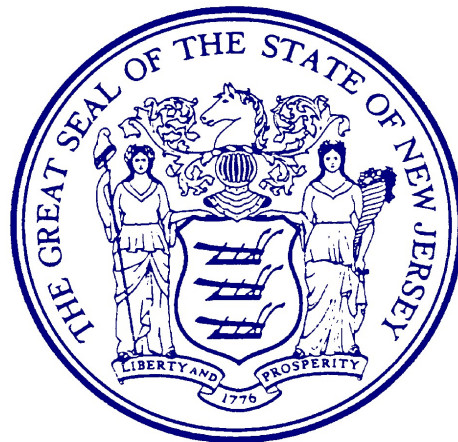


**OCEAN CASINO RESORT HOLDINGS, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 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 DECEMBER 31, 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	\$95,111	\$57,903
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$5,235; 2022, \$3,693).....	2, 4	33,829	20,030
4	Inventories .....	2	6,077	5,682
5	Other Current Assets.....	5	9,498	14,122
6	Total Current Assets.....		144,515	97,737
7	Investments, Advances, and Receivables.....			
8	Property and Equipment - Gross.....	2, 6	472,153	425,387
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(110,868)	(78,796)
10	Property and Equipment - Net.....	2, 6	361,285	346,591
11	Other Assets.....		1,834	824
12	Total Assets.....		\$507,634	\$445,152
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$12,491	\$13,387
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	0	2,500
16	External.....	9	0	15
17	Income Taxes Payable and Accrued.....	2	1,878	0
18	Other Accrued Expenses.....	7	51,242	25,415
19	Other Current Liabilities.....	8	30,821	26,036
20	Total Current Liabilities.....		96,432	67,353
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	9	171,143	164,165
23	Deferred Credits .....		0	0
24	Other Liabilities.....	2	8,003	4,701
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		275,578	236,219
27	Stockholders', Partners', or Proprietor's Equity.....		232,056	208,933
28	Total Liabilities and Equity.....		\$507,634	\$445,152

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 TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$228,975	\$193,660
2	Rooms.....	2	148,273	132,507
3	Food and Beverage.....	2	80,769	71,253
4	Other.....	2,3	33,842	25,661
5	Net Revenue.....	2	491,859	423,081
	Costs and Expenses:			
6	Casino.....		99,925	84,947
7	Rooms, Food and Beverage.....		129,488	112,399
8	General, Administrative and Other.....		145,182	129,487
9	Total Costs and Expenses.....		374,595	326,833
10	Gross Operating Profit.....		117,264	96,248
11	Depreciation and Amortization.....	2	32,180	23,819
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	600	600
13	Other.....		0	0
14	Income (Loss) from Operations.....		84,484	71,829
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(791)
16	Interest Expense - External.....	9	(16,268)	(6,335)
17	CRDA Related Income (Expense) - Net.....	2, 10	(5,768)	(4,901)
18	Nonoperating Income (Expense) - Net.....	12	(17,380)	629
19	Total Other Income (Expenses).....		(39,416)	(11,398)
20	Income (Loss) Before Taxes .....		45,068	60,431
21	Provision (Credit) for Income Taxes.....	2, 14	6,945	1,583
22	Net Income (Loss).....		\$38,123	\$58,848

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 DECEMBER 31, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$62,692	\$54,726
2	Rooms.....	2	31,742	27,566
3	Food and Beverage.....	2	17,880	17,749
4	Other.....	2,3	7,492	7,811
5	Net Revenue.....	2	119,806	107,852
	Costs and Expenses:			
6	Casino.....		26,109	22,369
7	Rooms, Food and Beverage.....		30,727	29,780
8	General, Administrative and Other.....		36,331	32,559
9	Total Costs and Expenses.....		93,167	84,708
10	Gross Operating Profit.....		26,639	23,144
11	Depreciation and Amortization.....	2	7,893	7,284
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	11	150	150
13	Other.....		0	0
14	Income (Loss) from Operations.....		18,596	15,710
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(96)
16	Interest Expense - External.....	9	(4,268)	(2,630)
17	CRDA Related Income (Expense) - Net.....	2, 10	(1,497)	(1,227)
18	Nonoperating Income (Expense) - Net.....	12	(18,001)	1,373
19	Total Other Income (Expenses).....		(23,766)	(2,580)
20	Income (Loss) Before Taxes .....		(5,170)	13,130
21	Provision (Credit) for Income Taxes.....	2, 14	1,168	1,583
22	Net Income (Loss).....		(\$6,338)	\$11,547

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 TWELVE MONTHS ENDED DECEMBER 31, 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.....			38,123		38,123
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, December 31, 2023.....		\$189,864	\$42,192	\$0	\$232,056

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 TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		\$96,052	\$75,816
	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.....		(47,546)	(89,722)
5	Proceeds from Disposition of Property and Equipment.....		59	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.....		(47,487)	(89,720)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....	9	(2,500)	(24,954)
15	Proceeds from Long-Term Debt .....	9	6,158	75,725
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....	11	(15,000)	(39,656)
21	Capital Lease Obligations and Other Payments .....	9	(15)	(1,128)
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		(11,357)	9,987
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		37,208	(3,917)
25	Cash and Cash Equivalents at Beginning of Period.....		57,903	61,820
26	Cash and Cash Equivalents at End of Period.....	2	\$95,111	\$57,903
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$12,833	\$5,912
28	Income Taxes.....	2,14	\$4,100	\$2,550

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 TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$38,123	\$58,848
30	Depreciation and Amortization of Property and Equipment.....	2	32,081	23,721
31	Amortization of Other Assets.....		99	98
32	Amortization of Debt Discount or Premium.....	9	821	836
33	Deferred Income Taxes - Current .....	2	2,845	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		204	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 .....		(13,799)	(5,828)
39	(Increase) Decrease in Inventories .....		(395)	(1,132)
40	(Increase) Decrease in Other Current Assets.....		3,657	(5,708)
41	(Increase) Decrease in Other Assets.....		(1,109)	(262)
42	Increase (Decrease) in Accounts Payable.....		(388)	(1,364)
43	Increase (Decrease) in Other Current Liabilities .....		30,612	3,666
44	Increase (Decrease) in Other Liabilities .....		3,301	2,220
45	PIK Interest Converted to Debt .....	9	0	695
46			0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$96,052	\$75,816

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$47,546)	(\$89,722)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$47,546)	(\$89,722)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$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 TWELVE MONTHS ENDED DECEMBER 31, 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	381,595	\$95,996	0	\$0
2	Food	212,680	10,634	44,850	897
3	Beverage	2,549,250	10,197	0	0
4	Travel	0	0	13,961	2,094
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	2,537,040	63,426	0	0
7	Complimentary Cash Gifts	541,280	13,533	0	0
8	Entertainment	29,340	1,467	7,540	377
9	Retail & Non-Cash Gifts	23,560	589	180,560	9,028
10	Parking	671,800	3,359	428,867	1,847
11	Other	28,600	286	69,200	692
12	Total	6,975,145	\$199,487	744,978	\$14,935

FOR THE THREE MONTHS ENDED DECEMBER 31, 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	92,903	\$20,472	0	\$0
2	Food	56,560	2,828	10,600	212
3	Beverage	645,250	2,581	0	0
4	Travel	0	0	3,620	543
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	661,320	16,533	0	0
7	Complimentary Cash Gifts	176,720	4,418	0	0
8	Entertainment	10,780	539	2,860	143
9	Retail & Non-Cash Gifts	8,000	200	46,040	2,302
10	Parking	193,600	968	88,600	443
11	Other	4,500	45	22,000	220
12	Total	1,849,633	\$48,584	173,720	\$3,863

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



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

FOR THE QUARTER ENDED DECEMBER 31, 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.

4/23/2024

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 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. 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 1,828 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”.

**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

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

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 and twelve months ended December 31, 2023 and 2022.

**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.

**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 December 31, 2023 and 2022, Cash and Cash Equivalents consist of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Restricted cash	\$ 11,355	\$ 13,283
Unrestricted cash and cash equivalents	83,756	44,620
<b>Total cash and cash equivalents</b>	\$ 95,111	\$ 57,903

The Company maintains amounts to satisfy certain deposit and contractual requirements, including amounts that are included in restricted cash. Also, 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 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](http://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 for gaming purposes on a discretionary basis to certain 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 receivable 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. 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.

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

**Inventories**

Inventory consists of food, beverages, linen, uniforms, retail merchandise, gift cards, general supplies, china and glass, and fuel/oil inventory. The values are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. As of December 31, 2023 and 2022, inventory was valued at \$6,077 and \$5,682, 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, net of accumulated depreciation. 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 \$32,081 and \$ 23,721 for the years ended December 31, 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 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 years ended December 31, 2023 and 2022, 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 December 31, 2023 and 2022, was \$0 and \$ 2,394, respectively. This was a Level 2 investment.

**Revenues**

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

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

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 redeemed which are 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.

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.

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- Rental revenues from retail tenants are recognized monthly over the terms of the related leases.
- 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 certain patrons are recognized as a reduction to Casino 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 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 \$8,194 and \$6,568 for the three months ended December 31, 2023 and 2022, respectively, and \$31,612 and \$26,134 for the twelve months ended December 31, 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.

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**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 \$1,497 and \$1,227 for the three months ended December 31, 2023 and 2022, respectively, and \$5,768 and \$4,901 for the years ended December 31, 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 \$1,525 and \$1,646 for the three months ended December 31, 2023 and 2022, respectively, and \$7,841 and \$7,260 for the years ended December 31, 2023 and 2022, respectively.

**Income Taxes**

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 income tax returns. Under the New Jersey Casino Control Act, casino licensees are required to file New Jersey Consolidated Corporation Business Tax Returns, and the Company is subject to New Jersey State income taxes. For the twelve months ended December 31, 2023 and 2022, the Company recognized \$6,945 and \$1,583, 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 by the Internal Revenue Service or other taxing authority. The Company has recognized no interest or penalties related to uncertain tax positions. See Note 14-Income Taxes for additional information.

**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 December 31, 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

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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 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.
- the Company contracted with Out the Gate, Inc. (“OTG”) in 2021 to operate an internet a sports wagering Skin. The OTG Skin commenced operations in March 2024. 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 OTG 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 OTG Skin is included in Other Revenue on the accompanying Statements of Income.

Also, as of March 1, 2022, the Company operated the retail sports wagering lounge located at Ocean, 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 2022, the Company’s retail sports wagering lounge was operated by a third party under an agreement with the Company, with Ocean receiving its contractual share of the revenue after the deduction of all associated operating expenses. These amounts were included in Other Revenue on the Statements of Income.

**NOTE 4 – RECEIVABLES AND PATRONS’ CHECKS**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Casino receivables (net of allowance for doubtful accounts – 2023, \$5,224 and 2022, \$3,648)	\$ 24,296	\$ 11,479
Other (net of allowance for doubtful accounts – 2023, \$11 and 2022, \$45)	9,533	8,551
<b>Total</b>	<b>\$ 33,829</b>	<b>\$ 20,030</b>



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**NOTE 5 – OTHER CURRENT ASSETS**

Other Current Assets consist of the following:

	December 31,	
	2023	2022
Prepaid Insurance	\$ 2,192	\$ 2,274
Prepaid taxes and licenses	1,841	2,292
Prepaid advertising and marketing	1,386	1,548
Prepaid service contracts	1,097	1,157
CRDA Project Grant Agreement	1,075	2,823
Fair value of interest rate cap	-	2,394
Other	1,907	1,634
<b>Total</b>	<b>\$ 9,498</b>	<b>\$ 14,122</b>

**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following:

	December 31,	
	2023	2022
Land and land improvements	\$ 37,731	\$ 37,731
Building and building improvements	308,360	293,141
Furniture and fixtures	116,397	87,771
Construction-in-progress	9,665	6,744
<b>Total property and equipment</b>	472,153	425,387
Less: accumulated depreciation and amortization	(110,868)	(78,796)
<b>Property and equipment, net</b>	<b>\$ 361,285</b>	<b>\$ 346,591</b>

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**NOTE 7 – OTHER ACCRUED EXPENSES**

Other Accrued Expenses consist of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Accrued payroll and benefits	\$ 35,281	\$ 11,497
Accrued taxes and fees	4,992	4,232
Accrued insurance reserves	4,953	4,905
Accrued Cash Comps	2,474	1,004
Parking fee agreement (Note 10)	1,506	1,439
Other	2,036	2,338
<b>Total</b>	<b>\$ 51,242</b>	<b>\$ 25,415</b>

**NOTE 8 – OTHER CURRENT LIABILITIES**

Other Current Liabilities consists of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Customer loyalty programs	\$ 7,090	\$ 6,726
I-Gaming player related liabilities	6,046	5,066
Land based gaming related liabilities	5,956	4,440
Partnership distribution payable (Note 11)	4,800	4,800
Advance deposits	4,685	2,529
Deferred revenue, current	1,957	2,104
Other	287	371
<b>Total</b>	<b>\$ 30,821</b>	<b>\$ 26,036</b>

**NOTE 9 – DEBT**

Debt consists of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
First Mortgage Loan: Interest – SOFR + 3.895%, due 11/24, net of unamortized loan costs of \$740 and \$1,561 at December 31, 2023 and 2022, respectively	\$ 171,143	\$ 164,165
Due to affiliate on demand	-	2,500
Capital Lease Obligations and Other	-	15
<b>Total Debt</b>	<b>\$ 171,143</b>	<b>\$ 166,680</b>
Less: current portion	-	(2,515)
<b>Total Debt, net of current portion</b>	<b>\$ 171,143</b>	<b>\$ 164,165</b>

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**First Mortgage Loan**

Pursuant to the 2021 Transactions as described in Note 1, the Company entered into a mortgage loan agreement (the “First Mortgage Loan”) 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 December 31, 2023, the Company had 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 required 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 was subject to various restrictive covenants and prepayment penalties. The First Mortgage Loan was collateralized by substantially all of the assets of the Company. In addition, the Company was 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 \$821 and \$836 related to these fees was recorded for the years ended December 31, 2023 and December 31, 2022, respectively.

On February 14, 2024, the Company refinanced its debt, and the First Mortgage Loan was repaid in full and terminated. The new debt consists of a \$150,000 senior secured term loan (“Term Loan”) and a \$25,000 senior secured revolving credit facility (“Revolver”), of which \$22,000 was drawn. The Term Loan balance has an interest rate of SOFR +2.50% and a three-year term which matures in February 2027. The Revolver has an interest rate of SOFR +2.25% and a three-year term which also matures in February 2027. In addition, the Term Loan requires quarterly principal repayments of \$1,875 commencing July 1, 2024.

Pursuant to ASU 2020-06, since the First Mortgage Loan was refinanced with other long-term instruments prior to the issuance of the financial statements, the First Mortgage Loan is being classified as long term.

**Luxor Term Loans**

On November 24, 2021, in accordance with the 2021 Transactions, certain demand notes due to affiliated entities 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 had been recorded as PIK interest, of which \$695 was recorded during 2022.

During the year ended December 31, 2022, the Company made payments totaling \$24,954, fully satisfying the outstanding balance and terminating 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 \$15, as of December 31, 2023 and 2022, respectively, which is classified as current. The agreements were collateralized by the related equipment. Interest expense related to these agreements for the years ended December 31, 2023 and 2022 was \$ 0 and \$4, respectively.

**Interest Rate Cap Agreements**

As discussed above, the Company utilized 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 expired on December 15, 2023. The fair value of the swap agreement as of December 31, 2023 and 2022 was \$0 and \$2,394 respectively and these amounts are included in Other Current Assets in the accompanying balance sheets. The fair value of the cap agreement excluded accrued interest and took into consideration current interest rates and current likelihood of the cap counterparties’ compliance with its contractual obligations.

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**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. The aggregate amount of PILOT Payments owed to the City of Atlantic City by Atlantic City casino gaming properties for calendar year 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, which was calculated based upon the assessed value of the casino gaming property for real estate tax purposes and tax rate.

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 at \$110,000. This amount increases 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 totaled approximately \$112,000.

The Company recorded expense of \$2,552 and \$2,112 for the three months ended December 31, 2023 and 2022, respectively, and \$10,206 and \$8,448 for the years ended December 31, 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

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this ruling, and on January 11, 2023, was granted a stay of any changes, pending appellate review. The appellate review is still pending.

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 2026, 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 years ended December 31, 2023 and 2022, the Company expensed \$641 and \$601, 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 December 31, 2023 and 2022, such amounts totaling \$1,075 and \$2,823 are due to the Company and 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 years ended December 31, 2023 and 2022, the Company recorded \$1,506 and \$1,439 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. 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.

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**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 year ended December 31, 2022, the Company made payments totaling \$24,954, fully satisfying the outstanding balance and terminating 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 has approved certain tax and excess cash distributions to the partners. As such, \$15,000 in tax distributions were approved and paid during the year ended December 31, 2023. In addition, \$44,456 of tax and excess cash distributions were approved during the year ended December 31, 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.

**Management Agreement**

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 will provide certain management services to the Company. The agreement calls for monthly payments of \$50 for management fees. For the years ended December 31, 2023 and December 31, 2022, the Company has paid and expensed \$600 and \$600, respectively, under this agreement.

**Little Caesar Express License Agreement**

On October 24, 2023, AC Ocean Walk, LLC entered into a license agreement with Little Caesar Enterprises ("LCE"), an Ilitch related party, to operate a Little Caesar Express outlet in the employee dining room. The initial term of the agreement is 10 years. The Company agrees to pay LCE a monthly royalty fee percentage based on the cost of the product purchased in order to operate the outlet. The outlet began operating on February 9, 2024.

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

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Equity Appreciation Grant <sup>(3)</sup>	\$ (18,309)	\$ -
Joint Venture termination <sup>(1)</sup>		1,348
Interest rate cap valuation	(2,394)	2,394
License termination <sup>(2)</sup>	-	(3,267)
Interest income	3,551	180
Other	(228)	(26)
<b>Total</b>	<b>\$ ( 17,380)</b>	<b>\$ 629</b>

	<b>For the three months ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Equity Appreciation Grant <sup>(3)</sup>	\$ (18,309)	\$ -
Joint Venture termination <sup>(1)</sup>		2,117
Interest rate cap valuation	(862)	2,394
License termination <sup>(2)</sup>	-	(3,267)
Interest income	1,187	129
Other	(17)	-
<b>Total</b>	<b>\$ (18,001)</b>	<b>\$ 1,373</b>

- (1) Related to the termination of the partnership agreement with Blue Ocean Waters, LLC as discussed in Note 1.  
(2) In 2022, the Company terminated license agreements for two restaurants operated by Ocean. A portion of the termination fee paid has been recognized as Nonoperating Income (Expense) – Net in the accompanying Statements of Income.  
(3) Non-recurring.

**NOTE 13 – EMPLOYEE BENEFIT PLANS**

**401(k) Plan**

The Company offers a defined contribution 401(k) plan to 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 years December 31, 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.

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Effective May 1, 2022, the Company reached agreement with Unite Here Local 54, for a collective bargaining agreement. This agreement covers approximately 1,250 hotel, food and beverage and other employees as of December 31, 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.
- 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 \$1,886 and \$1,107 for the years ended December 31, 2023 and 2022, respectively. These contributions were not individually significant to any of the respective plans.

**NOTE 14 – INCOME TAXES**

**Federal Income Taxes**

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

**State Income Taxes**

Under the New Jersey Casino Control Act (the "Act"), the Company is subject to state income taxes and is required to file New Jersey Consolidated Corporation Business Tax returns.

As of December 31, 2023, the Company has utilized all of its New Jersey State net operating loss carryforwards. The Company has New Jersey interest expense carryforwards of \$16,331, which are subject to future utilization limitations. These interest expense carryforwards do not expire.

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

For the years ended December 31, 2023 and 2022, the Company recognized \$6,945 and \$1,583, respectively, of current state income tax expense. In addition, the Company recognized (\$1,394) and \$3,968 for the years ended December 31, 2023 and 2022 of tax expense, respectively, related to the change in deferred tax assets and liabilities offset by an (increase)/decrease in the valuation allowance. The differences between recorded income tax expense versus income tax expense at the New Jersey statutory rate of 11.5% was due to the change in the valuation allowance recorded against the Company's deferred tax asset position.



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

The Company's deferred tax assets and liabilities as of December 31, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Deferred tax assets:		
Receivables	\$ 471	\$ 377
Reserves/accrued liabilities	654	651
Section 174 Research & Development	119	-
Start-up costs/other	5,452	5,885
Management Fee	1,082	-
Interest expense not currently deductible	1,470	1,837
Gross deferred tax assets	9,248	8,750
Valuation allowance	(9,025)	(7,632)
Total deferred tax assets	223	1,118
Deferred tax liabilities:		
Property and equipment	(223)	(903)
Interest rate cap	-	(215)
Total deferred tax liabilities	(223)	(1,118)
Net deferred tax assets (liabilities)	\$ -	\$ -

The Company continues to record a full valuation allowance against its deferred tax assets based on the weight of available evidence and has concluded that it is more likely than not that its deferred tax assets will not be realized as of December 31, 2023.

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 taxing authority. The Company does not have any uncertain tax positions as of December 31, 2023.

The Company is subject to routine audits by taxing jurisdictions and is currently undergoing an IRS audit of its tax year 2021. As of December 31, 2023, the tax years 2020 and onward remain open for federal income tax examinations and the tax years 2019 and onward remain open for state income tax examinations.

**NOTE 15 – SUBSEQUENT EVENTS**

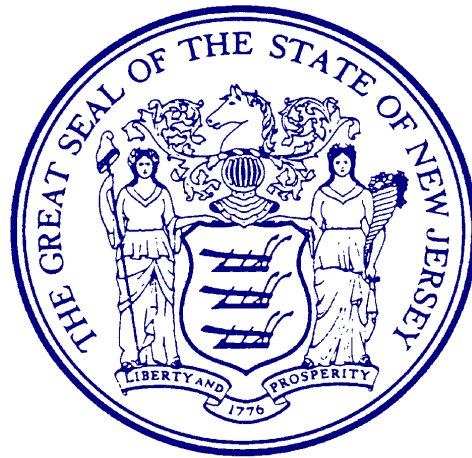
In preparing the accompanying consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2023 up to March 29, 2024, the date the financial statements were available for issuance, and we believe that the appropriate disclosures have been made throughout these footnotes. Specifically, on February 14, 2024 (as discussed in Note 9), the Company completed a refinancing of its debt.

**OCEAN CASINO RESORT HOLDINGS, LLC**

**ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 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**  
**ANNUAL STATEMENT OF SLOT MACHINE,**  
**TABLE GAME & OTHER GAMES WIN**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**CASINO WIN**

Line (a)	Type of Game (b)	Authorized Units (c)	Win or (Loss) (d)	Drop/Handle (e)	Win (Loss) Percentage (f)
<b>Table and Other Games:</b>					
1	Blackjack	59	\$ 54,768,301	\$ 301,641,794	18.2%
2	Craps	6	10,489,776	57,861,089	18.1%
3	Roulette	15	24,790,473	88,973,329	27.9%
4	Big Six	0	0	0	0.0%
5	Baccarat	0	0	0	0.0%
6	Minibaccarat	20	15,480,156	165,624,290	9.3%
7	Other Games - (DGE-310B)	28	16,961,415	82,215,835	20.6%
8	Subtotal - Table and Other Games	128	\$ 122,490,121	\$ 696,316,337	17.6%
9	Poker	0	0		
10	<b>Total - Table and Other Games</b>	<b>128</b>	<b>\$ 122,490,121</b>		

<b>Slot Machines:</b>					
11	\$ .01 and .02 Slot Machines	1,208	\$ 161,887,897	\$1,516,039,786	10.7%
12	\$ .05 Slot Machines	25	9,625,074	91,987,707	10.5%
13	\$ .25 Slot Machines	68	7,497,514	68,206,324	11.0%
14	\$ .50 Slot Machines	1	179,445	1,632,622	11.0%
15	\$ 1.00 Slot Machines	83	22,632,416	232,858,862	9.7%
16	\$ 5.00 Slot Machines	7	1,546,118	15,470,165	10.0%
17	\$ 25.00 Slot Machines	1	413,559	4,120,900	10.0%
18	\$100.00 Slot Machines	3	581,900	8,289,600	7.0%
19	Multi-denominational Slot Machin	373	73,683,828	1,035,166,648	7.1%
20	Other Slot Machines	34	14,454,664	154,465,325	9.4%
21	Total - Slot Machines	1,803	\$ 292,502,415	\$3,128,237,939	9.4%
22	<b>Total Casino Win</b>		<b>\$ 414,992,536</b>		

**OCEAN CASINO RESORT HOLDINGS, LLC**  
**ANNUAL STATEMENT OF SLOT MACHINE,**  
**TABLE GAME & OTHER GAMES WIN**  
**DETAIL SCHEDULE OF OTHER GAMES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Line (a)	Type of Game (b)	Authorized		Drop (e)	Win or (Loss) Percentage (f)
		Units (c)	Win or (Loss) (d)		
1	Red Dog	0	-	-	
2	Sic Bo	0	-	-	
3	Pai Gow Poker	2	785,708	6,780,851	11.6%
4	Pai Gow	1	198,887	1,498,854	13.3%
7	Keno	0	-	-	
8	Caribbean Stud Poker	0	-	-	
9	Let it Ride Poker	2	1,019,393	4,767,169	21.4%
12	Three Card Poker	5	3,821,869	14,876,310	25.7%
16	Casino War	0	-	-	
18	Spanish 21	5	3,322,947	17,661,992	18.8%
30	Double Attack Blackjack	0	-	-	
33	Four Card Poker	2	854,453	3,796,226	22.5%
39	Texas Hold 'Em Bonus Poker	0	-	-	
41	Flop Poker	0	-	-	
43	Ultimate Texas Hold 'Em	2	1,231,794	7,252,361	17.0%
44	Asia Poker	0	-	-	
45	Winner's Pot Poker	0	-	-	
47	Mississippi Stud	2	732,856	3,894,421	18.8%
48	Mini-Tex 3 Card Hold'Em	0	-	-	
49	Supreme Pai Gow	0	-	-	
50	Triple Attack Blackjack	0	-	-	
51	High Roll Dice	0	-	-	
52	Boston 7 Stud Poker	0	-	-	
53	Electronic Table Games	0	-	-	
54	5 Card Hi-Lo	0	-	-	
55	Lunar Poker	0	-	-	
56	Hold'Em 3 Bonus	0	-	-	
57	Switch Hands Blackjack	0	-	-	
58	Criss Cross Poker	2	1,286,359	7,005,661	18.4%
59	High Card Flush	3	2,298,590	9,277,938	24.8%
60	Skill Based Games				
61	Heads Up Hold'Em	2	1,408,559	5,404,052	26.1%
62	Double Draw Poker	0	-	-	
63	Pack's Poker	0	-	-	
64	Tournament -Table & Other Games		-	-	
65	Football Kings	0	-	-	
66	Pontoon 21	0	-	-	
67	Total	28	\$ 16,961,415	\$ 82,215,835	20.6%

**OCEAN CASINO RESORT HOLDINGS, LLC**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
<b>Line (a)</b>	<b>Description (b)</b>	<b>Account Balance (c)</b>	<b>Allowance (d)</b>	<b>Accounts Receivable (Net of Allowance) (e)</b>
	Patrons' Checks:			
<b>1</b>	Undeposited Patrons' Checks.....	12,814		
<b>2</b>	Returned Patrons' Checks.....	15,244		
<b>3</b>	Total Patrons' Checks.....	28,058	\$5,224	\$22,834
<b>4</b>	Hotel Receivables.....	3,278	11	3,267
	Other Receivables:			
<b>5</b>	Receivables Due from Officers and Employees.....	-		
<b>6</b>	Receivables Due from Affiliates.....	-		
<b>7</b>	Other Accounts and Notes Receivables.....	7,728		
<b>8</b>	Total Other Receivables.....	7,728		7,728
<b>9</b>	Totals (Form DGE-205).....	\$39,064	\$5,235	\$33,829

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
<b>Line (f)</b>	<b>Description (g)</b>	<b>Amount (h)</b>
<b>10</b>	Beginning Balance (January 1).....	\$9,106
<b>11</b>	Counter Checks Issued.....	312,026
<b>12</b>	Checks Redeemed Prior to Deposit.....	(242,942)
<b>13</b>	Checks Collected Through Deposits.....	(53,914)
<b>14</b>	Checks Transferred to Returned Checks.....	(11,462)
<b>15</b>	Other Adjustments.....	0
<b>16</b>	Ending Balance.....	\$12,814
<b>17</b>	"Hold" Checks Included in Balance on Line 16.....	0
<b>18</b>	Provision for Uncollectible Patrons' Checks.....	\$3,743
<b>19</b>	Provision as a Percent of Counter Checks Issued.....	1.2%

**OCEAN CASINO RESORT HOLDINGS, LLC**  
**ANNUAL EMPLOYMENT AND PAYROLL REPORT**

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	598			
2	Slot Machines	75			
3	Administration	0			
4	Casino Accounting	160			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	833	\$22,067		\$22,067
8	ROOMS	621	21,338		21,338
9	FOOD AND BEVERAGE	996	28,033		28,033
10	GUEST ENTERTAINMENT	228	2,811		2,811
11	MARKETING	157	8,366		8,366
12	OPERATION AND MAINTENANCE	177	10,094		10,094
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	5	76	1,634	1,710
14	Accounting and Auditing	73	3,479		3,479
15	Security	256	7,415		7,415
16	Other Administrative and General	10	945		945
	OTHER OPERATED DEPARTMENTS:				
17	Human Resources	20	1,542		1,542
18	Information Technology	30	2,652		2,652
19	Retail	8	201		201
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,414	\$109,019	\$1,634	\$110,653