OCEAN CASINO RESORT HOLDINGS, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2021

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, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents	2	$61,820	$50,057	
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, $5,398; 2020, $3,967)	2, 3	16,567	10,464	*
4	Inventories	2	4,550	3,780	
5	Other Current Assets	4	6,049	3,824	
6	Total Current Assets		88,986	68,125	*
7	Investments, Advances, and Receivables		0	0	
8	Property and Equipment - Gross	2, 5	337,356	307,771	
9	Less: Accumulated Depreciation and Amortization	2, 5	(55,075)	(37,070)	
10	Property and Equipment - Net		282,281	270,701	
11	Other Assets		771	1,230	
12	Total Assets		$372,038	$340,056	*
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$16,576	$11,497	*
14	Notes Payable	6	0	2,712	
	Current Portion of Long-Term Debt:				
15	Due to Affiliates	9, 11	2,500	27,581	
16	External	9	959	3,263	
17	Income Taxes Payable and Accrued		0	0	
18	Other Accrued Expenses	7	22,696	17,151	
19	Other Current Liabilities	8	15,441	6,803	
20	Total Current Liabilities		58,172	69,007	*
	Long-Term Debt:				
21	Due to Affiliates	9	24,259	61,167	
22	External	9	87,624	128,373	
23	Deferred Credits		0	0	
24	Other Liabilities	2	5,983	4,510	
25	Commitments and Contingencies		0	0	
26	Total Liabilities		176,038	263,057	*
27	Stockholders', Partners', or Proprietor's Equity		196,000	76,999	
28	Total Liabilities and Equity		$372,038	$340,056	*

*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 TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino	2	$167,671	$98,309
2	Rooms	2	108,754	61,458
3	Food and Beverage	2	57,976	25,756
4	Other	2	17,592	9,248
5	Net Revenue	2	351,993	194,771
	Costs and Expenses:			
6	Casino		72,973	49,118
7	Rooms, Food and Beverage		78,914	41,004
8	General, Administrative and Other		108,912	82,775
9	Total Costs and Expenses		260,799	172,897
10	Gross Operating Profit		91,194	21,874
11	Depreciation and Amortization	2	19,369	19,026
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		71,825	2,848
	Other Income (Expenses):			
15	Interest Expense - Affiliates	9	(8,077)	(8,057)
16	Interest Expense - External	9	(13,244)	(12,356)
17	CRDA Related Income (Expense) - Net	2, 10	(4,161)	(2,508)
18	Nonoperating Income (Expense) - Net	12	(2,255)	416
19	Total Other Income (Expenses)		(27,737)	(22,505)
20	Income (Loss) Before Taxes		44,088	(19,657)
21	Provision (Credit) for Income Taxes	2,14	2	2
22	Net Income (Loss)		$44,086	($19,659)

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, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino	2	$53,712	$36,706
2	Rooms	2	24,583	17,013
3	Food and Beverage	2	14,714	7,388
4	Other	2	7,183	2,453
5	Net Revenue	2	100,192	63,560
	Costs and Expenses:			
6	Casino		19,269	15,624
7	Rooms, Food and Beverage		22,264	13,586
8	General, Administrative and Other		29,500	24,488
9	Total Costs and Expenses		71,033	53,698
10	Gross Operating Profit		29,159	9,862
11	Depreciation and Amortization	2	4,803	4,881
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		24,356	4,981
	Other Income (Expenses):			
15	Interest Expense - Affiliates	9	(1,511)	(2,100)
16	Interest Expense - External	9	(4,007)	(3,105)
17	CRDA Related Income (Expense) - Net	2, 10	(1,162)	(847)
18	Nonoperating Income (Expense) - Net	12	(1,958)	72
19	Total Other Income (Expenses)		(8,638)	(5,980)
20	Income (Loss) Before Taxes		15,718	(999)
21	Provision (Credit) for Income Taxes	2,14	2	2
22	Net Income (Loss)		$15,716	($1,001)

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, 2020
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2021

(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, 2019..........**		$176,236	($79,206)	$0	$97,030
2	Net Income (Loss) - 2020..........			(19,659)		(19,659)
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	Joint Venture Loss		(372)			(372)
8						0
9						0
10	**Balance, December 31, 2020..........**		175,864	(98,865)	0	76,999
11	Net Income (Loss) - 2021..........			44,086		44,086
12	Capital Contributions................	1, 9 & 11	177,605			177,605
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16	Joint Venture Income	1, 12	1,229			1,229
17	Gain (Loss) on Interest Rate Cap				111	111
18	Equity Distributions	1, 9	(104,030)			(104,030)
19	**Balance, December 31, 2021..........**		$250,668	($54,779)	$111	$196,000

The accompanying notes are an integral part of the financial statements.
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OCEAN CASINO RESORT HOLDINGS, LLC
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$82,526	$16,530
	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...........................		(28,097)	(4,898)
5	Proceeds from Disposition of Property and Equipment..........		483	106
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....................		(27,614)	(4,792)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....................................	1,9	(197,138)	0
15	Proceeds from Long-Term Debt	1,9	90,000	(1,611)
16	Costs of Issuing Debt..	1,9	(2,467)	(50)
17	Payments to Settle Long-Term Debt......................................		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...	1, 9	175,000	0
19	Purchases of Treasury Stock..		0	0
20	Payments of Dividends or Capital Withdrawals......................	1, 9	(104,030)	0
21	Capital Lease Obligations and Other Payments	9	(4,514)	(6,055)
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		(43,149)	(7,716)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		11,763	4,022
25	Cash and Cash Equivalents at Beginning of Period...................		50,057	46,035
26	Cash and Cash Equivalents at End of Period.............................	2	$61,820	$50,057

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$13,572	$9,172
28	Income Taxes..	2,14	$2	$2

*Amounts indicated with an asterick have been restated to conform to the current presentation.

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OCEAN CASINO RESORT HOLDINGS, LLC
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$44,086	($19,659)
30	Depreciation and Amortization of Property and Equipment	2	18,005	16,030
31	Amortization of Other Assets		1,364	2,996
32	Amortization of Debt Discount or Premium		288	223
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment	12	356	5
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		(6,103)	2,640
39	(Increase) Decrease in Inventories		(770)	838
40	(Increase) Decrease in Other Current Assets		(2,225)	(611)
41	(Increase) Decrease in Other Assets		509	(83)
42	Increase (Decrease) in Accounts Payable		1,875	(3,990)
43	Increase (Decrease) in Other Current Liabilities		14,231	6,120
44	Increase (Decrease) in Other Liabilities		2,660	997
45	PIK Interest Converted to Debt	9	8,250	11,024
46				0
47	Net Cash Provided (Used) By Operating Activities		$82,526	$16,530

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2021	2020
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($28,097)	($4,898)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($28,097)	($4,898)
	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		$175,000	$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		$175,000	$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 TWELVE MONTHS ENDED DECEMBER 31, 2021
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	306,406	$67,312	0	$0
2	Food	186,540	9,327	32,575	652
3	Beverage	1,872,750	7,491	0	0
4	Travel	0	0	4,833	725
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,723,760	43,094	0	0
7	Complimentary Cash Gifts	469,840	11,746	0	0
8	Entertainment	21,380	1,069	40	2
9	Retail & Non-Cash Gifts	23,480	587	127,910	6,396
10	Parking	874,800	4,374	503,400	2,153
11	Other	22,300	223	37,600	376
12	Total	5,501,256	$145,223	706,358	$10,304

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	79,160	$15,490		
2	Food	46,960	2,348	9,000	180
3	Beverage	487,000	1,948		
4	Travel	0	0	1,400	210
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	417,720	10,443		
7	Complimentary Cash Gifts	71,320	1,783		
8	Entertainment	10,580	529	0	0
9	Retail & Non-Cash Gifts	6,520	163	36,000	1,800
10	Parking	149,800	749	91,200	456
11	Other	3,900	39	14,300	143
12	Total	1,272,960	$33,492	151,900	$2,789

*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, 2021

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.

3/31/2022
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 the Mezzanine Note B (as defined below) and Demand Promissory Notes (as defined below). In addition, the Ilitch Organization ("Ilitch"), through various subsidiaries, invested and now owns and controls 50% of the Company with Luxor Capital Group, LP ("Luxor"), a New York City based investment manager controlling, but not owning, the remaining 50%.

OCRH is the sole member of:

- AC Beachfront, LLC, which is a single member LLC formed in Delaware on October 31, 2017 to hold the NJ operating entity for the casino and hotel operations.

AC Beachfront, LLC is the sole member of:

- ACOWRE, LLC, which is a single member LLC formed in Delaware on October 31, 2017 to own the real property of the casino and hotel; and
- ACOWMGR, LLC, which is a single member LLC formed in Delaware on October 31, 2017 to manage AC Ocean Walk, LLC.

Together, AC Beachfront, LLC and ACOWMGR, LLC own 100% of:

- AC Ocean Walk, LLC, which is a multi-member LLC formed in New Jersey on August 2, 2017 to hold the NJ Casino license and conduct operations of the casino and hotel. The casino and hotel operate on 20 acres of ocean-front property in Atlantic City, New Jersey with over 6.4 million square feet of building space and officially opened for business on June 25, 2018 as Ocean Casino Resort ("Ocean"). Ocean features approximately 1,400 rooms, including high end suites, a variety of fine dining and casual restaurants, approximately 1,700 slot machines, 112 table games, a sportsbook, multiple entertainment venues and various other amenities. Ocean derives its revenues primarily from casino operations, rooms sales, food and beverage revenues, and entertainment ticket sales.

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

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

In February 2019, the then majority owner of the Company transferred his interest in the Company to a divestiture trust for the benefit of investment vehicles managed by Luxor. On August 7, 2019, Luxor was granted an Interim

Casino Authorization license from the State of New Jersey Casino Control Commission and the ownership interest held in the divestiture trust was transferred to Luxor. In addition, on May 6, 2020, Luxor was granted a Plenary Qualification license as a Holding Company of AC Ocean Walk, LLC and its related entities.

2021 Transactions

In March 2021, Luxor signed a Framework and Investment Agreement, subject to regulatory approvals and final closing conditions, which was to result in the Ilitch Organization, through various subsidiaries, investing $175,000 in and owning up to 50% of the Company, with Luxor and others owning the remainder.

- On September 21, 2021, the NJ Casino Control Commission ("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."). Under this Agreement, OCRM, LLC will provide certain management services to the Company.
- On October 14, 2021, OCR Investment, LLC (an affiliate of the Ilitch organization) was granted Interim Casino Authorization by the NJCCC.
- As discussed above, the restructuring transactions contemplated by the Framework and Investment Agreement were completed on November 24, 2021. Upon completion of the transactions, OCR Investments, LLC owns and controls 50% of the Company, with Luxor controlling, but not owning, the remaining 50%. Concurrent with the Ilitch investment, the Company also entered into a Mortgage Loan Agreement for up to $185,000 (the "New First Mortgage Loan") of which the initial draw of $90,000 was taken in 2021. The New First Mortgage Loan initial draw was used by the Company, along with the $175,000 Ilitch Investment and existing cash on hand, to retire the First Mortgage Loan and the Mezzanine Loan, fund certain equity distributions, and pay closing costs. The balance of the New First Mortgage Loan will be used for lender-approved costs ("Project Costs") in connection with the addition of 463 hotel rooms.

State Mandated Closure – COVID-19

The novel coronavirus ("COVID-19") pandemic has caused, and to a lesser degree is continuing to cause, significant economic disruption both globally and in the United States, and has had a significant impact on the Company's business, financial condition and results of operations. On March 16, 2020, The Governor of New Jersey ordered all New Jersey casinos to suspend operations as part of the effort to control the spread of COVID-19. The Company's casino and hotel remained closed pursuant to state and local government requirements as a result of the unprecedented public health crisis from the COVID-19 pandemic until July 2, 2020, when all New Jersey casinos were permitted to reopen to the public. As a result, the Company's operations effectively generated no revenue during the suspension of operations, other than those revenues generated by online gaming.

Upon the reopening on July 2, 2020, New Jersey Executive Orders and Division of Gaming Enforcement directives limited the number of patrons on the casino floor to 25% of the maximum allowable capacity, required social distancing and masks to be worn by all, and prohibited indoor dining, serving of beverages, and smoking within the building. Throughout the pandemic certain of the restrictions were modified. Effective May 28, 2021, all social distancing mandates, along with food and beverage and casino floor restrictions, were eliminated. In addition, the indoor smoking ban was lifted effective July 4, 2021. Therefore, as of the date of this report, there are no restrictions related to COVID-19 in place at Ocean.

During the casino's closure in 2020, significant steps were taken to mitigate its financial impact, including the reduction of staffing to minimum levels as mandated by regulation or for the security and maintenance of the building, requesting relief from lenders to defer payments due in accordance with loan agreements, the negotiation of payment plans with vendors, and the participation in certain relief programs which were made available from various governmental agencies.

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

Although its duration and significance are uncertain, the Company expects the COVID-19 pandemic will continue to have an impact on its business and results of operations, which impact includes, but is not limited to, staffing challenges and supply chain issues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires the use of estimates and assumptions that affect certain reported amounts and disclosures at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates and assumptions are appropriate, however, actual results could differ from those estimates.

The accompanying consolidated financial statements include the accounts of the Company as of and for the three and twelve months ended December 31, 2021 and 2020.

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 in the casino cages, cash in bank, and certificates of deposits with high credit quality financial institutions. As of December 31, 2021 and 2020, Cash and Cash Equivalents consist of the following:

(dollars in thousands)

	December 31,	
	2021	**2020**
Restricted cash	$ 14,908	$ 25,121
Unrestricted cash and cash equivalents	46,912	24,936
Total cash and cash equivalents	$ 61,820	$ 50,057

The Company classifies reserve funds being held for working capital, debt service, and taxes as restricted cash. Certain of these funds are restricted pursuant to the Company's loan agreements. Also, the Company maintains amounts to satisfy certain deposit and contractual requirements that are also included in restricted cash. In addition, pursuant to N.J.A.C. 13:69O-1.3(j), the Company maintains separate New Jersey bank accounts to ensure security of funds held in patrons' online gaming ("iGaming") accounts. The total balance in such bank accounts was $3,768 and $1,835 at December 31, 2021 and 2020, respectively. These amounts include patron deposits, which were $2,462 and $441 at December 31, 2021 and 2020, respectively. The patron deposits are classified as restricted cash and other current liabilities in the accompanying consolidated financial statements

Receivables and Allowance for Doubtful Accounts

Receivables consist primarily of casino, hotel, and other receivables, net of an allowance for doubtful accounts. Concentration of credit risk, with respect to gaming receivables, is limited through the Company's credit evaluation process. Upon request, the Company extends short-term credit on a discretionary basis to certain of its casino customers following an investigation of their creditworthiness. Economic conditions, business conditions or other significant events could impact the collectability of these receivables. Such credit is typically non-interest bearing and due on demand. In addition, the Company has receivables due from hotel guests, which are primarily secured with a credit card at the time that the customer checks in.

The Company does not accrue interest on outstanding accounts receivables. Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a valuation allowance and a charge to bad debt expense based on its experience and on all known factors that may affect collectability. The allowance for doubtful accounts at December 31, 2021 and 2020, was $5,398 and $3,967, 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 December 31, 2021 and 2020, inventory was valued at $4,550 and $3,780, respectively.

Property and Equipment

Additions, improvements, and expenditures for repairs and maintenance that significantly extend the life of an asset are capitalized and stated at cost. Other expenditures for routine repairs and maintenance are charged directly to expense when incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets as follows:

(dollars in thousands)

Land improvements	3 through 40 years
Building and building improvements	5 through 40 years
Furniture, fixtures and equipment	3 through 10 years

Depreciation expense related to property and equipment amounted to $18,005 and $16,030 for the years ended December 31, 2021 and 2020, 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 years ended December 31, 2021 and 2020, 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 is not significant and 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.

After allocation to the other revenue types for products and services provided to patrons as part of a wagering contract, the residual amount is recorded to casino revenue as soon as the wager is settled. As all wagers have similar characteristics, the Company accounts for its gaming contracts collectively on a portfolio basis versus an individual basis.

Non-gaming Revenues
Revenues from hotel and other services are recognized as follows:

- Hotel revenue recognition criteria are met at the time of occupancy.
- Convention revenue is recognized when the related service is rendered, or the event is held.
- Food and beverage revenue recognition criteria are met at the time of service.

Deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred revenue until the revenue recognition criteria are met. Cancellation fees for hotel, convention space and food and beverage services are recognized upon cancellation by the customer and are then included in revenues. Revenues from contracts with a combination of these services are allocated pro rata based on each service's relative stand-alone selling price.

Other Revenues
Other revenues are recognized as follows:

- On June 11, 2018, New Jersey approved the NJ Sports Betting Bill. In June 2018, the Company entered into an agreement with William Hill New Jersey Inc. ("William Hill"), who operates a sportsbook at the property, in addition to an online sports betting platform. Revenues recorded represent the Company's share of the difference between amounts wagered and won by patrons, less all associated expenses, including but not limited to, gaming taxes. 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.
- Revenues resulting from agreements with third parties who operate online sports wagering and online gaming platforms under Ocean's Casino License. Any advance payments received have been recorded

within Other Liabilities in the accompanying Balance Sheets and will be amortized over the term of the respective agreements.

- Rental revenues from retail tenants are recognized monthly over the terms of the related leases. Rental revenues are based on a percentage of the retail tenants' respective revenues.
- Entertainment revenue recognition criteria are met at the completion of the event.
- Revenues such as cash services commissions and parking revenues are recorded when the applicable services are rendered.

Complimentaries

As part of our normal business operations, we provide lodging, transportation, food and beverage, entertainment and other goods and services to our casino customers at no additional charge. Such complimentaries are provided in conjunction with other gaming revenue earning activities and are generally provided to encourage additional customer spending on those activities. Accordingly, we record the transaction price to the respective revenue type of the complimentary goods and services based on the average cash sales prices received for similar services.

The retail value of lodging, food, beverage, and other services provided to patrons without charge is included as a reduction to Casino revenues in the accompanying consolidated statements of income. The estimated costs of providing such promotional allowances are included in Rooms, Food & Beverage and General, Administrative and Other expenses in the accompanying consolidated statements of income. Complimentary products or services provided under the Company's control and discretion, which are supplied by third parties, are recorded as an operating expense. Cash discounts based upon a negotiated amount with each affected patron are recognized as a reduction to revenue on the date the related revenue is recorded. Customer loyalty program awards earned by patrons are accrued as the patron earns the points and recorded as a reduction to Casino revenues in the accompanying consolidated statements of income.

The Company offers other incentive programs. These programs include gift giveaways and other promotional programs. Management elects the type of gift and the person to whom it will be offered. Since these awards are not cash awards and are discretionary in nature, the Company includes such awards within General, Administrative and Other expenses in the accompanying consolidated statements of income. Such amounts are expensed on the date the awards are provided to the patron.

Loyalty Program

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

Gaming Taxes

The Company is subject to gaming tax assessments as follows:

- 8.0% of land-based gross gaming revenues; and
- 15.0% of online gaming gross revenues.

(dollars in thousands)

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 $6,730 and $4,883 for the three months ending December 31, 2021 and 2020, respectively, and $23,800 and $14,249 for the years ended December 31, 2021 and 2020, respectively. As discussed above, gaming taxes related to sports betting (land-based and online) are netted against Other revenues.

CRDA Obligations

Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), and the agreement dated June 28, 2018 between AC Ocean Walk, LLC and the Casino Reinvestment Development Authority ("CRDA"), the Company, as a casino licensee, is assessed an amount equal to 1.25% of its land-based gross gaming revenues and 2.5% of its online gaming gross revenues. The Company is required to make quarterly payments to the CRDA to satisfy these obligations.

Advertising Costs

The Company expenses advertising production costs as they are incurred, and advertising communication costs the first time the advertising takes place. Advertising costs totaled $1,254 and $381 for the three months ended December 31, 2021 and 2020, respectively, and $5,392 and $1,618 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Generally, income taxes have not been recognized because the Company is treated as a partnership for federal and state income tax purposes as provided in the Internal Revenue Code and State Tax Code. As such, the Company's income or loss are passed through to the members and reported on their individual income tax returns. Under the New Jersey Casino Control Act, casino licensees are required to file New Jersey Consolidated Corporation Business Tax Returns.

Management has evaluated uncertain tax positions taken by the Company. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service or other taxing authority. The Company has recognized no interest or penalties related to uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions. As of December 31, 2021, the tax years 2018 and onward remain open for federal and state income tax examinations.

NOTE 3 – RECEIVABLES AND PATRONS' CHECKS

	December 31, 2021	December 31, 2020
Casino receivables (net of allowance for doubtful accounts – 2021, $4,898 and 2020, $3,952)	$ 8,709	$ 6,778
Other (net of allowance for doubtful accounts – 2021, $500 and 2020, $15)	7,858	3,686
Receivables and patrons' checks, net	$ 16,567	$ 10,464

(dollars in thousands)

NOTE 4 – OTHER CURRENT ASSETS

Other Current Assets consist of the following:

	December 31,	
	2021	**2020**
Prepaid taxes and licenses	$ 1,386	$ 1,808
Prepaid insurance	1,427	139
Prepaid service contracts	1,126	826
Prepaid advertising and marketing	1,002	561
Other	1,108	490
Total	$ 6,049	$ 3,824

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	December 31,	
	2021	**2020**
Land and land improvements	$ 37,704	$ 37,704
Building and building improvements	233,526	220,384
Furniture and fixtures	57,297	47,480
Construction-in-progress	8,829	2,203
Total property and equipment	337,356	307,771
Less: accumulated depreciation and amortization	(55,075)	(37,070)
Property and equipment, net	$ 282,281	$ 270,701

NOTE 6 – NOTE PAYABLE

As discussed in Note 1 – Nature of Business, in April 2018, the Company entered into an agreement to purchase the possessory rights of the Day Club and the Night Club from the former tenants for $8,000. The rights conferred by that agreement have been capitalized, after applying a discount rate of 7.0%. The Company paid $3,000 upon execution of the agreement with the balance of $5,000 to be paid in five annual installments of $1,000 in July each year. The first three installments were paid in July 2019, July 2020, and July 2021. In November 2021, the

(dollars in thousands)

Company satisfied the balance due with a payment of $2,000. The present value of the balances due at December 31, 2021 and 2020 was $0 and $2,712, respectively.

NOTE 7 – OTHER ACCRUED EXPENSES

Other Accrued Expenses consist of the following:

	December 31,	
	2021	2020
Accrued payroll and benefits	$ 9,919	$ 7,970
Accrued insurance reserves	4,692	3,323
Accrued taxes and fees	3,194	2,240
Parking fee agreement (Note 10)	1,416	1,026
Other	3,475	2,592
Total	$ 22,696	$ 17,151

NOTE 8 – OTHER CURRENT LIABILITIES

Other Current Liabilities consists of the following:

	December 31,	
	2021	2020
Customer loyalty programs	$ 6,676	$ 2,402
Other gaming related liabilities	6,497	2,925
Advance deposits	1,664	948
Other	604	528
Total	$ 15,441	$ 6,803

(dollars in thousands)

NOTE 9 – DEBT

Debt consists of the following:

	December 31, 2021	December 31, 2020
New First Mortgage Loan: Interest – SOFR + 3.895%, due 11/24, net of unamortized debt issuance costs of $2,398 and $0 at December 31, 2021 and 2020, respectively	$ 87,602	$ 0
Luxor Term Loans: Interest – 7%, Due 11/24,	24,259	0
First Mortgage Loan: Interest – LIBOR + 5.79%, due 6/22, net of unamortized debt issuance costs of $0 and $764 at December 31, 2021 and 2020, respectively	0	90,236
Mezzanine Loan: Interest – LIBOR + 13.75%, due 6/22, net of unamortized debt issuance costs of $0 and $218 at December 31, 2021 and 2020, respectively	0	38,033
Mezzanine Note B: Interest – 10.75%, due 6/22, net of unamortized debt issuance costs of $0 and $253 at December 31, 2021 and 2020, respectively	0	61,167
Demand Promissory Notes: Interest – 7%	0	22,690
Member Loan: Interest – 10%	0	2,390
Due to affiliate on demand	2,500	2,500
Capital Lease Obligations and Other	981	3,368
Total Debt	$ 115,342	$ 220,384
Less: current portion	(3,459)	(30,844)
Total Debt, net of current portion	$ 111,883	$ 189,540

New First Mortgage Loan

Pursuant to the 2021 Transactions as described in Note 1, the Company entered into the New First Mortgage Loan, of which the initial draw of $90,000 was taken in 2021. The balance of the New First Mortgage Loan is intended to be used for Lender-approved costs ("Project Costs") required in connection with the addition of 463 hotel rooms. The New First Mortgage Loan calls for monthly payments of interest at a rate of the Secured Overnight Financing Rate ("SOFR") plus 3895 basis points over an initial term of three years, plus two one-year maturity extensions. The New First Mortgage Loan is subject to various restrictive covenants and prepayment penalties. The New First Mortgage Loan is collateralized by substantially all of the assets of the Company. In addition, the Company is required to obtain and maintain protection with an interest rate cap at a strike of 3.5% throughout the term of the New First Mortgage Loan. The Company capitalized $2,467 in refinancing related fees for the year ended December 31, 2021, which will be amortized over the initial term of three years. Amortization expense of $69 was recorded for the year ended December 31, 2021.

Luxor Term Loans

On November 24, 2021, in accordance with the Amended and Restated Framework and Investment Agreement, the Luxor Demand Notes ("Demand Promissory Notes") in the amount of $24,085 (principal and interest) were exchanged for Term Notes ("Luxor Term Loans"), in a principal amount equal to the Demand Promissory Notes exchanged plus all accrued but unpaid interest. On a quarterly basis, at the election of the Board of Managers of Ocean, interest on the Luxor Term Loans may be (1) paid or (2) capitalized and added to the outstanding principal. The Luxor Term Loans accrue interest at a rate of 7% per annum and have a three year maturity. As of December, 31, 2021, $173 had been recorded as PIK interest, of which $173 was recognized in 2021.

There were no payments or additional advances in respect of the Luxor Term Notes during 2021.

First Mortgage Loan

On June 4, 2018, the Company entered into a $163,000 mortgage loan agreement ("Mortgage Loan") with a financial institution which called for monthly payments of interest at a rate of the London Inter-Bank Offered Rate ("LIBOR") plus 750 basis points over a term of three years, at which time the full balance of principal was due. On February 8, 2019, a $72,000 payment of principal was made reducing the balance to $91,000. Also, at February 8, 2019, the Mortgage Loan was amended and restated to include among other items, options to extend the initial maturity date of June 2021 for two successive one-year terms (assuming certain criteria is met) and adjusting the interest rate to LIBOR plus 529 basis points. The Mortgage Loan required certain reserves to be held by the lender and is subject to various restrictive covenants and prepayment penalties. The Mortgage Loan was collateralized by substantially all of the assets of the Company. In addition, the Company was required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 5.3% throughout the term of the Mortgage Loan. On April 19, 2021, pursuant to the terms of the Mortgage Loan, the Company notified its lenders that it had elected to exercise the above mentioned option to extend the initial maturity date from June 2021 to June 2022. In connection with the extension of the initial maturity date from June 2021 to June 2022, the interest rate increased by 50 basis points.

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

On September 29, 2021, the Company and the Mortgage Loan lender executed a preliminary agreement to refinance the Mortgage Loan, subject to all applicable reviews and approvals. On November 24, 2021, pursuant to the 2021 Transactions, the Company refinanced its debt and the Mortgage Loan was repaid in full and terminated.

Mezzanine Loan

On June 4, 2018, the Company entered into a $12,000 mezzanine loan agreement ("Mezzanine Loan") with a financial institution which called for monthly payments of interest at a rate of LIBOR plus 750 basis points over a term of three years, at which time the full balance of principal was due. On February 8, 2019, a loan advance of $23,020 was made to the Company from the Mezzanine Loan bringing the outstanding principal balance to $35,020. Interest was deferred from February 2019 until July 2019 in the amount of $1,875 and was payable when the principal amount of the Mezzanine Loan was repaid in full. Also, at February 8, 2019, the Mezzanine Loan was amended and restated to include among other items, options to extend the initial maturity date of June 2021 for two successive one-year terms and adjusting the interest rate to LIBOR plus 1,325 basis points. The Mezzanine Loan required certain reserves to be held by the lender, was subject to various restrictive covenants and prepayment penalties, and was collateralized by a mortgage on substantially all of the assets of the Company. In addition, the Company was required to obtain and maintain interest rate protection with a cap of LIBOR at a strike of 5.3% throughout the term of the Mezzanine Loan. On April 19, 2021, pursuant to the terms of the Mezzanine Loan, the Company notified its lenders that it had elected to exercise the above mentioned option to extend the initial maturity date from June 2021 to June 2022. In connection with the extension of the initial maturity date from June 2021 to June 2022, the interest rate increased by 50 basis points.

As discussed in Note 1 – Nature of Business, the Company requested relief from lenders to defer certain payments due as a result of the ongoing impacts of the COVID-19 pandemic. The Company reached agreement with the lenders of the Mezzanine Loan to defer the interest payments due, commencing with the payment due May 9, 2020, for a term equal to the lessor of (i) thirty days after Ocean is permitted to re-open or (ii) August 9, 2020. As previously mentioned in Note 1 – Nature of Business, the Company reopened on July 2, 2020; therefore, the Company resumed making interest payments beginning with the payment due August 9, 2020. Unpaid interest in the amount of $1,395 for the payments due May, June and July of 2020 was added to the outstanding loan balance. On November 9, 2020, the Company paid $39 of the deferred interest, and, in May 2021, the balance of the deferred interest was repaid.

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

Mezzanine Note B

On February 8, 2019, the Company entered into a $50,000 mezzanine note ("Note B") with an affiliated entity which bore interest at a rate of 10.75% per annum and an initial maturity date of June 2021. Interest was satisfied by adding the amount of the interest to the principal amount ("PIK interest") on a monthly basis. On a cumulative basis through November 24, 2021, $17,888 had been recorded as PIK interest, of which $6,468 was recognized in 2021. Also, as of December 31, 2021 and 2020, unamortized debt fees were $0 and $253, respectively. In addition, amortization expense of $253 and $577 was recorded for the years ended December 31, 2021 and 2020, respectively. The Company was required to maintain certain covenants under the terms of Note B. Pursuant to the terms of the Note B agreement, the initial maturity date of June 2021 was automatically extended to match the maturity date of the Mortgage Loan. As discussed above, the initial maturity date of the Mortgage Loan had been extended from June 2021 to June 2022, and as a result, the initial maturity date of the Note B was likewise extended.

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

Demand Promissory Notes

Beginning in February 2019, the Company issued various demand promissory notes to affiliated entities in the aggregate principal amount of $20,250. These promissory notes accrued interest at a rate of 7% per annum and were payable on demand. As of November 24, 2021, $3,835 of cumulative interest related to the demand promissory notes was recorded as PIK interest, of which $1,395 was recognized during the year ended December 31, 2021.

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

Member Loan

In 2018, the Company had borrowed $1,816 from an affiliate of one of its members, which accrued interest at a rate of 10% per annum. Interest was satisfied by adding the PIK interest to the principal amount on a monthly basis. The balance of this loan, $1,994 (principal and interest), was transferred in February 2019 to a new affiliated entity as part of the ownership transfer discussed in Note 1 – Nature of Business. As of November 24, 2021, $789 of cumulative interest related to the Member Loan was recorded as PIK interest, of which $214 was recognized during the year ended December 31, 2021.

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

Capital Lease Obligations and Other

There are various agreements to purchase gaming and other equipment maturing from January 2021 to February 2023 with varying interest rates up to 6.9%. At December 31, 2021, the remaining balances are $981, of which $959 is current and $22 is long-term. Also, at December 31, 2020, the remaining balances were $3,368, of which $3,262 was current and $106 was long-term. The agreements are collateralized by the related equipment. Interest expense related to these agreements for the years ended December 31, 2021 and 2020 was $4 and $110, respectively.

Interest Rate Swap Agreements

As discussed above, the Company has utilized and continues to utilize interest rate swap agreements to convert a portion of its interest rate exposure from floating rates to fixed rates to reduce its cash flow risk associated with the New First Mortgage Loan, First Mortgage Loan and the Mezzanine Loan. These swap agreements will expire on various dates through December 15, 2023. The fair values of the swap agreements as of December 31, 2021 and 2020, were $111 and $0, respectively, and are included in other long-term assets in the accompanying balance sheets. The fair values of the swap agreements exclude accrued interest and take into consideration current interest rates and current likelihood of the cap counterparties' compliance with its contractual obligations.

(dollars in thousands)

Maturities of the principal amount of the Company's long-term debt as of December 31, 2021 are as follows:

	Unaffiliated Entities	Affiliated Entities	Capital Lease Obligations and Other	Total
Year ended December 31, 2022	$ —	$ 2,500	$ 959	$ 3,459
Year ended December 31, 2023	—	—	22	22
Year ended December 31, 2024	90,000	24,259	—	114,259
Year ended December 31, 2025	—	—	—	—
Year ended December 31, 2026	—	—	—	—
Total	$ 90,000	$ 26,759	$ 981	$ 117,740

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 years 2020 and 2021 was $152,600 and $130,000, respectively. 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 is $7,541 for years through 2021. The Company expensed $1,885 and $1,885 for the three months ended December 31, 2021 and 2020, respectively, and $7,541 and $7,541 for the years ended December 31, 2021 and 2020, respectively, related to the PILOT.

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 years ended December 31, 2021 and 2020, the Company expensed $404 and $362, 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, 2021 and 2020, such amounts totaling $2,365 and $597 are recorded within receivables, net in the accompanying consolidated balance sheet.

Parking Fee Agreement

In connection with the purchase of the real property now known as Ocean by the Company on January 4, 2018, the Company is obligated to a previous owner of the asset for a fee per car parked in Ocean's parking garage. This agreement is for a term of ninety-nine (99) years, with liability for the fee to commence 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, 2021 and 2020, the Company recorded $1,416 and $1,026 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 is ten years with a Blue Ocean Waters, LLC option to extend for five additional years. The two parties share equally in the adjusted income/loss of the operations.

Member Loan

In 2018, the Company had borrowed $1,816 from an affiliate of one of its members, which accrues interest at a rate of 10% per annum. Interest was being satisfied by adding the PIK interest to the principal amount on a monthly basis. The balance of this loan, $1,994 (principal and interest), was transferred in February 2019 to a new affiliated entity as part of the ownership transfer discussed in Note 1 – Nature of Business. As of November 24, 2021, $789 of cumulative interest related to the Member Loan was recorded as PIK interest, of which $214 was recognized during the year ended December 31, 2021.

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

Management Agreement

As discussed in Note 1, 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 year ended December 31, 2021, the Company paid $62 under this agreement.

(dollars in thousands)

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

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

	For the years ended December 31, 2021	2020
Joint Venture partner share of (income)/loss	$ (1,229)	$ 372
Business interruption insurance claim (Note 1)	850	-
Loan Costs – Refinancing	(1,565)	-
Interest income	45	49
Gain/(loss) on disposal of assets	(356)	(5)
Total	$ (2,255)	$ 416

	For the three months ended December 31, 2021	2020
Joint Venture partner share of (income)/loss	$ (136)	$ 71
Loan Costs - Refinancing	(1,565)	-
Interest income	11	4
Gain/(loss) on disposal of assets	(268)	(3)
Total	$ (1,958)	$ 72

NOTE 13 – EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company offers a defined contribution 401(k) plan to substantially all employees who meet certain age and length of service requirements and who are not covered by a collective bargaining agreement. Plan participants can elect to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis. Such deferrals are regulated under Section 401(k) of the Internal Revenue Code. The 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, 2021 or 2020.

Multiemployer Pension Plans

Approximately 100 of the Company's trade workers, such as painters, carpenters and mechanics, are represented by collective bargaining agreements. The Company contributes to multiemployer pension defined-benefit plans under the terms of these agreements. The Company is obligated to make defined contributions under these plans.

The significant risks of participating in multiemployer plans include, but are not limited to, the following:

- If the Company elects to withdraw from participation in the multiemployer plans, the Company may be required to pay a withdrawal liability based on the underfunded status of the plans, as applicable.

- The Company may contribute assets for the benefit of its covered employees to the multiemployer plans, but the assets could be used to provide benefits to employees of other participating employers.
- The Company may be required to fund additional amounts if other participating employers stop contributing to the multiemployer plan.

Contributions, which are based on hours worked by covered employees, totaled $501 and $300 for the years ended December 31, 2021 and 2020, 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, 2021, the Company has New Jersey State net operating loss carryforwards of $78,719 available to offset future taxable income. These net operating loss carryforwards begin to expire in 2039 and thereafter. The Company also has New Jersey interest expense carryforwards of $25,627 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, 2021 and 2020, the Company recognized $2 and $2, respectively, of current state income tax expense, representing New Jersey minimum state income tax. In addition, the Company recognized $320 of tax expense related to the change in deferred tax assets and liabilities offset by a reduction in the valuation allowance. The differences between recorded income tax expense versus income tax expense at the New Jersey statutory rate of 9% was due to the change in the valuation allowance recorded against the Company's deferred tax asset position.

(dollars in thousands)

The Company's deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows:

	2021	2020
Deferred tax assets:		
Receivables	$ 486	$ 357
Reserves/accrued liabilities	696	723
Net operating loss carryforward	2,843	2,824
Start-up costs/other	6,314	6,601
Interest expense not currently deductible	2,306	2,684
Gross deferred tax assets	12,645	13,189
Valuation allowance	(11,355)	(11,675)
Total deferred tax assets	1,290	1,514
Deferred tax liabilities:		
Property and equipment	(1,290)	(1,514)
Total deferred tax liabilities	(1,290)	(1,514)
Net deferred tax assets (liabilities)	$ —	$ —

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, 2021.

The Company is subject to routine audits by taxing jurisdictions. As of December 31, 2021, the tax years 2018 and onward remain open for federal and 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, 2021 up to March 31, 2022, the date the financial statements were available for issuance, and we believe that the appropriate disclosures have been made throughout these footnotes.

OCEAN CASINO RESORT HOLDING, LLC
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

OCEAN CASINO RESORT HOLDING, LLC

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2021

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks................................	$6,017		
2	Returned Patrons' Checks....................................	7,590		
3	Total Patrons' Checks..	13,607	$4,898	$8,709
4	Hotel Receivables..	2,771	10	$2,761
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates..........................	-		
7	Other Accounts and Notes Receivables................	5,587		
8	Total Other Receivables.....................................	5,587	490	$5,097
9	Totals (Form DGE-205)...	$21,965	$5,398	$16,567

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$5,562
11	Counter Checks Issued...	167,854
12	Checks Redeemed Prior to Deposit...	(137,054)
13	Checks Collected Through Deposits..	(27,720)
14	Checks Transferred to Returned Checks..	(2,625)
15	Other Adjustments...	
16	Ending Balance..	$6,017
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks..	$1,639
19	Provision as a Percent of Counter Checks Issued..	1.0%

OCEAN CASINO RESORT HOLDING, LLC
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2021

($ 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	477			
2	Slot Machines	75			
3	Administration				
4	Casino Accounting	159			
5	Simulcasting				
6	Other				
7	Total - Casino	711	$16,457	$0	$16,457
8	ROOMS	363	10,555		10,555
9	FOOD AND BEVERAGE	869	14,460		14,460
10	GUEST ENTERTAINMENT	176	1,717		1,717
11	MARKETING	136	6,762		6,762
12	OPERATION AND MAINTENANCE	158	7,759		7,759
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	7	32	1,832	1,864
14	Accounting and Auditing	62	2,840		2,840
15	Security	249	5,825		5,825
16	Other Administrative and General	7	647		647
	OTHER OPERATED DEPARTMENTS:				
17	Human Resources	12	1,017		1,017
18	Information Technology	25	1,891		1,891
19	Retail	2	32		32
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,777	$69,994	$1,832	$71,826