor and others owning the remainder. Under a management agreement (the "Management Agreement") with OCRM, LLC (an Ilitch affiliate), OCRM provides certain management services to the Company.

The restructuring transactions contemplated by the Framework and Investment Agreement were completed on November 24, 2021. Concurrent with the Ilitch investment, the Company also entered into a mortgage loan agreement for up to \$185,000 (the "New First Mortgage Loan") of which the initial draw of \$90,000 was taken in 2021. The New First Mortgage Loan initial draw was used by the Company, along with the \$175,000 Ilitch Investment and existing cash on hand, to retire the existing First Mortgage Loan and the Mezzanine Loan, fund certain equity distributions, and pay closing costs. The balance of the New First Mortgage Loan will be used for lender-approved costs ("Project Costs") in connection with the addition of 463 hotel rooms.

COVID-19

The novel coronavirus ("COVID-19") pandemic which began in 2020 has caused, and to a lesser degree 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.

All capacity and other restrictions imposed on the Atlantic City gaming industry in early 2020 as a result of Covid-19 were eliminated by the end of the second quarter of 2021. However, the Company expects the COVID-19 pandemic will continue to have an impact on its business and results of operations, which impact includes, but is not limited to, staffing challenges and supply chain issues.

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 three months ended March 31, 2022 and 2021. These financial statements should be read in conjunction with the financial statements and notes included in the Company's December 31, 2021 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 OCRH and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

OCEAN CASINO RESORT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

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 on hand in the casino cages, cash in bank, and certificates of deposits with high credit quality financial institutions. As of March 31, 2022 and 2021, Cash and Cash Equivalents consist of the following:

	March 31,	
	2022	2021
Restricted cash	\$ 10,349	\$ 29,059
Unrestricted cash and cash equivalents	51,774	23,664
Total cash and cash equivalents	\$ 62,123	\$ 52,723

The Company classifies reserve funds being held for working capital, debt service, and taxes as restricted cash. Prior to the refinancing of the Company's First Mortgage Loan in November 2021, certain of these funds were 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 \$4,085 and \$2,071 at March 31, 2022 and 2021, respectively. These amounts include patron deposits, which were \$2,201 and \$426 at March 31, 2022 and 2021, 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

Receivables consist primarily of casino, hotel, and other receivables, net of an allowance for doubtful accounts. Concentration of credit risk, with respect to gaming receivables, is limited through the Company's credit evaluation process. 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 receivables are 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 March 31, 2022 and 2021, was \$3,750 and \$4,042, 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

Inventories 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

OCEAN CASINO RESORT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

determined on a first-in, first-out basis. As of March 31, 2022 and 2021, inventory was valued at \$4,531 and \$3,942, 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:

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 amounted to \$4,835 and \$4,198 for the three months ended March 31, 2022 and 2021, 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 three months ended March 31, 2022 and 2021, there were no impairment charges recognized.

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 payable, and loans from financial institutions approximate the fair value. The estimated fair value of the Company's interest rate cap agreement as of March 31, 2022 was \$737 and is a Level 2 investment.

OCEAN CASINO RESORT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

Revenues

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

Casino Revenues

The Company's revenues are primarily 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 delivers, 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.
- On March 1, 2022, the Company assumed the operation of the retail sports book from William Hill (see "Other Revenue", below). As a result, effective on that date, revenues generated from the Company's retail sports book are included in Casino Revenues.

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:

- Since June 2018, the Company was party to an agreement with William Hill New Jersey Inc. ("William Hill"), which called for William Hill to operate the retail sportsbook at the property, in addition to an online sports betting platform, on behalf of the Company. In July 2021, the Company reached an agreement

OCEAN CASINO RESORT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(dollars in thousands)

with William Hill to terminate the Sports Book contract. Pursuant to the agreement, the online sports betting platform ceased operations in August 2021 with the retail sports book continuing to be operated by William Hill until February 28, 2022, at which point the Company assumed operations of the retail sportsbook. Through February 28, 2022, 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.

- Revenues resulting from agreements with third parties who operate online sports wagering and online gaming platforms under Ocean's Casino License. Any advance payments received have been recorded within Other Current Liabilities and Other Liabilities in the accompanying Balance Sheets and will be amortized over the term of the respective agreements.
- Rental revenues from retail tenants are recognized monthly 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.
- Revenues such as cash services commissions and parking revenues 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 as a reduction to 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

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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. These taxes amounted to \$5,858 and \$4,505 for the three months ended March 31, 2022 and 2021, respectively. As discussed above, gaming taxes related to sports betting (land-based and online) are netted 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 \$1,279 and \$640 for the three months ended March 31, 2022 and 2021, 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 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 tax years 2018 and later currently remain open for federal and state income tax examinations.

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NOTE 3 – RECEIVABLES AND PATRONS’ CHECKS

	March 31,	
	2022	2021
Casino receivables (net of allowance for doubtful accounts – 2022, \$3,241 and 2021, \$4,024)	\$ 8,233	\$ 5,369
Other (net of allowance for doubtful accounts – 2022, \$509 and 2021, \$18)	5,634	4,188
Receivables and patrons’ checks, net	\$ 13,867	\$ 9,557

NOTE 4 – OTHER CURRENT ASSETS

Other Current Assets consist of the following:

	March 31,	
	2022	2021
Prepaid insurance	\$ 1,413	\$ 436
Prepaid advertising and marketing	1,290	559
Prepaid service contracts	1,199	739
Other	2,048	1,676
Total	\$ 5,950	\$ 3,410

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	March 31,	
	2022	2021
Land and land improvements	\$ 37,704	\$ 37,704
Building and building improvements	233,906	220,771
Furniture and fixtures	58,508	47,928
Construction-in-progress	35,134	4,910
Total property and equipment	365,252	311,313
Less: accumulated depreciation and amortization	(59,910)	(41,268)
Property and equipment, net	\$ 305,342	\$ 270,045

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NOTE 6 – 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 were 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 three installments were paid in July 2019, July 2020, and July 2021. In November 2021, the Company satisfied the balance due with a payment of \$2,000.

NOTE 7 – OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following:

	March 31,	
	2022	2021
Accrued payroll and benefits	\$ 5,021	\$ 7,822
Accrued insurance reserves	5,378	3,810
Accrued taxes and fees	2,990	2,299
Other	3,131	2,896
Total	\$ 16,520	\$ 16,827

NOTE 8 – OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following:

	March 31,	
	2022	2021
Customer loyalty programs	\$ 6,504	\$ 3,761
Other gaming related liabilities	6,541	3,804
Advance deposits	4,110	1,933
Deferred revenue, current	3,191	262
Other	366	221
Total	\$ 20,712	\$ 9,981

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NOTE 9 – DEBT

Debt consists of the following:

	March 31,	
	2022	2021
New First Mortgage Loan: Interest – SOFR + 3.895%, due 11/24, net of unamortized debt issuance costs of \$2,178 at March 31, 2022	\$ 104,011	\$ 0
Luxor Term Loans: Interest – 7%, Due 11/24,	17,093	0
First Mortgage Loan: Interest – LIBOR + 5.79%, due 6/22, net of unamortized debt issuance costs of \$317 at March 31, 2021	0	90,683
Mezzanine Loan: Interest – LIBOR + 13.75%, due 6/22, net of unamortized debt issuance costs of \$91 at March 31, 2021	0	38,160
Mezzanine Note B: Interest – 10.75%, due 6/22, net of unamortized debt issuance costs of \$111 at March 31, 2021	0	62,975
Demand Promissory Notes: Interest – 7%	0	23,071
Member Loan: Interest – 10%	0	2,449
Due to affiliate on demand	2,500	2,500
Capital Lease Obligations and Other	581	1,603
Total Debt	\$ 124,185	\$ 221,441
Less: current portion	(3,081)	(29,538)
Total Debt, net of current portion	\$ 121,104	\$ 191,903

New First Mortgage Loan

Pursuant to the 2021 Transactions as described in Note 1, the Company entered into the New First Mortgage Loan, of which the initial draw of \$90,000 was taken in 2021. The balance of the New First Mortgage Loan is intended to be used for Lender-approved costs (“Project Costs”) required in connection with the addition of 463 hotel rooms. As of March 31, 2022, the Company has drawn \$16,189 of the balance available on the New First Mortgage Loan to fund Project Costs, increasing the total outstanding under the New First Mortgage Loan to \$106,189. The New First Mortgage Loan requires monthly interest payments at a rate based on the Secured Overnight Financing Rate (“SOFR”) plus 3895 basis points. The initial term of the New First Mortgage Loan is three years, plus two one-year maturity extensions. The New First Mortgage Loan is subject to various restrictive covenants and prepayment penalties and is collateralized by substantially all the assets of the Company. In addition, the Company is required to obtain and maintain protection with an interest rate cap at a strike of 3.5% throughout the term of the New First Mortgage Loan. The Company capitalized \$2,467 in refinancing related fees for the year ended December 31, 2021, which will be amortized over the initial term of three years. Amortization expense of \$220 was recorded for the three months ended March 31, 2022.

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Luxor Term Loans

On November 24, 2021, in accordance with the Amended and Restated Framework and Investment Agreement, the Luxor Demand Notes (“Demand Promissory Notes”), totaling \$24,085 were exchanged for Term Notes (“Luxor Term Loans”), in a principal amount equal to the Demand Promissory Notes exchanged plus all accrued but unpaid interest. The Luxor Term Loans accrue interest at a rate of 7% per annum and have a three year maturity. On a quarterly basis, at the election of the Board of Managers of Ocean, interest on the Luxor Term Loans may be (1) paid or (2) capitalized and added to the outstanding principal. As of March 31, 2022, \$528 had been recorded as PIK interest, of which \$355 was recognized in the three months ended March 31, 2022.

During the three months ended March 31, 2022, the Company made a payment of \$7,521 to fully satisfy one of the Luxor Term Loans.

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 (assuming certain criteria is met) and adjusting the interest rate to LIBOR plus 529 basis points. The Mortgage Loan required certain reserves to be held by the lender and is subject to various restrictive covenants and prepayment penalties. The Mortgage Loan was collateralized by substantially all the assets of the Company. In addition, the Company was required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 5.3% throughout the term of the Mortgage Loan. On April 19, 2021, pursuant to the terms of the Mortgage Loan, the Company notified its lenders that it had elected to exercise the above-mentioned option to extend the initial maturity date from June 2021 to June 2022. In connection with the extension of the initial maturity date from June 2021 to June 2022, the interest rate increased by 50 basis points.

On November 24, 2021, pursuant to the 2021 Transactions, the Company refinanced its debt, and the Mortgage Loan was repaid in full and terminated.

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 was payable when the principal amount of the Mezzanine Loan was 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 interest rate to LIBOR plus 1,325 basis points. The Mezzanine Loan required certain reserves to be held by the lender, was subject to various restrictive covenants and prepayment penalties, and was collateralized by a mortgage on substantially all of the assets of the Company. In addition, the Company was required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 5.3% throughout the term of the Mezzanine Loan. On April 19, 2021, pursuant to the terms of the Mezzanine

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Loan, the Company notified its lenders that it had elected to exercise the above-mentioned option to extend the initial maturity date from June 2021 to June 2022. In connection with the extension of the initial maturity date from June 2021 to June 2022, the interest rate increased by 50 basis points.

On November 24, 2021, pursuant to the 2021 Transactions, the Company refinanced its debt, and the Mezzanine Loan was repaid in full and terminated.

Mezzanine Note B

On February 8, 2019, the Company entered into a \$50,000 mezzanine note (“Note B”) with an affiliated entity which bore interest at a rate of 10.75% per annum and an initial maturity date of June 2021. Interest was satisfied by adding the amount of the interest to the principal amount (“PIK interest”) on a monthly basis. On a cumulative basis through November 24, 2021, \$17,888 had been recorded as PIK interest. The Company was required to maintain certain covenants under the terms of Note B. Pursuant to the terms of the Note B agreement, the initial maturity date of June 2021 was automatically extended to match the maturity date of the Mortgage Loan. As discussed above, the initial maturity date of the Mortgage Loan had been extended from June 2021 to June 2022, and as a result, the initial maturity date of the Note B was likewise extended.

On November 24, 2021, pursuant to the 2021 Transactions, the Company refinanced its debt, and the Note B was repaid in full and terminated.

Demand Promissory Notes

Beginning in February 2019, the Company issued various Demand Promissory Notes to Luxor entities in the aggregate principal amount of \$20,250. These promissory notes accrued interest at a rate of 7% per annum and were payable on demand. As of November 24, 2021, \$3,835 of cumulative interest related to the demand promissory notes was recorded as PIK interest.

In connection with the 2021 Transactions, the balance of these notes, \$24,085 (principal and interest), were exchanged on November 24, 2021 for the Luxor Term Loans.

Member Loan

In 2018, the Company had borrowed \$1,816 from an affiliate of one of its members, which accrued interest at a rate of 10% per annum. Interest was 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 an entity affiliated with Luxor. As of November 24, 2021, \$789 of cumulative interest related to the Member Loan was recorded as PIK interest, of which \$214 was recognized during the year ended December 31, 2021.

In connection with the 2021 Transactions, the Member Loan balance of \$2,605 was assigned to the New TEN RE, an unaffiliated entity which is majority owned and controlled by certain Luxor partners, and minority owned by previous minority owners of Ten RE.

Capital Lease Obligations and Other

The Company is party to various agreements to purchase gaming and other equipment, with maturities from January 2021 to February 2023 and at varying interest rates up to 6.9%. At March 31, 2022, the remaining balances

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due on these agreements was \$581, which was classified as current. At March 31, 2021, the remaining balance due was \$1,603, of which \$1,518 was classified as current and \$85 was classified as long-term debt. The agreements are collateralized by the related equipment. Interest expense related to these agreements for the three months ended March 31, 2022 and 2021 was \$2 and \$3, respectively.

Interest Rate Swap Agreements

As discussed above, the Company has utilized and continues to utilize 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 New First Mortgage Loan, First Mortgage Loan and the Mezzanine Loan. These swap agreements will expire on various dates through December 15, 2023. The fair values of the swap agreements as of March 31, 2022 and 2021, were \$737 and \$0, respectively, and are included in other long-term assets in the accompanying balance sheets. 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 10 – 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. The aggregate amount of PILOT Payments owed is 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 2021 was \$130,000. For each year from 2017 through 2021, each casino gaming property's prorated share of PILOT Payments was capped (the "PILOT Cap") at an amount equal to the real estate taxes due and payable in calendar year 2015,

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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 was \$7,541 annually for all years through 2021.

In December 2021, the Governor of New Jersey signed a bill amending the PILOT legislation. The amendment eliminated internet gaming revenues from GGR used in the annual PILOT calculation and set the total 2022 PILOT payment at \$110,000.

The Company recorded expense of \$2,112 and \$1,885 for the three months ended March 31, 2022 and 2021, respectively, related to the PILOT; this expense is included in General, Administrative and Other expense on the accompanying Consolidated Income Statements.

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 each year from 2019 through 2023, extended to 2026 as part of the PILOT amendment signed in December 2021. These payments are prorated among operating casino properties based on their share of the prior year’s GGR. For the three months ended March 31, 2022 and 2021, the Company expensed \$150 and \$101, respectively, related to this fund, and which is included in General, Administrative and Other expenses in the accompanying Consolidated Income Statements.

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. As of March 31, 2022 and 2021, such amounts totaling \$1,091 and \$786 are recorded within receivables, net in the accompanying consolidated balance sheet.

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 a 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 in 2020. The initial fee is one dollar and fifty cents per car parked for the first six years, increasing to three dollars per car for years seven through nine, and then increasing to four dollars per car for each year thereafter. For the three months ended March 31, 2022 and 2021, the Company recorded \$306 and \$312 related to this fee. The fee is considered an addition to the purchase price of the property, is capitalized as incurred and depreciated accordingly.

Covid-19 Insurance Claim

In the first quarter of 2020, the Company put its insurance carriers on notice of damages resulting from the state-mandated closure due to the COVID-19 pandemic. In the third quarter of 2020, after reopening, the Company submitted its claim for damages. In response, the insurance carrier agreed to pay \$850 related to one specific provision of the policy, which amount was received and accounted for in the first quarter of 2021. However, all other aspects of the claim were denied. During the first quarter of 2021, the Company filed a lawsuit in response to the denial and, as of the date of this report, that lawsuit is pending. In addition, Defendants filed a Motion to

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Dismiss and the Company prevailed. Thereafter, Defendants filed an appeal of the court’s decision regarding the Motion to Dismiss, and that appeal is pending.

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 11 – 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.

Management Agreement

As discussed in Note 1, “2021 Transactions” effective November 24, 2021, OCRM, LLC provides certain management services to the Company under the Management Agreement. The Management Agreement calls for monthly management fee payments of \$50. For the three months ended March 31, 2022, the Company paid \$150 under the Management Agreement.

NOTE 12 – NON-OPERATING INCOME (EXPENSE), NET

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

	March 31,	
	2022	2021
Joint Venture partner share of (income)/loss	\$ (83)	\$ 122
Insurance claim proceeds (Note 10)	-	850
Interest income	34	8
Gain/(loss) on disposal of assets	(26)	86
Total	\$ (75)	\$ 1,066

NOTE 13 – EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company offers a defined contribution 401(k) plan to substantially all employees who meet certain age and length of service requirements and who are not covered by a collective bargaining agreement. 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

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plan allows for the Company to make an employer contribution on the employee's behalf at the Company's discretion. The Company did not make any matching contributions during the quarters ended March 31, 2022 or 2021.

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, totaled \$124 and \$103 for the three months ended March 31, 2022 and 2021, respectively. These contributions were not individually significant to any of the respective plans.

In addition, on May 11, 2022, the Company reached agreement in principal with Unite Here Local 54, for a collective bargaining agreement covering approximately 900 hotel, food and beverage and other employees. Contributions to the Unite Here retirement fund are expected to commence in July 2022.

NOTE 14 – SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company has reviewed events that have occurred after March 31, 2022 up to May 16, 2022, the date the financial statements were available for issuance, and believes that the appropriate disclosures have been made throughout these footnotes.