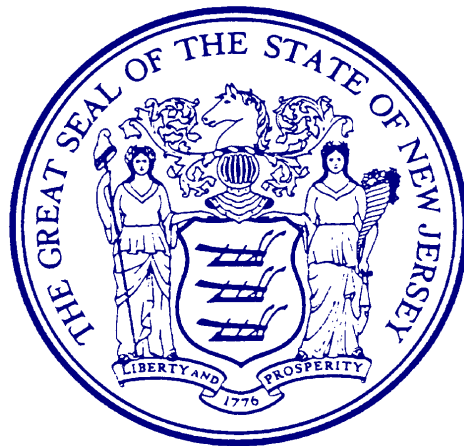


**OCEAN CASINO RESORT HOLDINGS, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

**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 SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$75,356	\$57,578
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$4,902; 2022, \$4,250)	2, 4	25,994	19,929
4	Inventories	2	5,833	5,464
5	Other Current Assets.....	5	15,507	13,936
6	Total Current Assets.....		122,690	96,907
7	Investments, Advances, and Receivables.....			
8	Property and Equipment - Gross.....	2, 6	466,623	420,757
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(102,996)	(70,914)
10	Property and Equipment - Net.....	2, 6	363,627	349,843
11	Other Assets.....		503	855
12	Total Assets.....		\$486,820	\$447,605
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$13,159	\$20,134
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	0	2,500
16	External.....	9	0	77
17	Income Taxes Payable and Accrued.....	2	1,710	0
18	Other Accrued Expenses.....	7	27,209	22,644
19	Other Current Liabilities.....	8	31,233	22,589
20	Total Current Liabilities.....		73,311	67,944
	Long-Term Debt:			
21	Due to Affiliates.....	9, 11	0	0
22	External.....	9	170,937	155,713
23	Deferred Credits		0	0
24	Other Liabilities.....	2	4,178	5,128
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		248,426	228,785
27	Stockholders', Partners', or Proprietor's Equity.....		238,394	218,820
28	Total Liabilities and Equity.....		\$486,820	\$447,605

*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 INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$166,283	\$138,934
2	Rooms.....	2	116,531	104,941
3	Food and Beverage.....	2	62,889	53,504
4	Other.....	2,3	26,350	17,850
5	Net Revenue.....	2	372,053	315,229
	Costs and Expenses:			
6	Casino.....		73,816	62,578
7	Rooms, Food and Beverage.....		98,761	82,619
8	General, Administrative and Other.....		108,851	96,928
9	Total Costs and Expenses.....		281,428	242,125
10	Gross Operating Profit.....		90,625	73,104
11	Depreciation and Amortization.....	2	24,287	15,906 *
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	450	450
13	Other.....		0	0
14	Income (Loss) from Operations.....		65,888	56,748
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(695)
16	Interest Expense - External.....	9	(12,000)	(4,334) *
17	CRDA Related Income (Expense) - Net.....	2, 10	(4,271)	(3,674)
18	Nonoperating Income (Expense) - Net.....		621	(744)
19	Total Other Income (Expenses).....		(15,650)	(9,447)
20	Income (Loss) Before Taxes		50,238	47,301
21	Provision (Credit) for Income Taxes.....	2	5,777	0
22	Net Income (Loss).....		\$44,461	\$47,301

*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 INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$52,681	\$44,580
2	Rooms.....	2	55,627	53,492
3	Food and Beverage.....	2	26,942	23,263
4	Other.....	2,3	14,039	10,714
5	Net Revenue.....	2	149,289	132,049
	Costs and Expenses:			
6	Casino.....		26,657	22,802
7	Rooms, Food and Beverage.....		37,982	34,477
8	General, Administrative and Other.....		41,602	35,776
9	Total Costs and Expenses.....		106,241	93,055
10	Gross Operating Profit.....		43,048	38,994
11	Depreciation and Amortization.....	2	7,997	6,005
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	150	150
13	Other.....		0	0
14	Income (Loss) from Operations.....		34,901	32,839
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(54)
16	Interest Expense - External.....	9	(4,239)	(1,749)
17	CRDA Related Income (Expense) - Net.....	2, 10	(1,608)	(1,454)
18	Nonoperating Income (Expense) - Net.....		39	(435)
19	Total Other Income (Expenses).....		(5,808)	(3,692)
20	Income (Loss) Before Taxes		29,093	29,147
21	Provision (Credit) for Income Taxes.....	2	3,345	0
22	Net Income (Loss).....		\$25,748	\$29,147

*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 CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(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, 2021.....		\$250,668	(\$54,779)	\$111	\$196,000
2	Net Income (Loss) - 2022.....			58,848		58,848
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....	11	(44,456)			(44,456)
6	Prior Period Adjustments.....					0
7	Joint Venture Dissolution	1, 11	(1,348)			(1,348)
8	Interest Rate Cap adjustment	9			(111)	(111)
9						0
10	Balance, December 31, 2022.....		204,864	4,069	0	208,933
11	Net Income (Loss) - 2023.....			44,461		44,461
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....	11	(15,000)			(15,000)
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance, September 30, 2023.....		\$189,864	\$48,530	\$0	\$238,394

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$72,605	\$56,988 *
	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.....		(43,795)	(75,689)
5	Proceeds from Disposition of Property and Equipment.....		0	2
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		0	0
11		0	0
12	Net Cash Provided (Used) By Investing Activities.....		(43,795)	(75,687)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....	9	(2,500)	0
15	Proceeds from Long-Term Debt	1, 9	6,158	67,482
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....	1, 9	0	(24,954)
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	9	(15)	(1,066)
22	Partnership Distributions	11	(15,000)	(27,005)
23	Net Cash Provided (Used) By Financing Activities.....		(11,357)	14,457
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		17,453	(4,242)
25	Cash and Cash Equivalents at Beginning of Period.....		57,903	61,820
26	Cash and Cash Equivalents at End of Period.....	2	\$75,356	\$57,578 *
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$9,391	\$4,311
28	Income Taxes.....	2	\$3,100	\$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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$44,461	\$47,301
30	Depreciation and Amortization of Property and Equipment.....	2	24,208	15,839
31	Amortization of Other Assets.....		79	67 *
32	Amortization of Debt Discount or Premium.....	9	616	629 *
33	Deferred Income Taxes - Current	2	2,677	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		213	26
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(5,964)	(5,391) *
39	(Increase) Decrease in Inventories		(151)	(914)
40	(Increase) Decrease in Other Current Assets.....		(2,352)	(3,991)
41	(Increase) Decrease in Other Assets.....		242	(262)
42	Increase (Decrease) in Accounts Payable.....		2,108	(4,020)
43	Increase (Decrease) in Other Current Liabilities		6,991	4,364
44	Increase (Decrease) in Other Liabilities		(523)	2,645
45	PIK Interest Converted to Debt	9	0	695
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$72,605	\$56,988

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$43,795)	(\$75,689)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$43,795)	(\$75,689)
	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

*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
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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	288,692	\$75,524	0	\$0
2	Food	156,120	7,806	34,250	685
3	Beverage	1,904,000	7,616	0	0
4	Travel	0	0	10,341	1,551
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,875,720	46,893	0	0
7	Complimentary Cash Gifts	364,560	9,115	0	0
8	Entertainment	18,560	928	4,680	234
9	Retail & Non-Cash Gifts	15,560	389	134,520	6,726
10	Parking	478,200	2,391	340,267	1,404
11	Other	24,100	241	47,200	472
12	Total	5,125,512	\$150,903	571,258	\$11,072

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	115,077	\$37,190	0	\$0
2	Food	62,960	3,148	13,400	268
3	Beverage	732,250	2,929	0	0
4	Travel	0	0	3,608	541
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	746,480	18,662	0	0
7	Complimentary Cash Gifts	135,440	3,386	0	0
8	Entertainment	10,440	522	1,200	60
9	Retail & Non-Cash Gifts	5,760	144	53,120	2,656
10	Parking	194,000	970	98,000	490
11	Other	14,700	147	21,300	214
12	Total	2,017,107	\$67,098	190,628	\$4,229

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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.

11/15/2023

Date



Daniel McFadden

Vice President of Finance

Title

7167-11

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 a Mezzanine Loan and the Demand Promissory Notes (as defined below). In addition, the Ilitch Organization (“Ilitch”), through various subsidiaries, invested cash for a 50% ownership 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, along with others, 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 1,860 rooms, including high end suites, a variety of fine dining and casual restaurants, approximately 1,829 slot machines, 132 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”.

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. In addition, under a management agreement (the “Management Agreement”) with OCRM, LLC (an Ilitch affiliate), OCRM, LLC 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 “First Mortgage Loan”) of which the initial draw of \$90,000 was taken in 2021. The 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 remaining proceeds

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

of the First Mortgage Loan have been and will continue to be used in connection with the addition of 461 hotel rooms and for other lender-approved costs ("Project Costs"). See Note 9 - Debt - First Mortgage Loan for additional details.

Joint Venture – Blue Ocean Waters

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 located at Ocean. The term of the agreement was initially to be ten years and had included a Blue Ocean Waters, LLC option to extend for five additional years. The two parties had shared equally in the adjusted income/loss of the operations, until the agreement was terminated in January 2023, retroactively to October 10, 2020. The Day Club and Night Club will continue to be operated by the Company while the January 2023 ruling is under appeal. The impact of the Joint Venture was not material to the accompanying consolidated financial statements.

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 and nine months ended September 30, 2023 and 2022. These financial statements should be read in conjunction with the financial statements and notes included in the Company's December 31, 2022 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.

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 at the property, cash in bank, and certificates of deposits with high quality financial institutions.

As of September 30, 2023 and 2022, Cash and Cash Equivalents consist of the following:

	September 30,	
	2023	2022
Restricted cash	\$ 9,827	\$ 11,100
Unrestricted cash and cash equivalents	65,529	46,478
Total cash and cash equivalents	\$ 75,356	\$ 57,578

The Company maintains amounts to satisfy certain deposit and contractual requirements, including amounts required pursuant to the Company's loan agreement that are included in restricted cash. Also, pursuant to N.J.A.C. 13:69O-1.3(j), the

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

Company maintains separate New Jersey bank accounts to ensure security of funds held in all patrons' online gaming ("iGaming") accounts held under the Company's Internet Gaming Permit and Sports Wagering license. Customer deposits related to the Company's Oceanonlinecasino.com website are classified as restricted cash and other current liabilities in the accompanying consolidated financial statements. In addition, all cash amounts held by the Company related to third party internet gaming and sports wagering agreements are classified in the same fashion.

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 receivable. 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 September 30, 2023 and 2022, was \$4,902 and \$4,250, respectively. Balances that are deemed uncollectible, after management has used all reasonable collection efforts, are written off against the valuation allowance. Recoveries of accounts previously written off are recorded when received.

Inventories

Inventory consists of food, beverages, linen, uniforms, retail merchandise, gift cards, general supplies, china and glass, and fuel/oil inventory. The values are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. As of September 30, 2023 and 2022, inventory was valued at \$5,833 and \$5,464, 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 \$24,208 and \$15,839 for the nine months ended September 30, 2023 and 2022, respectively.

The Company evaluates property and equipment and other long-lived assets for impairment in accordance with GAAP. For assets to be disposed of, the Company recognizes the asset to be sold at the lower of carrying value or fair value less costs of disposal. For assets to be held and used, the Company reviews such assets whenever indicators of impairment exist. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no adjustment is recorded. If the undiscounted cash flows do not exceed the carrying value, the impairment is measured based on fair value compared to the carrying value, with fair value typically based on a discounted cash flow model or market equivalents, when available. For the nine months ended September 30, 2023 and 2022, there were no impairment charges recognized.

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

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 September 30, 2023 and 2022, was \$862 and \$1,867, respectively. This 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 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.

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

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

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.

Other Revenues

Other revenues are recognized as follows:

- From June 2018 until the termination as described below, 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 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.
- The Company recognizes revenues pursuant to 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 according to the terms 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

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

accompanying consolidated statements of income. Such amounts are expensed on the date the awards are provided to the patron.

Loyalty Program

For wagering contracts that include products and services provided to a patron in exchange for points earned under the Company's loyalty program, the Company allocates the estimated fair value of the points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs. Upon redemption of loyalty program points for Company-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of points with third parties, the redemption amount is deducted from the loyalty program liability 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
- 15.0% of online gaming gross revenues
- 8.5% of land-based sports wagering
- 13.0% of online sports wagering

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 \$8,750 and \$7,705 for the three months ended September 30, 2023 and 2022, respectively, and \$23,419 and \$19,565 for the nine months ended September 30, 2023 and 2022, respectively. As discussed above, prior to March 1, 2022, gaming taxes related to sports wagering (land-based and online) were netted against other revenues. Effective March 1, 2022, gaming taxes related to sports wagering (land-based and online) are recorded within Casino expenses in the accompanying consolidated statements of income.

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. The Company recognized CRDA Fees totaling \$1,608 and \$1,454 for the three months ended September 30, 2023 and 2022, respectively and \$4,271 and \$3,674 for the nine months ended September 30, 2023 and 2022, respectively.

Advertising Costs

The Company expenses advertising production costs as they are incurred, and advertising communication costs the first time the advertising takes place. Advertising costs totaled \$2,455 and \$2,190 for the three months ended September 30, 2023 and 2022, respectively, and \$6,316 and \$5,614 for the nine months ended September 30, 2023 and 2022, respectively.

Income Taxes

Generally, income taxes have not been recognized because the Company is treated as a partnership for federal income tax purposes as provided in the Internal Revenue Code. As such, the Company's income or loss are passed through to the members and reported on their individual federal income tax returns. Under the New Jersey Casino Control Act, casino licensees are required to file New Jersey Consolidated Corporation Business Tax ("CBT") returns, and the Company is subject to New Jersey State income taxes. For the nine months ended September 30, 2023 and 2022, the Company recognized \$5,777 and \$0, respectively, of current state income tax expense.

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

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

by the Internal Revenue Service or other taxing authority. The Company has recognized no interest or penalties related to uncertain tax positions.

NOTE 3 – INTERNET GAMING AND SPORTS WAGERING

The Company holds both an internet gaming permit and a sports wagering license. As the holder of each, the Company is permitted to operate up to five internet gaming websites and three individually branded sports wagering websites (“Skins”). These Skins may be operated by the Company or leased to a third party.

As of September 30, 2023, the Company has four internet gaming Skins and one sports wagering Skins in use, as follows:

- the Company utilizes one of the internet gaming Skins to operate its own branded site (“Oceanonlinecasino.com”). The revenue derived from this website are reflected in Casino Revenue on the accompanying Statements of Income, with associated expenses included in Casino expense. This website commenced operations in June 2018;
- the Company entered into an agreement with GW Sports Inc, (“Parx”) in 2019 to operate an internet gaming Skin. The Parx Skin commenced operations in October 2019. This agreement calls for a percentage of revenue derived from the operation of the Skin to be paid to the Company, with a minimum annual revenue guarantee. All revenue recognized by the Company from the operation of the Parx Skin is included in Other Revenue on the accompanying Statements of Income;
- the Company entered into an agreement with Tipico Services, LTD (“Tipico”) in 2019 to operate both internet gaming and sports wagering Skins. The Tipico Skin for sports wagering commenced operations in October 2020. The Tipico Skin for internet gaming commenced operations in October 2021. This agreement calls for a percentage of revenue derived from the operation of both Skins to be paid to the Company, with a minimum annual revenue guarantee. In addition, an initial access fee was paid by Tipico to the Company, which is recognized as revenue over the term of the agreement with Tipico. All revenue recognized by the Company from the operation of the Tipico Skins is included in Other Revenue on the accompanying Statements of Income;
- the Company contracted with Playstar NJ, LLC (“Playstar”) in 2021 to operate an internet gaming website. The Playstar website commenced operations in August 2022. This agreement calls for a percentage of revenue derived from the operation of the Skin to be paid to the Company, with a minimum annual revenue guarantee. In addition, an initial access fee was paid by Playstar to the Company, which is recognized as revenue over the term of the agreement. All revenue recognized by the Company from the operation of the Playstar Skin is included in Other Revenue on the accompanying Statements of Income.

Also, effective March 1, 2022, the Company has operated a retail sports wagering lounge named “The Gallery”. Revenue generated from sports wagering activity at The Gallery is included in Casino Revenue on the accompanying Statements of Income, with associated expenses included in Casino expense. Prior to March 1, 2022, the Company’s retail sports wagering lounge was operated by a third party under an agreement with the Company, with the Company receiving its contractual share of the revenues, after the deduction of all associated operating expenses. These amounts were included in Other Revenue on the Statements of Income.

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

NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS

	September 30,	
	2023	2022
Casino receivables (net of allowance for doubtful accounts – 2023, \$4,879 and 2022, \$3,678)	\$ 19,716	\$ 9,309
Other (net of allowance for doubtful accounts – 2023, \$23 and 2022, \$572)	6,278	10,620
Receivables and patrons’ checks, net	\$ 25,994	\$ 19,929

NOTE 5 – OTHER CURRENT ASSETS

Other Current Assets consist of the following:

	September 30,	
	2023	2022
Prepaid insurance	\$ 5,170	\$ 2,876
CRDA Project Grant Agreement	2,375	2,029
Prepaid taxes and licenses	1,914	1,756
Prepaid service contracts	1,108	1,171
Prepaid advertising and marketing	1,029	1,191
Fair value of Interest Rate Cap Agreement	862	1,867
Other	3,049	3,046
Total	\$ 15,507	\$ 13,936

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	September 30,	
	2023	2022
Land and land improvements	\$ 37,731	\$ 37,704
Building and building improvements	307,521	293,570
Furniture and fixtures	112,563	82,504
Construction-in-progress	8,808	6,979
Total property and equipment	466,623	420,757
Less: accumulated depreciation and amortization	(102,996)	(70,914)
Property and equipment, net	\$ 363,627	\$ 349,843

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

NOTE 7 – OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following:

	September 30,	
	2023	2022
Accrued payroll and benefits	\$ 12,436	\$ 8,519
Accrued taxes and fees	5,083	4,208
Accrued insurance reserves	4,682	4,871
Parking fee agreement (Note 10)	1,154	1,096
Other	3,854	3,950
Total	\$ 27,209	\$ 22,644

NOTE 8 – OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following:

	September 30,	
	2023	2022
I-Gaming player related liabilities	\$ 5,278	\$ 4,781
Customer loyalty programs	7,546	7,070
Partnership distribution payable	4,800	-
Deferred revenue, current	3,253	3,058
Advance deposits	3,849	4,715
Land based gaming related liabilities	6,152	2,618
Other	355	347
Total	\$ 31,233	\$ 22,589

NOTE 9 – DEBT

Debt consists of the following:

	September 30,	
	2023	2022
First Mortgage Loan: Interest – SOFR + 3.895%, due 11/24, net of unamortized loan costs of \$946 and \$1,769 at September 30, 2023 and 2022, respectively	\$ 170,937	\$ 155,713
Due to affiliate on demand, repaid in full April 2023	-	2,500
Capital Lease Obligations and Other	-	77
Total Debt	\$ 170,937	\$ 158,290
Less: current portion	-	(2,577)
Total Debt, net of current portion	\$ 170,937	\$ 155,713

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

First Mortgage Loan

Pursuant to the 2021 Transactions as described in Note 1, the Company entered into the First Mortgage Loan agreement for up to \$185,000, of which the initial draw of \$90,000 was taken in 2021. The balance of the First Mortgage Loan was intended to be used for Lender-approved Project Costs. As of September 30, 2023, the Company has drawn \$81,883 of the balance available on the First Mortgage Loan to fund Project Costs, increasing the total outstanding under the First Mortgage Loan to \$171,883. The First Mortgage Loan requires monthly payments of interest at a rate of the Secured Overnight Financing Rate ("SOFR") plus 3.895% over an initial term of three years, plus two one-year maturity extensions. The First Mortgage Loan is subject to various restrictive covenants and prepayment penalties. The First Mortgage Loan is collateralized by substantially all of the assets of the Company. Also, 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 First Mortgage Loan. In addition, the Company capitalized \$2,467 in deferred financing costs during the year ended December 31, 2021, with such amount being amortized over the initial term of three years. Amortization expense of \$616 and \$629 related to these fees was recorded for the nine months ended September 30, 2023 and 2022, respectively.

Luxor Term Loans

Beginning in February 2019, the Company issued various demand promissory notes ("Demand Notes") to affiliated entities in the aggregate principal amount of \$20,250. These Demand 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 Notes was recorded as PIK interest.

On November 24, 2021, in accordance with the Amended and Restated Framework and Investment Agreement, the Demand Notes in the amount of \$24,085 (principal and interest) were exchanged for Term Notes ("Luxor Term Loans"). On a quarterly basis, during 2022, at the election of the Board of Managers of the Company, interest on the Luxor Term Loans was capitalized and added to the outstanding principal. The Luxor Term Loans had accrued interest at a rate of 7% per annum and had a three year maturity. Since November 24, 2021, \$869 of cumulative interest had been recorded as PIK interest, of which \$695 was recorded through September 30, 2022.

During the nine months ended September 30, 2022, the Company made payments totaling \$24,954, fully satisfying the outstanding balance of the Luxor Term Loans.

Capital Lease Obligations and Other

There were various agreements to purchase gaming and other equipment maturing from January 2021 to February 2023 with varying interest rates up to 6.9%. The remaining balances are \$0 and \$77, as of September 30, 2023 and 2022, respectively. The agreements were collateralized by the related equipment. Interest expense related to these agreements for the nine months ended September 30, 2023 and 2022 was \$0 and \$4, respectively. As of March 31, 2023, all outstanding balances had been paid in full.

Interest Rate Cap Agreement

As discussed above, the Company utilizes an interest rate cap agreement 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. The cap agreement expires on December 15, 2023. The fair value of the cap agreement as of September 30, 2023 and 2022 was \$862 and \$1,867, respectively, and these amounts are included in Other Current Assets in the accompanying balance sheets. The fair value of the cap agreement excludes accrued interest and takes into consideration current interest rates and current likelihood of the cap counterparties' compliance with its contractual obligations.

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

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. 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 is determined based on a sliding scale of Atlantic City casino industry GGR from the applicable prior year, subject to certain adjustments. 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, 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 for 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 determining the annual PILOT calculation and set the aggregate amount of 2022 PILOT payments owed to the City of Atlantic City by Atlantic City casino gaming properties at \$110,000 for calendar year 2022. This amount will increase each year through 2026 based on the prior year's industry gross gaming revenues, as further described in the amended legislation. The 2023 PILOT payments for the industry will total approximately \$112,000.

The Company recorded expense of \$2,552 and \$2,112 for the three months ended September 30, 2023 and 2022, respectively, and \$7,654 and \$6,336 for the nine months ended September 30, 2023 and 2022, respectively related to the PILOT. This expense is included in General, Administrative and Other expense on the accompanying Consolidated Income Statements.

In August 2022, a New Jersey Superior Court Judge struck down the bill passed in December 2021, which provided provisions to the casino industry in the calculation of total annual PILOT payments and the allocation by property. The State has appealed this ruling, and on January 11, 2023, was granted an additional 120-day stay of any changes, pending appellate review. In

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

April 2023, the Superior Court of New Jersey granted the State an indefinite stay; there are no new hearings currently scheduled.

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, to a separate State fund for marketing initiatives aimed at growing tourism in the city. These payments are prorated among operating casino properties based on their share of the prior year’s GGR. For the nine months ended September 30, 2023 and 2022, the Company expensed \$480 and \$451, 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. As of September 30, 2023 and 2022, amounts receivable related to the Project Grant Agreement totaling \$2,375 and \$2,029 are recorded within Other Current Assets 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 two years after the agreement date. The initial fee is one dollar and fifty cents per car parked, which began 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. For the nine months ended September 30, 2023 and 2022, the Company recorded \$1,154 and \$1,096 related to this fee. The fee is considered an addition to the purchase price of the property, is capitalized as incurred and depreciated accordingly.

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 located at Ocean . The term of the agreement was to be ten years with a Blue Ocean Waters, LLC option to extend for five additional years. The two parties shared equally in the adjusted income/loss of the operations until the agreement was terminated in January 2023, retroactively to October 10, 2020. The Day Club and Night Club will continue to be operated by the Company while the January 2023 ruling is under appeal.

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

Luxor Term Loans

As discussed in Note 9, on November 24, 2021, in accordance with the Amended and Restated Framework and Investment Agreement, the Luxor Demand Notes in the amount of \$24,085 (principal and interest) were exchanged for the Luxor Term Loans. During the nine months ended September 30, 2022, the Company made payments totaling \$24,954, fully satisfying the outstanding balance of the Luxor Term Loans.

Partnership Distributions

In 2022, in accordance with the Amended and Restated Limited Liability Company Agreement dated as of November 24, 2021 (the "LLC Agreement"), the Board of Managers of the Company approved certain tax and excess cash distributions to the partners totaling \$44,456 during 2022. Of that amount, \$39,656 was paid during the year ended December 31, 2022. The balance of \$4,800 has been recorded within Other Current Liabilities in the accompanying Balance Sheets and will not be paid until certain conditions in the LLC Agreement are satisfied. In addition, \$15,000 was approved and paid during the nine month period ending September 30, 2023.

Management Agreement

As discussed in Note 1, "2021 Transaction" on September 21, 2021, the NJCCC granted a CSIE license to OCRM, LLC (an affiliate of the Ilitch organization) and approved a Management Agreement between OCRM, LLC and AC Ocean Walk, LLC. The Management Agreement became effective on November 24, 2021. Under the Management Agreement, OCRM, LLC provides certain management services to the Company. The agreement calls for monthly payments of \$50 for management fees. For the nine months ended September 30, 2023 and 2022, the Company paid \$450 and \$450, respectively, under this agreement.

NOTE 12 – 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 plan allows for the Company to make an employer contribution on the employee's behalf at the Company's discretion. The Company did not pay any matching contributions during the nine months ended September 30, 2023 or 2022.

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 defined benefit pension plans under the terms of these agreements. The Company is obligated to make defined contributions under these plans.

Effective May 1, 2022, the Company reached agreement with Unite Here Local 54, for a collective bargaining agreement. This agreement covers approximately 1,200 hotel, food and beverage and other employees as of September 30, 2023. Contributions to the Unite Here retirement fund commenced effective June 1, 2022.

The significant risks of participating in multiemployer defined benefit 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.

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

- 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 \$1,436 and \$743 for the nine months ended September 30, 2023 and 2022, respectively. These contributions were not individually significant to any of the respective plans.

NOTE 13 – SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after September 30, 2023 up to November 15, 2023, the date the financial statements were available for issuance, and we believe that the appropriate disclosures have been made throughout these footnotes.