NEW JERSEY MOTORSPORTS PARK, LLC
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NEW JERSEY MOTORSPORTS PARK, LLC
AND SUBSIDIARIES

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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of
New Jersey Motorsports Park, LLC and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Jersey Motorsports Park, LLC (the "Company") and its subsidiaries which comprise the consolidated balance sheet as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Motorsports Park, LLC and its subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Padden Cooper

Medford, New Jersey
April 1, 2020

NEW JERSEY MOTORSPORTS PARK, LLC
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,

ASSETS

	2019	2018
Current Assets		
Cash	$ 1,283,506	$ 1,319,830
Accounts receivable	94,429	144,728
Prepaid expenses and other current assets	1,172,286	286,675
Deposits paid	25,409	25,409
Total Current Assets	2,575,630	1,776,642
Property and Equipment, Net	13,181,428	13,853,603
Other Assets	371,199	309,407
Total Assets	$ 16,128,257	$ 15,939,652

LIABILITIES AND MEMBERS' EQUITY

	2019	2018
Current Liabilities		
Current portion of loans payable	$ 689,807	$ 655,471
Accounts payable	27,815	49,177
Accrued expenses	120,759	179,458
Deferred income	1,633,802	486,912
Deposits received	14,426	12,613
Total Current Liabilities	2,486,609	1,383,631
Loans Payable, Net of Deferred Financing Costs of $254,058 (2019) and $277,176 (2018)	7,181,805	7,423,789
Total Liabilities	9,668,414	8,807,420
Members' Equity	6,491,578	7,133,664
Noncontrolling interest	(31,735)	(1,432)
Total Equity	6,459,843	7,132,232
Total Liabilities and Members' Equity	$ 16,128,257	$ 15,939,652

NEW JERSEY MOTORSPORTS PARK, LLC
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Revenues From Contracts With Customers		
Food operations	$ 634,531	$ 681,337
Cost of goods sold	(232,073)	(223,236)
Gross Profit - Food Operations	402,458	458,101
Rental income	5,014,972	4,796,233
Event revenue	-0-	3,138
Ticket sales	106,195	133,545
Membership revenue	1,201,516	1,127,151
Advertising income	275,684	234,604
Merchandise sales and miscellaneous income	403,648	396,239
Gain on sale of assets	226,439	445,189
Total Gross Sales	7,630,912	7,594,200
Expenses		
Operating expenses and taxes	4,702,711	4,522,613
Administrative	1,428,117	1,317,528
Interest	419,618	456,043
Depreciation	921,824	948,567
Total Expenses	7,472,270	7,244,751
Other Income		
Interest income	2,645	-0-
Net income	161,287	349,449
Net loss attributable to noncontrolling interest	30,303	1,432
Net income attributable to controlling interest	191,590	350,881
Members' Equity, Beginning of year	7,133,664	7,093,983
Adjustment due to new accounting standard (Note 4)	(833,676)	-0-
Distributions	-0-	(311,200)
Contributions	-0-	-0-
Members' Equity, End of year	$ 6,491,578	$ 7,133,664

NEW JERSEY MOTORSPORTS PARK, LLC
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Cash Flows from Operating Activities		
Net income	$ 161,287	$ 349,449
Adjustments to reconcile net income (loss) to net cash flow from operating activities		
Depreciation	921,824	948,567
Amortization of deferred financing costs	23,119	23,119
Bad debt expense	44,900	35,733
Decrease (increase) in:		
Accounts receivable	50,299	(65,385)
Prepaid expenses and other assets	(831,373)	228,336
Deposits paid	-0-	-0-
Increase (decrease) in:		
Accounts payable	(21,362)	32,225
Accrued expenses	(58,699)	(4,088)
Deferred income	197,194	31,025
Deposits received	1,813	(4,475)
Net Cash Provided by Operating Activities	489,002	1,574,506
Cash Flows from Investing Activities		
Purchases of property and equipment	(294,561)	(191,472)
Net Cash Used in Investing Activities	(294,561)	(191,472)
Cash Flows from Financing Activities		
Repayment of loans payable	(654,228)	(731,680)
Proceeds from new debt	423,463	-0-
Distributions	-0-	(311,200)
Net Cash Used in Financing Activities	(230,765)	(1,042,880)
Net (Decrease)/Increase in Cash	(36,324)	340,154
Cash, Beginning of Year	1,319,830	979,676
Cash, End of Year	$ 1,283,506	$ 1,319,830
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	$ 399,481	$ 435,484

1. NATURE OF ORGANIZATION

New Jersey Motorsports Park, LLC and Subsidiaries (the "Company") (a New Jersey Limited Liability Company) was formed on February 17, 2004, for the purpose of developing and operating the New Jersey Motorsports Park in Millville, New Jersey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principals of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly-owned subsidiaries, NJMP Development Associates, LLC ("NJMP Development Associates") and New Jersey Motorsports Park Urban Renewal, LLC ("New Jersey Motorsports Park Urban Renewal") and a majority owned subsidiary, The Riders Club NJMP, LLC ("Riders Club"). All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Company and subsidiaries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash

Cash includes highly liquid debt instruments with original maturities of 90 days or less.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Allowances for doubtful accounts are based on historical experience and known factors regarding specific customers. If amounts become uncollectible, they will be charged to net income when that determination is made.

Sales Tax

It is the Company's policy to charge customers for sales tax using statutory rates based on state regulations and remit the taxes to the applicable taxing authorities monthly. The taxes collected from customers are not included in revenue in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Properties and Depreciation

Properties owned are initially recorded at the purchase price plus closing costs. Development costs and major renovations are capitalized as a component of cost and routine maintenance and repairs are charged to expense as incurred. Real estate costs include the cost of acquired property, including all tangible and intangible assets. Depreciation of building and improvements and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from five to forty years. Upon impairment, an impairment loss is recognized to the extent that the carrying value of the asset is greater than the fair value. Maintenance and repairs which do not extend the useful lives of the related assets are charged to expense as incurred. Depreciation charged to expense was $921,824 and $948,567 for the years ended December 31, 2019 and 2018, respectively.

Amortization of Costs Benefiting Subsequent Periods

Deferred financing costs associated with the issuance of debt are being amortized on the straight-line method over the term of the debt. Amortization of deferred financing costs was $23,119 for the years December 31, 2019 and 2018, and is included in interest expense.

Income Taxes

Pro rata income from the Company and subsidiaries flows through to the members' individual federal and state income tax returns. The Company and subsidiaries are not taxpaying entities for the purposes of federal and state income taxes.

U.S. GAAP requires management to evaluate tax positions taken by the Company and subsidiaries and recognize a tax liability if the Company and subsidiaries have taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Company and subsidiaries' tax positions and concluded that the Company and subsidiaries have taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Company and subsidiaries did not record any interest or penalties on uncertain tax positions in the accompanying balance sheets as of December 31, 2019 and 2018, or in the accompanying statements of operations and changes in members' equity for the years then ended. If the Company and subsidiaries were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2019	2018
Land	$ 1,734,918	$ 1,734,918
Track and improvements	17,744,804	17,602,351
Buildings	6,501,973	6,476,345
Building improvements	155,185	108,615
Soft costs	1,996,283	1,996,283
Furniture, fixtures and equipment	2,865,929	2,787,171
Parking lot	11,350	11,350
Construction in progress	244,022	288,851
Subtotal	31,254,464	31,005,884
Less: Accumulated depreciation	18,073,036	17,152,281
Property and Equipment, Net	$ 13,181,428	$ 13,853,603

4. REVENUE RECOGNITION

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board, ("FASB"), issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year using the modified restrospective approach.

As part of the adoption of the ASU, the Company elected the following transition practical expedients:(i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in a decrease to beginning retained earnings of $833,676 as of January 1, 2019. The adjustment relates to Drivers Club initiation fees and related sales commission, which are now recognized over the average life of a membership, rather than when billed. The impact of applying this ASU for the year ended December 31, 2019 resulted in an increase in membership revenue of $140,815, an increase in commission expense of $14,780, an increase in deferred revenue of $808,881 and an increase in prepaid expenses of $101,240.

4. REVENUE RECOGNITION (CONTINUED)

Revenue Recognition

Advance ticket sales and event-related revenues for future events are deferred until earned, which is generally once the events are conducted. The recognition of event-related expenses is matched with the recognition of event-related revenues.

Revenues from marketing partnerships are paid in accordance with negotiated contracts, with the identities of partners and the terms of sponsorship changing from time to time. Some marketing partnership agreements are for multiple events and include multiple specified elements, such as tickets, suites, display space and signage for each included event. The allocation of such marketing partnership revenues between the multiple elements, events and facilities is based on relative fair value. The sponsorship revenue allocated to an event is recognized when the event is conducted.

Revenues relating to membership dues are recognized over the membership period (one year) at an amount that reflects consideration the Company expects to be entitled to in exchange for the service. Most customers pay in advance or at the time of sale. Membership initiation fees are recognized over the average life of memberships which is seven years. Costs incurred to obtain a membership are capitalized and charged to expense over the average life of memberships (seven years).

Revenues and related costs from the sale of food and merchandise to retail customers are recognized at the time of sale.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2019	2018
Performance obligations satisfied at a point in time	$ 7,392,597	$ 7,594,200
Performance obligations satisfied over time	238,315	-0-
Total Gross Sales	$ 7,630,912	$ 7,594,200

4. REVENUE RECOGNITION (CONTINUED)

Disaggregation of Revenue from Contracts with Customers (Continued)

Revenue from performance obligations satisfied at a point in time consist of food operations, rental income, ticket sales and event revenue, advertising income, merchandise sales and real estate gains. These goods and services are sold to businesses, members and individual patrons.

Revenue from performance obligations satisifed over time consists of membership dues and initiation fees, which are sold to individual patrons.

Performance Obligations

For performance obligations related to food operations, rental income, ticket sales and event revenue, advertising income, merchandise sales and real estate gains, control transfers to the customer at a point in time. Revenue is recognized when goods are purchased or an event occurs.

For performance obligations related to membership dues and initiation fees, control transfers over time. Revenue is recognized over the membership period for member dues and over seven years for initiation fees, which is the average length of membership.

Variable Consideration

The nature of the Company's business does not typically give rise to variable consideration.

Contract Liabilities

Contract assets consist of commissions previously paid related to drivers club initiation fees.

Contract liabilities include deferred revenue related to funds collected for future events as well as unearned initiation fees.

Contract assets and liabilities were as follows for the years ended December 31:

	2019	2018
Contract assets	$ 101,240	$ -0-
Contract liabilities	$ 1,633,802	$ 486,912

5. RELATED PARTY TRANSACTIONS

In 2018, the Company made estimated tax payments to state taxing authorities on behalf of its members. These amounts will be repaid from members upon the next distribution. The payments totaled $82,764 and are included in other assets on the balance sheet.

6. LOANS PAYABLE

During 2011, the Company, New Jersey Motorsports Park Urban Renewal and NJMP Development Associates restructured outstanding loans with Merrill Lynch Mortgage Capital, Inc. ("Merrill Lynch"). The outstanding loans were restructured into two $10,000,000 promissory notes; a senior loan (Note A) and a subordinate loan (Note B). On October 29, 2014, Note A and Note B were restated to extend the maturity date of the loans to November 30, 2015 (the "Maturity Date"). Both Note A and Note B bore interest at the one-month LIBOR rate plus 500 basis points, subject to a minimum interest rate of 5.25% and a maximum interest rate of 7.25%.

During the first 12 months of the term of Note A, interest only was due monthly. Note A was to be amortized over a 1-year period with equal principal payments due during the seasonal months (as defined by the agreement) and the final payment due on or before the maturity date.

The interest on Note B accrued and was added to principal, to be paid on the maturity date. On December 5, 2014, Note A and Note B were amended and restated as a result of Merrill Lynch assigning the notes to Marblegate Special Opportunities Master Fund, L.P. ("Marblegate"). No repayment terms were amended as a result of Merrill Lynch assigning their interest in the loans to Marblegate.

On October 29, 2015, Marblegate agreed to accept a reduced payoff amount on the amount outstanding on Note A and Note B. As a result, on November 2, 2015, $13,532,039 was paid to Marblegate for outstanding principal and accrued interest and $5,319,713 was forgiven by Marblegate and recorded as forgiveness of debt on the statement of operations and changes in members' equity.

Effective November 2, 2015, the Company and New Jersey Motorsports Park Urban Renewal entered into a $10,000,000 loan agreement with TD Bank, N.A. ("TD Bank"). Under the terms of this agreement, the loan will accrue interest at a rate of 4.87% per annum through October 31, 2020. Thereafter, the loan will accrue interest at a fixed interest rate equal to no greater than 2.5% per annum in excess of the interest rate payable on a U.S. Treasury Security having a maturity of approximately five years as determined by TD Bank two business days before each of October 31, 2020 and October 31, 2025. Beginning on January 1, 2016, monthly principal and interest payments of $78,770 will be made for the initial five year term. The payments will be adjusted every five years to reflect the change in interest rate noted above.

6. LOANS PAYABLE (CONTINUED)

The loan is scheduled to mature on October 31, 2030. The loan is secured by substantially all of the assets of the Company and its subsidiaries, as well as guaranteed by the members of the Company and its subsidiaries. As of December 31, 2019 and 2018, $7,597,429 and $8,152,136, of principal, respectively, and $32,561 and $35,543 of accrued interest, respectively, was due to TD Bank under the loan agreement. As part of its agreement with TD Bank, the Company is subject to certain financial covenants. The Company was in compliance with all covenants as of December 31, 2019 and 2018.

The Company entered into an agreement with Ovations Food Services on August 7, 2009. The loan accrued interest at 11% and was payable monthly based on variable payments; the final payment was scheduled to be due December 31, 2011. During 2011, the debt was restructured and the maturity date of the loan was extended to January 31, 2020. The loan is secured by restaurant and concessions equipment. As of December 31, 2019 and 2018, $104,779 and $204,300 was due to Ovations Food Services under this loan, respectively.

In June 2019, the Company entered a master lease agreement and demand promissory note with TD Equipment Finance, Inc. to finance a solar farm located on the Company's property. The demand note is for a total of $1,411,543 and accrues interest at a rate of 2.25% above LIBOR (London Interbank Offered Rate), which was 3.99% at December 31, 2019. As of December 31, 2019, $423,463 had been borrowed on the note. Once the solar farm is complete and all funds dispursed, the loan will be accounted for as a capital lease. Until that date, payments consist of interest only.

Loans payable as of December 31, 2019 and 2018, consist of the following:

	2019	2018
TD Bank loan	$ 7,597,429	$ 8,152,136
TD Bank solar note	423,463	-0-
Ovations Food Services loan	104,778	204,300
Total notes payable	8,125,670	8,356,436
Less current portion	(689,807)	(655,471)
Less deferred financing costs	(254,058)	(277,176)
Long term portion of notes payable	$ 7,181,805	$ 7,423,789

6. LOANS PAYABLE (CONTINUED)

Minimum future payments under the loan agreements during the next five years are as follows:

Year Ending December 31,	
2020	$ 689,807
2021	621,287
2022	648,580
2023	680,881
2024	714,790
Thereafter	4,346,862
Total minimum future payments under loans	$ 7,702,207
Amount to be converted to capital lease	423,463
Total notes payable	$ 8,125,670

7. MEMBERS' EQUITY

Effective November 2, 2015, the Company entered into a $3,800,000 loan agreement with NE12, LLC ("NE12"). The loan contained an option for NE12 to exchange the loan for a 51.9% fully diluted ownership interest in the Company which was exercised and converted the loan to a 51.9% fully diluted membership interest in the Company. Additionally, NE12 executed a membership interest purchase agreement with Merrill Lynch and Merrill Lynch L.P. Holdings, Inc. and purchased their membership interest in the Company.

Pursuant to the third amended and restated limited liability company operating agreement of the Company, NE12 was required to contribute $4,000,000 for their 61.75% interest in the Company. At December 31, 2019 and 2018, NE12 had contributed $3,849,719 of capital leaving $150,281 due to the Company.

8. BUSINESS COMBINATION

During 2018, the Company formed a limited liability company called Riders Club with a third party (a noncontrolling interest or NCI) to offer track membership and benefits to motorcycle riders. The Company owns seventy percent of Riders Club and demonstrates significant influence of the entity. As such, all assets, liabilities, equity, revenues and expenses have been consolidated in the accompanying financial statements.

8. BUSINESS COMBINATION (CONTINUED)

The equity interests consisted of the following for 2019:

	NJMP	NCI
Equity balance in Riders Club at January 1, 2019	$ (3,342)	$ (1,432)
Net loss for 2019	(70,706)	(30,303)
Equity Balance in Riders Club at December 31, 2019	$ (74,048)	$ (31,735)

The equity interests consisted of the following for 2018:

	NJMP	NCI
Equity balance in Riders Club at January 1, 2018	$ -0-	$ -0-
Net loss for 2018	(3,342)	(1,432)
Equity Balance in Riders Club at December 31, 2018	$ (3,342)	$ (1,432)

9. OPERATING LEASES

The Company is party to operating lease agreements to lease various vehicles. The leases are for terms of 39 months and expire in March 2022.

The following is a schedule of minimum rental payments due under the operating leases mentioned above as of December 31, 2019:

Year Ending December 31,	
2020	$ 10,166
2021	4,236
	$ 14,402

Rent expense related to the vehicle leases totaled $10,210 in 2019 and $10,776 in 2018,

10. PILOT AGREEMENT

Pursuant to a financial agreement (the "PILOT Agreement") between New Jersey Motorsports Park Urban Renewal and the City of Millville dated March 9, 2007, New Jersey Motorsports Park Urban Renewal is to pay an annual service charge in the amount of $175,000 in consideration of the City of Millville granting New Jersey Motorsports Park Urban Renewal real property taxation exemption on the improvements to the New Jersey Motorsports Park property. The annual service charge commenced on the first day of the month following substantial completion as defined by the PILOT Agreement. The term of the agreement is for a period of 15 years from the date of substantial completion. The PILOT Agreement was assumed by the Company. For both of the years ended December 31, 2019 and 2018, payments in lieu of taxes totaled $175,000.

11. ADVERTISING

The Company uses advertising to promote its business. The costs of advertising and promotion are expenses as incurred. Advertising expense was $9,955 and $33,068 for the years ended December 31, 2019 and 2018, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company entered into a construction agreement for the development of Exotic Car Garages on the New Jersey Motorsports Park property. The amount of the construction agreement, including change orders, totaled $1,141,286 as of December 31, 2019. As of December 31, 2019, $844,116 of construction had been incurred to dated, leaving $297,170 of construction costs remaining to be incurred.

13. CONCENTRATION OF CREDIT RISK

The Company maintains cash in bank balances that, at times, may exceed federally insured limits. Historically, the Company has not incurred any credit-related losses. Management believes that it is not subject to any significant credit risk on its cash accounts. As of December 31, 2019, the amount in excess of the FDIC limit was $970,497.

14. LITIGATION

From time to time, the Company is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Company at December 31, 2019.

15. SUBSEQUENT EVENTS

The Company is evaluating the affect that the coronavirus pandemic will have on operating results. The full financial effect on the Company is not presently known.

The Company did not have any other subsequent events through April 1, 2020 which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year then ended December 31, 2019.