

Resorts Digital Gaming, LLC

QUARTERLY REPORT

amended 8/14/2017

FOR THE QUARTER ENDED MARCH 31, 2017

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Resorts Digital Gaming, LLC

BALANCE SHEETS

AS OF MARCH 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$6,242	\$2,933
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017 \$293 ; 2016, \$62).....	2,3	667	94
4	Inventories		0	0
5	Other Current Assets.....		11	160
6	Total Current Assets.....		6,920	3,187
7	Investments, Advances, and Receivables.....	5	827	264
8	Property and Equipment - Gross.....		0	0
9	Less: Accumulated Depreciation and Amortization.....		0	0
10	Property and Equipment - Net.....		0	0
11	Other Assets.....		0	0
12	Total Assets.....		\$7,747	\$3,451
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,841	\$1,370
14	Notes Payable.....		400	400
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....		982	324
19	Other Current Liabilities.....	6	4,702	2,325
20	Total Current Liabilities.....		7,925	4,419
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		1,200	1,600
23	Deferred Credits	2,4	31,515	31,985
24	Other Liabilities.....		9,792	8,400
25	Commitments and Contingencies.....	7		
26	Total Liabilities.....		50,432	46,404
27	Stockholders', Partners', or Proprietor's Equity.....	4	(42,685)	(42,953)
28	Total Liabilities and Equity.....		\$7,747	\$3,451

* Prior year restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

Resorts Digital Gaming, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016* (d)
	Revenue:			
1	Casino.....	2	\$6,881	\$3,967
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....	2	787	500
5	Total Revenue.....		7,668	4,467
6	Less: Promotional Allowances.....	2	1,603	1,216
7	Net Revenue.....		6,065	3,251
	Costs and Expenses:			
8	Casino.....	2	2,743	1,802
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....		2,752	2,555
11	Total Costs and Expenses.....		5,495	4,357
12	Gross Operating Profit.....		570	(1,106)
13	Depreciation and Amortization.....		0	0
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	4	184	143
16	Income (Loss) from Operations.....		386	(1,249)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....		0	0
20	Nonoperating Income (Expense) - Net.....	4	850	850
21	Total Other Income (Expenses).....		850	850
22	Income (Loss) Before Taxes		1,236	(399)
23	Provision (Credit) for Income Taxes.....			
24	Net Income (Loss).....		\$1,236	(\$399)

* Prior year restated to conform to current year presentation

The accompanying notes are an integral part of the financial statements.
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Resorts Digital Gaming, LLC

STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
AND THE THREE MONTHS ENDED MARCH 31, 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Amended August 14, 2017

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Due from Affiliates (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2015.....		\$5,000	(\$5,005)	(\$41,700)	(\$41,705)
2	Net Income (Loss) - 2016.....			2,034		2,034
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Due from affiliates				(3,400)	(3,400)
8						0
9						0
10	Balance, December 31, 2016.....		5,000	(2,971)	(45,100)	(43,071)
11	Net Income (Loss) - 2017.....			1,236		1,236
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Due from affiliates				(850)	(850)
17						0
18						0
19	Balance, March 31, 2017.....		\$5,000	(\$1,735)	(\$45,950)	(\$42,685)

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

Resorts Digital Gaming, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$1,391	\$1,929
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		0	0
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(169)	(62)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....		(169)	(62)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Net Proceeds/Payments related party		(850)	(850)
22			
23	Net Cash Provided (Used) By Financing Activities.....		(850)	(850)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		372	1,017
25	Cash and Cash Equivalents at Beginning of Period.....		5,870	1,916
26	Cash and Cash Equivalents at End of Period.....		\$6,242	\$2,933
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

* Prior year restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

Resorts Digital Gaming, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$1,236	(\$399)
30	Depreciation and Amortization of Property and Equipment.....			
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....			
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(253)	87
39	(Increase) Decrease in Inventories			
40	(Increase) Decrease in Other Current Assets.....		(11)	(160)
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		(123)	472
43	Increase (Decrease) in Other Current Liabilities		405	1,944
44	Increase (Decrease) in Other Liabilities		137	(15)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$1,391	\$1,929

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

* Prior year restated to conform with current year presentation

The accompanying notes are an integral part of the financial statements.

Resorts Digital Gaming, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2017
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	32,431	1,603		
12	Total	32,431	\$1,603	0	\$0

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	32,431	1,603		
12	Total	32,431	\$1,603	0	\$0

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

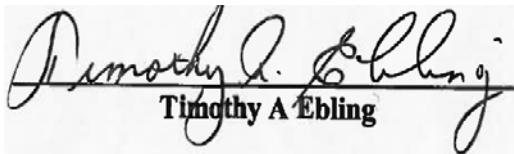
Resorts Digital Gaming, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2017

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.

8/14/2017

Date



Timothy A Ebling

Vice President, CFO

Title

9194-11

License Number

On Behalf of:

Resorts Digital Gaming, LLC

Casino Licensee

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with the rules and regulation of the New Jersey Division of Gaming Enforcement and include the accounts of Resorts Digital Gaming, LLC (the "Company"), a New Jersey limited liability company that was formed on June 27, 2014. The Company is owned 100% by DGMB Casino Holding, LLC ("Holding"), a Delaware limited liability company, through a 99.5% direct ownership and a 0.5 % indirect ownership through DGMB Casino SPE Corp. ("SPE"), a Delaware corporation, which is the managing member of the Company. MGA Gaming NJ, LLC (MGA), a New Jersey limited liability company, is a non-managing member of Holding and 10% owner.

The Company holds a casino license issued by the State of New Jersey Casino Control Commission ("Commission") and, as an Internet Gaming Affiliate of DGMB Casino, LLC ("Resorts"), has been authorized by the State of New Jersey Division of Gaming Enforcement ("DGE") to operate real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-13-008) issued to Resorts. Resorts operates Resorts Casino Hotel located in Atlantic City, NJ.

The Company has agreements with two providers of online gaming platforms who advanced funds for future revenues. Those advances were transferred to a related party and are included in due from affiliates in the equity section of the balance sheet.

The Company operates the ResortsCasino.Com and MoheganSunCasino.Com websites which were approved by the DGE to offer legal online gaming in 2015. In addition PokerStarsNJ.Com, operating under the Company's internet gaming permit, was approved by the DGE to offer legal online gaming in March 2016.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on account and cash on hand. Amounts held in financial institutions are in excess of FDIC insurance limits.

Pursuant to NJAC 13:69O-1.3(j), a unique New Jersey bank account is maintained to segregate internet gaming patron's funds on deposit, pending withdrawals and active bets. The balance in this account at March 31, 2017 is \$4.4 million. Unrestricted cash balance at March 31, 2017 is \$1.9 million.

Receivables

Receivables consist of amounts due from patrons and third party processors. Accounts receivables are non-interest bearing and are initially recorded at cost.

Allowance for Doubtful Accounts

The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for doubtful accounts.

Deferred Revenue

Deferred revenue consists of amounts advanced from a third party and will be recognized in future periods as a component of online gaming revenue.

Revenue Recognition

Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses. Jackpots are recognized at the time they are won by customers.

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Loyalty Program

The Company customer loyalty program offers incentives to customers. Under the program, customers are able to accumulate points over time that they may redeem at their discretion under the terms of the program. The points will be forfeited if the customer does not earn points over a designated period from the time they were first earned. The points are recognized when issued and are recorded as a promotional allowance in the statements of income.

Gaming Tax

The Company remits monthly to the State of New Jersey a tax equal to 15% of gross internet gaming revenue, as defined. Gaming tax expense for the three months ended March 31, 2017 and 2016 was \$1.0 million and \$564,000, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

Income Taxes

The Company is treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of Holding and SPE. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, the Company is required to record a provision for New Jersey state income taxes.

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 recovered or 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 recognizes interest and penalties accrued related to unrecognized tax benefits in the provision for income taxes.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires that the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Omitted Disclosures

In accordance with the DGE Financial Reporting guidelines the Company has elected not to include certain disclosures that were made in the December 31, 2016 report. Accordingly, the following disclosures have been omitted: Recent Accounting Pronouncements and certain Income Tax disclosures.

3. Receivables

Components of receivables were as follows at March 31, (in thousands):

	<u>2017</u>	<u>2016</u>
Gaming Related	\$ 748	\$ 117
Less reserve	(293)	(62)
Other Receivable	212	39
Receivables, net	<u>\$ 667</u>	<u>\$ 94</u>

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

4. Related Party Transactions

Resorts, which is also owned 100% by Holding through a 99.5% direct ownership and a 0.5% indirect ownership SPE, provides the Company with administrative services such as payroll, accounting, risk management, legal, treasury, and information systems in return for a fee pursuant to the Shared Services Agreement. This fee is \$184,000 and 143,000 for three months ended March 31, 2017 and 2016, respectively.

Agreements with Rational Services Limited (“Rational”) and Sportech-NYX Gaming, LLC (“NYX”) and Resorts, which qualifies as an “Affiliated Company” as that is a defined term, were assigned to the Company and the Company has executed all documents required to effectuate the assignments. The assignments resulted in the recording of deferred revenue and a non interest bearing note by the Company. The deferred revenue, which resulted from a cash advance, will be earned and recognized as revenue, based upon various events and conditions, over the next ten years. No additional advances are anticipated in the near future.

These funds were transferred by the Company to an affiliate and the amounts due from the affiliates are unsecured and do not have specified repayment provisions. Accordingly, the amount, along with related accrued interest that has not been paid, has been presented as Due from affiliates as a component of member’s deficit.

The Company is accruing interest income on the funds advanced and subsequently transferred to an affiliate at the rate of 10% per annum.

5. Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 2.5% of the Company’s gross internet gaming revenues in lieu of an investment alternative tax equal to 5.0% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestments Development Authority (“CRDA”). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, direct investments in approved CRDA projects may be donated to the CRDA. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

On May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implements a Payment in Lieu of Taxes Program (the “PILOT”). Beginning January 1, 2017, casino property owners will fulfill their financial obligations to all local governments serving Atlantic City thereby exempting casino gaming properties from ad valorem property taxation by the City of Atlantic City. The PILOT will have an impact on, among other things, the disposition of future CRDA payments by reallocating the majority of casino investment alternative tax (“IAT”) receipts collected by the CRDA to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the bill until December 31, 2026. IAT revenues previously pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund those bonds, or otherwise contractually obligated by the CRDA prior to the effective date of the bill, are excluded from the reallocation.

To date no bonds have been purchased by the Company and the current CRDA funds on deposit are being used to fund the previously pledged grant to an affiliate.

6. Other Current Liabilities

Components of other current liabilities were as follows at March 31, (in thousands):

	<u>2017</u>	<u>2016</u>
Patron Deposits	\$ 4,442	\$ 2,208
Other	260	117
	<u>\$ 4,702</u>	<u>\$ 2,325</u>

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

7. Commitments and Contingencies

Litigation

There can be various claims and legal actions arising in the ordinary course of business which can be categorized as routine business litigation, such as, without limitation, negligence, workers compensation and employment claims. In the opinion of management, these matters would not have a material effect on the Company's financial position or results of operations.

Commitments

The Company has an agreement with Rational to provide the operation of and marketing strategy for online gaming in New Jersey for peer to peer poker and casino games. Rational has made advance payments are recorded as deferred credits on the accompanying balance sheets.

The Company has an agreement with NYX to serve as its platform provider and casino games content developer for the ResortsCasino.Com and MoheganSunCasino.Com online gaming sites. NYX has made advance payments that are recorded as notes payable on the accompanying balance sheets.

8. Subsequent Events

The Company completed its subsequent events review through May 15, 2017, the date on which the financial statements were available to be issued. No subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.