

**DGMB CASINO, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 2011

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

DGMB CASINO, LLC

BALANCE SHEETS

AS OF DECEMBER 31, 2011 AND 2010

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)	
	<u>ASSETS:</u>				
	Current Assets:				
1	Cash and Cash Equivalents.....		\$11,703	\$12,832	
2	Short-Term Investments.....		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts -2011 \$1413 ; 2010 \$36).....	2 & 3	16,211	3,481	*
4	Inventories		1,376	611	
5	Other Current Assets.....	4	3,325	1,571	*
6	Total Current Assets.....		32,615	18,495	*
7	Investments, Advances, and Receivables.....	5	15,120	14,337	*
8	Property and Equipment - Gross.....	6	49,531	38,418	*
9	Less: Accumulated Depreciation and Amortization.....	6	(2,696)	(164)	*
10	Property and Equipment - Net.....	6	46,835	38,254	*
11	Other Assets.....	2 & 7	3,918	6,275	*
12	Total Assets.....		\$98,488	\$77,361	*
	<u>LIABILITIES AND EQUITY:</u>				
	Current Liabilities:				
13	Accounts Payable.....		\$6,908	\$3,959	*
14	Notes Payable.....	11	700	0	
	Current Portion of Long-Term Debt:				
15	Due to Affiliates.....	8	1,703	2,832	*
16	External.....		0	0	
17	Income Taxes Payable and Accrued.....		0	9	*
18	Other Accrued Expenses.....	9	8,794	5,074	*
19	Other Current Liabilities.....		1,475	973	*
20	Total Current Liabilities.....		19,580	12,847	*
	Long-Term Debt:				
21	Due to Affiliates.....	8	30,532	2,168	*
22	External.....	11	2,625	0	
23	Deferred Credits	10	1,921	2,401	*
24	Other Liabilities.....		784	799	*
25	Commitments and Contingencies.....	13	0	0	
26	Total Liabilities.....		55,442	18,215	*
27	Stockholders', Partners', or Proprietor's Equity.....		43,046	59,146	*
28	Total Liabilities and Equity.....		\$98,488	\$77,361	*

* Amounts have been restated in order to conform to current classification.

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

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

DGMB CASINO, LLC

STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011 & THE 25 DAYS ENDED 12/31/2010

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$152,982	\$7,249 *
2	Rooms.....		17,958	711
3	Food and Beverage.....		27,560	946
4	Other.....		6,498	150
5	Total Revenue.....		204,998	9,056 *
6	Less: Promotional Allowances.....	2 & 3	70,233	2,621
7	Net Revenue.....		134,765	6,435 *
	Costs and Expenses:			
8	Cost of Goods and Services.....		108,795	6,384 *
9	Selling, General, and Administrative.....		36,634	1,794
10	Provision for Doubtful Accounts.....	2 & 3	1,580	36
11	Total Costs and Expenses.....		147,009	8,214 *
12	Gross Operating Profit.....		(12,244)	(1,779)
13	Depreciation and Amortization.....	2, 6 & 7	2,816	188 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	8 & 14	1,200	81
15	Other.....		0	0
16	Income (Loss) from Operations.....		(16,260)	(2,048) *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(48)	(15)
19	CRDA Related Income (Expense) - Net.....	5	(1,652)	(75)
20	Nonoperating Income (Expense) - Net.....	1	874	28,916 *
21	Total Other Income (Expenses).....		(826)	28,826 *
22	Income (Loss) Before Taxes and Extraordinary Items.....		(17,086)	26,778 *
23	Provision (Credit) for Income Taxes.....	10	(636)	2,410 *
24	Income (Loss) Before Extraordinary Items.....		(16,450)	24,368 *
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0).....		0	0
26	Net Income (Loss).....		(\$16,450)	\$24,368

* Amounts have been restated in order to conform to current classification.

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DGMB CASINO, LLC

STATEMENTS OF INCOME

THE QUARTER ENDED DECEMBER 31, 2011 & THE 25 DAYS ENDED 12/31/2010

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$34,449	\$7,249
2	Rooms.....		4,055	711
3	Food and Beverage.....		6,484	946
4	Other.....		1,237	150
5	Total Revenue.....		46,225	9,056
6	Less: Promotional Allowances.....	2 & 3	15,909	2,621
7	Net Revenue.....		30,316	6,435
	Costs and Expenses:			
8	Cost of Goods and Services.....		17,542	6,384
9	Selling, General, and Administrative.....		8,480	1,794
10	Provision for Doubtful Accounts.....	2 & 3	366	36
11	Total Costs and Expenses.....		26,388	8,214
12	Gross Operating Profit.....		3,928	(1,779)
13	Depreciation and Amortization.....	2, 6 & 7	939	188
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	8 & 14	300	81
15	Other.....		0	0
16	Income (Loss) from Operations.....		2,689	(2,048)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(36)	(15)
19	CRDA Related Income (Expense) - Net.....	5	(516)	(75)
20	Nonoperating Income (Expense) - Net.....	1	489	28,916
21	Total Other Income (Expenses).....		(63)	28,826
22	Income (Loss) Before Taxes and Extraordinary Items.....		2,626	26,778
23	Provision (Credit) for Income Taxes.....	10	(639)	2,410
24	Income (Loss) Before Extraordinary Items.....		3,265	24,368
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$____).....		0	0
26	Net Income (Loss).....		\$3,265	\$24,368

* Amounts have been restated in order to conform to current classification.

The accompanying notes are an integral part of the financial statements.
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DGMB CASINO, LLC

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

FOR THE YEAR ENDED DECEMBER 31, 2011 & THE 25 DAYS ENDED 12/31/2010

* Amounts have been restated in order to conform to current classification.

(UNAUDITED)
(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 7, 2010.....		\$0	\$0	\$0	\$0
2	Net Income (Loss) - 20__.....	*		24,368		24,368
3	Capital Contributions.....		34,778			34,778
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____.....					0
8	_____.....					0
9	_____.....					0
10	Balance, December 31, 2010.....		34,778	24,368	0	59,146
11	Net Income (Loss) - 2010.....			(16,450)		(16,450)
12	Capital Contributions.....		350			350
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____.....					0
17	_____.....					0
18	_____.....					0
19	Balance, December 31, 2011.....		\$35,128	\$7,918	\$0	\$43,046

The accompanying notes are an integral part of the financial statements.
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DGMB CASINO, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011 & THE 25 DAYS ENDED 12/31/2010

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$19,459)	\$25,661
	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.....		(11,113)	(38,418)
5	Proceeds from Disposition of Property and Equipment.....		30	0
6	CRDA Obligations		(1,717)	(14,189)
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	CRDA Reimbursement		220	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(12,580)	(52,607)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt		3,500	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		(175)	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		350	34,778
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....			0
21	Proceeds from related party debt		29,985	5,000
22	Payments of related party debt		(2,750)	
23	Net Cash Provided (Used) By Financing Activities.....		30,910	39,778
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,129)	12,832
25	Cash and Cash Equivalents at Beginning of Period.....		12,832	0
26	Cash and Cash Equivalents at End of Period.....		\$11,703	\$12,832
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$37	\$14
28	Income Taxes.....		\$3	\$0

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

DGMB CASINO, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011 & THE 25 DAYS ENDED 12/31/2010

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED MAY 14, 2012

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)	
	CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss).....		(\$16,450)	\$24,368	*
30	Depreciation and Amortization of Property and Equipment...		2,531	164	*
31	Amortization of Other Assets.....		285	24	*
32	Amortization of Debt Discount or Premium.....		0	0	
33	Deferred Income Taxes - Current		(159)	9	*
34	Deferred Income Taxes - Noncurrent		(480)	2,401	*
35	(Gain) Loss on Disposition of Property and Equipment.....		(30)	0	
36	(Gain) Loss on CRDA-Related Obligations.....		1,656	75	
37	(Gain) Loss from Other Investment Activities.....		0	0	
38	(Increase) Decrease in Receivables and Patrons' Checks		(13,461)	(3,481)	*
39	(Increase) Decrease in Inventories		(765)	(611)	
40	(Increase) Decrease in Other Current Assets.....		(1,604)	(1,571)	*
41	(Increase) Decrease in Other Assets.....		1,657	(6,299)	*
42	Increase (Decrease) in Accounts Payable.....		2,949	3,959	*
43	Increase (Decrease) in Other Current Liabilities		4,012	5,823	*
44	Increase (Decrease) in Other Liabilities		0	800	*
45	Asset Impairment Charges.....		400	0	
46	Gain on Purchase of Assets		0	0	*
47	Net Cash Provided (Used) By Operating Activities.....		(\$19,459)	\$25,661	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:				
48	Additions to Property and Equipment.....		(\$11,113)	(\$38,418)	*
49	Less: Capital Lease Obligations Incurred.....		0	0	
50	Cash Outflows for Property and Equipment.....		(\$11,113)	(\$38,418)	*
	ACQUISITION OF BUSINESS ENTITIES:				
51	Property and Equipment Acquired.....		\$0		
52	Goodwill Acquired.....		0		
53	Other Assets Acquired - net		0		
54	Long-Term Debt Assumed.....		0		
55	Issuance of Stock or Capital Invested.....		0		
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0	
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:				
57	Total Issuances of Stock or Capital Contributions.....		\$350	\$34,778	
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.....		\$350	\$34,778	

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

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

DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2011

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.

5/11/2012

Date

Lawrence J. McCabe

Lawrence J. McCabe

Director - Finance

Title

3392-11

License Number

On Behalf of:

DGMB CASINO, LLC

Casino Licensee

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1 Basis of Presentation

Amended May 14, 2012

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of DGMB Casino, LLC (the "Company"), a New Jersey limited liability company that was formed on August 30, 2010. The Company currently owns and operates Resorts Casino Hotel ("Resorts"). The Company is owned 100% by DGMB Casino Holding, LLC ("Holding"), a Delaware limited liability company, through a 99.5% direct ownership and a .5 % indirect ownership through DGMB Casino SPE Corp. ("SPE"), a Delaware corporation which is the managing member of the Company.

In August, 2010, Gomes Gaming, Inc. ("Gomes Gaming"), a Nevada corporation, on behalf of itself or its entity assignee, as buyer, entered into an Asset Purchase Agreement (the "APA") with Resorts Atlantic City Holdings ("RAC"), as seller, for the purchase of Resorts. On August 31, 2010, the APA was assigned to the Company. Pursuant to the APA, RAC would sell, transfer, assign and convey and the Company would acquire, either directly from RAC or through Resorts International Hotel, Inc. ("RIHI") the holder of the Management Agreement for Resorts and the deed in lieu of foreclosure transaction, parcels of real property, ground leases, personal property, gaming equipment, leases and other assets. Those assets would include the right to use the "Resorts" and "Resorts Atlantic City Casino Hotel" trade names. Under the APA, the RIHI Management Agreement would be terminated. The APA was subject to regulatory approval, including the granting of an Interim Casino Authorization (the "ICA") by the Commission. The purchase price for the acquired assets under the APA was \$35 million, with a \$2 million deposit and the balance due at settlement (the "Settlement"). The Settlement was set to occur on or before 10 business days following the grant of the ICA, and conditioned upon termination of the RIHI Management Agreement. Although the Company could assume certain liabilities in connection with the APA, most other liabilities would be excluded.

In September, 2010 Gomes Gaming and the Company entered into an Operating Agreement (the "Operating Agreement"), whereby Gomes Gaming would have exclusive operating responsibility and full control for the operation of Resorts. In October, 2010 Gomes Gaming assigned the Operating Agreement to Gomes Gaming NJ, LLC ("Gomes Gaming NJ"), and a wholly owned subsidiary of Gomes Gaming. Under conditions of the Commission, Gomes Gaming NJ is required to hold a casino license in New Jersey.

On November 16, 2010, the Company and RAC entered into the First Amendment of Asset Purchase Agreement, which stated among other things, that the Settlement date would be December 6, 2010 the final purchase price would be \$31.5 million. The Company has applied the acquisition method of accounting to this business combination with assets acquired and liabilities assumed being recorded at their fair market values.

On December 1, 2010 both the Company and Gomes Gaming NJ were granted an ICA which, by statute, would expire on September 1, 2011, subject to a 3 month extension from the Commission. On July 13, 2011, the Company and Gomes Gaming NJ were each granted a permanent gaming license by the Commission.

On December 6, 2010, the Settlement took place with the effective date of transfer on December 7, 2010. The Company did not acquire the equity interests of RAC, but rather acquired certain assets and assumed certain liabilities. However, the assets acquired and liabilities assumed by the Company constitute a business, as all associated processes and productive outputs were obtained in the transaction. The Company has completed its valuation procedures, and the resulting fair value of the acquired assets and assumed liabilities has been recorded based upon our consideration of an independent valuation of the business enterprise and Resort's tangible and intangible assets. The Company has recorded a bargain purchase in this business combination, as further discussed below, because the fair values of the identifiable net assets acquired and liabilities assumed exceeded the consideration transferred. Acquisition-related costs were not included as part of the consideration transferred, but rather expensed as incurred. Acquisition-related costs totaled \$0.8 million and were expensed in 2010.

For 2010, "Period ended" shall mean the twenty-five days ended December 31, 2010. For 2011, "Period ended" shall mean the year ended December 31, 2011.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

The following table summarizes the recognized fair values of the assets acquired and liabilities assumed as of December 7, 2010 (in thousands).

Current assets	
Cash	\$ 5,982
Receivables	924
Prepaid expenses and other current assets	887
Tangible assets	
Property and equipment, net	40,300
Casino Reinvestment Development Authority investment, less allowance of \$13,738	14,189
Identified intangible assets	
Discounted estimated property tax settlement	1,700
Customer Data Base	900
Trade name	3,800
Total acquired assets	<u>68,682</u>
Current liabilities	
Accrued expenses and other current liabilities	2,194
Identified intangible liabilities	
Deffered Rent - Land Leases	800
Total liabilities assumed	<u>2,994</u>
Net identifiable assets	<u><u>\$ 65,687</u></u>

The gain is included in Nonoperating Income (Expense) – Net and was computed as follows (in thousands):

	Bargain
	Purchase
	Gain
	<u> </u>
Fair value of net identifiable assets	\$ 65,687
Total consideration	31,500
Bargain purchase gain	<u><u>\$ 34,187</u></u>

2. Summary of Significant Accounting Policies

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.

Inventories

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Inventories, which consist primarily of food, beverage, operating supplies and retail items are valued at the lower of average cost or market value.

Property and Equipment

Property and equipment have been recorded at their estimated fair values and useful lives based on the application of purchase accounting in 2010. Additions to land, building, and equipment are stated at cost.

The Company capitalizes the costs of improvements that extend the life of the asset and expense maintenance and repair costs as incurred. Gains or losses on the dispositions of land, buildings or equipment are included in the determination of income.

Depreciation and amortization is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Asset Class	Life
Building and improvements	35-40 years
Furniture, fixtures, and equipment	2-5 years

The Company reviews the carrying value of property and equipment for impairment whenever events and changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If undiscounted expected future cash flows were less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. No impairment of land, buildings and equipment was recognized for the periods ended December 31, 2011 and 2010.

Intangible Assets

Intangible assets, presented in Other Assets in the accompany balance sheets, includes customer relationships and trade name. Customer relationships represent the value of repeat business associated with our customer loyalty programs. These intangible assets are amortized over a 3-year period under the straight-line method. The trade name is considered an indefinite-lived intangible asset, is not subject to amortization, but instead is subject to an annual impairment test using the relief-from-royalty method. We perform assessments for impairment of trade name more frequently if impairment indicators exist. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. For the period ended December 31, 2011, the Company incurred a \$0.4 million impairment charge which is reflected in the statement of income. The impairment charge resulted from a decline in our revenue forecast that occurred subsequent to the acquisition of Resorts.

Revenue Recognition

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Jackpots, other than the base and incremental amount of progressive jackpots, are recognized at the time they are won by customers. Refer to 'Recently Issued Accounting Pronouncements' for a change in accounting principles for progressive jackpots. The Company accrues the base and incremental amount of progressive jackpots as the progressive machine is played and the progressive jackpot amount increases, with a corresponding reduction of casino revenue. Accommodations, food and beverage and other revenues are recognized when services are performed.

Cash discounts based upon a negotiated amount with each customer are recognized as a promotional allowance on the date the related revenues are recorded.

The Company offers other incentive programs. These are gifts and other promotional items, the type and distribution of which is determined by management. Since these awards are not cash awards, the Company records them as gaming expenses in the statements of income. Such amounts are expensed on the date the award can be utilized by the customer.

Cashback Liability

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

The Company awards incentives to its casino customers, based on their levels of gaming activity, through its “Cashback” marketing program. The incentives awarded are in the form of points which may be redeemed for coin to wager on slot machines. The Company records a liability for outstanding Cashback incentives (those incentives which have been earned, but not yet redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The amount of expense resulting from this marketing program could vary from the liability recorded based on actual redemption rates; management believes, based upon its experience with Cashback programs that the actual redemption will be materially consistent with the amount estimated. The amount is recorded as a promotional allowance in the statements of income. At December 31, 2011 and 2010 the Cashback liability was \$156,000 and \$208,000, respectively and is included in Other Accrued Expenses on the Company’s balance sheets.

Bankable Complimentaries

The Company customer loyalty program, Resorts Star Club, offers incentives to customers who gamble at Resorts. Under the program, customers are able to accumulate, or bank, comp dollars over time that they may redeem at their discretion under the terms of the program. The comp dollars balance will be forfeited if the customer does not redeem them over an eight-month period from the time they were first earned. As a result of the ability of the customer to bank the comp dollars, the Company accrues the expense of the comp dollars, after consideration of estimated breakage for points that will not be redeemed, as they are earned. The estimated cost to provide comp dollars is expensed as the comp dollars are earned and is included in casino expense on the Company’s statements of income. To arrive at the estimated cost associated with comp dollars, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which comp dollars will be redeemed. At December 31, 2011 and 2010, the Bankable Complimentaries liability was \$1,313,000 and \$653,000, respectively and is included in Other Accrued Expenses on the Company’s balance sheets.

Advertising

The Company expenses advertising costs as incurred. These costs are included in Selling, General and Administrative costs on the Company’s statements of income. For the periods ended December 31, 2011 and 2010, these costs amounted to \$2,476,000 and \$330,000, respectively.

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 New Jersey state income taxes (see Note 10).

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statements 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 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.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement” to provide updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”) and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The changes were originally to be effective for the Company on January 1, 2012. In December 2011, the

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

FASB issued updated guidance deferring the effective date indefinitely pending further deliberations by the FASB at a future date.

In September 2011, the FASB issued ASU 2011-09, “Compensation — Retirement Benefits — Multiemployer Plans” to provide updated guidance related to disclosures around employer’s participation in multiemployer benefit plans. The updated guidance increases the quantitative and qualitative disclosures an employer will be required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits. This update relates only to disclosures. There was no impact on the Company’s financial position, results of operations, or cash flows upon adoption.

In April 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-16, “Accruals for Casino Jackpot Liabilities”. Effective January 1, 2011, the Company adopted the new guidance for accounting for accruals for casino jackpot liabilities. The new guidance clarifies that an entity should not accrue jackpot liabilities (or portion thereof) before a jackpot is won if the entity can avoid paying that jackpot. Instead, jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. This guidance applies to both base and progressive jackpots. Upon adoption of ASU 2010-16, the Company recorded no impact due to fact that the State of New Jersey regulatory requirements regarding accruals for jackpot liabilities prohibit the reversal of progressive jackpots liabilities until the jackpot is paid.

3. Receivables

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

	<u>2011</u>	<u>2010</u>
Gaming	\$ 4,777	\$ 2,088
Less: allowance for doubtful accounts	<u>(1,413)</u>	<u>(36)</u>
	3,364	2,052
Non-gaming:		
Hotel and related	1,330	698
Other	<u>11,517</u>	<u>731</u>
	12,847	1,429
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>12,847</u>	<u>1,429</u>
Receivables, net	<u><u>16,211</u></u>	<u><u>3,481</u></u>

4. Other Current Assets

Components of other current assets were as follows at December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
Prepaid insurance	\$ 1,086	\$ 617
Purse Enhancement Agreement payments	729	-
Prepaid casino licenses	561	597
Prepaid maintenance agreements	296	190
Prepaid rent	180	24
Current deferred tax asset	150	-
Other prepaid expenses and current assets	<u>323</u>	<u>143</u>
	<u><u>\$ 3,325</u></u>	<u><u>\$ 1,571</u></u>

5. Investments, Advances and Receivables

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 1.25% of the Company’s gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

Components of investments, advances and receivables were as follows at December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
CRDA Deposits — net of allowance	\$ 12,370	\$ 11,457
CRDA Bonds — net of valuation allowance	2,750	2,880
	<u>\$ 15,120</u>	<u>\$ 14,337</u>

The Company recorded the carrying value of the CRDA assets at the estimated fair value at December 6, 2010, the date of the purchase of Resorts. For subsequent CRDA transactions, the Company records charges to operations to reflect the impact related to (1) the estimated below market interest rate of investments and (2) the credit worthiness of the borrower.

At December 31, 2011, the CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The funds on deposit are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and expected purchase of bonds through the CRDA. Such charges for the periods ended December 31, 2011 and 2010 were \$1,652,000 and \$75,000, respectively and are included in CRDA Related Income (Expense) – Net on the Company’s statements of income.

Once CRDA bonds are issued, the bonds are classified as held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and the CRDA provisions restrict the ability to sell or transfer such assets. Accordingly the CRDA bonds are reported at amortized cost. As there is no market for the CRDA bonds, their fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value representing the mandatory interest rate reduction that the borrowers are provided. The Company accretes such discount over the remaining life of the bonds. Accretion for the year ended December 31, 2011, was \$93,000 and is included in interest income in the accompanying statements of income.

The Company reviews the recoverability of the CRDA bonds on a regular basis and to consider the likelihood of bonds to be repaid. When considering recoverability of the CRDA bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, a valuation allowance is recorded to reflect the net asset at its expected realizable amount.

6. Property and Equipment

Components of property and equipment, net were as follows at December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
Land	\$ 11,500	\$ 11,500
Hotel and other buildings	24,626	22,700
Furniture, fixtures and equipment	12,429	3,900
Construction in progress	976	318
	<u>49,531</u>	<u>38,418</u>
Less: accumulated depreciation	(2,696)	(164)
Net property and equipment	<u>\$ 46,835</u>	<u>\$ 38,254</u>

Depreciation expense for the periods ended December 31, 2011 and 2010 was \$2,531,000 and \$164,000, respectively.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

7. Intangible Assets

Intangible assets, included in other assets in the accompanying balance sheets, represent a customer database valued at \$0.6 million and the trade name valued at \$3.3 million at December 31, 2011. The trade name is deemed to have an indefinite life. The customer database was determined to have a three-year life based upon attrition rates and computations of incremental value derived from existing relationships. The Company recorded \$300,000 and \$25,000 of amortization expense for the periods ended December 31, 2011 and 2010, respectively. The amortization expense is expected to approximate \$0.3 million for each of the next succeeding two years, respectively.

8. Related Party Debt

In September 2010, Gomes Gaming and the Company entered into an Operating Agreement (the "Operating Agreement"), whereby Gomes Gaming would have exclusive operating responsibility and full control for the operation of Resorts. In October 2010, Gomes Gaming assigned the Operating Agreement to Gomes Gaming NJ, LLC ("Gomes Gaming NJ"), and a wholly owned subsidiary of Gomes Gaming. Under conditions of the Commission, Gomes Gaming NJ is required to hold a casino license in New Jersey. Under the terms of the Operating Agreement, Gomes, Gaming NJ is to be paid \$1.2 million per year in equal monthly installments. There was no amount owed under the operating agreement at December 31, 2011 and the expense for the year ended December 31, 2011 was \$1.2 million. (see Note 14).

In connection with the Company's purchase of the assets from RAC, and as a condition of the Company's permanent gaming license, the Company's majority owner provided an Unlimited Line of Credit to the Company that expires on December 31, 2013. Such Unlimited Line of Credit is secured by the personal property of the Company. Funding under the Unlimited Line of Credit can cease upon 60 days' prior written notice to the New Jersey Division of Gaming Enforcement or the agreement is replaced or supplemented by a credit line, loan or other funding vehicle. The terms of the Unlimited Line of Credit are that the amounts borrowed carry no interest charge and require that if the Company is financially able, and if the cash levels of the Company exceed a certain level, payment will be made to reduce the amount outstanding. At December 31, 2011, approximately \$25.0 million was outstanding under the Unlimited Line of Credit and is included in the Related Party Debt on the accompanying balance sheet. At December 31, 2010, \$5.0 million was outstanding under the Unlimited Line of Credit and is included in the Related Party Debt on the accompanying balance sheet.

The majority owner also provided to the Company a source of funds for capital improvements under a \$10 million Capital Funding Agreement. The maturity date of the agreement is December 31, 2013. The terms of the Capital Funding Agreement are that the amounts borrowed carry no interest charge and repayment will be made to the extent funds are available after all day-to-day operating expenses and maintenance expenditures have been made. At December 31, 2011, approximately \$7.2 million was outstanding under the Capital Funding Agreement and included in Related Party Debt on the accompanying balance sheets. No amount was outstanding under the Capital Funding Agreement at December 31, 2010.

9. Other Accrued Expenses

Components of other accrued expenses were as follows at December 31, (in thousands):

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

	<u>2011</u>	<u>2010</u>
Payroll and related costs	\$ 4,144	\$ 2,104
Unredeemed customer incentives	1,587	862
Progressive jackpot liability	681	650
Property taxes	525	-
Regulatory Fees	427	249
Unredeemed gaming tickets	268	222
Accounting fees	212	30
Utilities	2	512
Other	948	445
	<u>\$ 8,794</u>	<u>\$ 5,074</u>

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

10. Income Taxes

Significant components of the (benefit) provision for income taxes were as follows for the periods ended December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
Current:	\$ 3	\$ 9
Deferred:	(639)	2,401
Income Tax (benefit) provision	<u>\$ (636)</u>	<u>\$ 2,410</u>

The Company's deferred tax assets and liabilities were as follows at December 31, (in thousands):

	<u>2011</u>	<u>2010</u>
Total deferred tax assets	\$ 2,118	\$ -
Total deferred tax liabilities	(2,978)	(2,410)
Valuation allowance for deferred taxes	(911)	-
Net deferred tax assets (liabilities)	<u>\$ (1,771)</u>	<u>\$ (2,410)</u>

Net deferred tax assets have been reduced by a valuation allowance of \$911,000 at December 31, 2011. After consideration of all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operating results, the Company believes certain net deferred tax assets are not likely to be utilized. In the event the Company determines it would be able to realize these net deferred tax assets in the future in an amount different from their recorded amount, the Company would adjust the valuation allowance, which would be recorded through the provision for income taxes.

The gross amount of the New Jersey State net operating loss carryforward at December 31, 2011 was \$12,882,000 and will expire in 2030, if not utilized by the Company.

The Company has determined there were no unrecognized income tax positions to recognize as a liability as of December 31, 2011.

11. Note Payable

In August 2011, the Company obtained a loan for \$3.5 million to fund the purchase of heating ventilation and air-conditioning equipment, all of which are secured by the purchased equipment. An entity controlled by the Company's principal shareholder provided guarantees on the note payable. The payment terms of the note are 60 months spread ratably for the principle balance, plus interest on the outstanding principal balance at LIBOR plus 300 basis points. At no time will the interest rate fall below 400 basis points. At December 31, 2011, the interest rate was 4%. The Company has estimated that the carrying amount of \$3.3M approximates the fair value of the debt.

The maturity for the note payable at December 31, 2011 is the following (in thousands):

<u>Year ending, December 31,</u>	<u>Note Payable</u>
2012	\$ 700
2013	700
2014	700
2015	700
2016	525
Total	<u>\$ 3,325</u>

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

12. Leases

The Company leases real estate and equipment for use in its business through operating leases.

Future minimum rental commitments for non-cancelable operating leases, as of December 31, 2011, are as follows (in thousands):

Year ending, December 31,	Operating Lease Obligations
2012	\$ 510
2013	338
2014	330
2015	330
2016	330
Thereafter	14,412
Total minimum lease payments	<u>\$ 16,250</u>

Scheduled rent increases are amortized on a straight-line basis primarily over the life of the applicable lease. Lease expense totaled \$3,491,000 and \$230,000 for the periods ended December 31, 2011 and 2010, respectively.

13. Commitments and Contingencies

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

Commitments

All the Atlantic City casino properties and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Casino Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5.0 million as of December 31, 2011 and will continue to pay \$30.0 million annually for the next five years. Each annual payment will be allocated to the AC Industry based on each casino's prorata share of gross gaming revenues from the preceding year. The Company's obligation for the initial deposit was \$0.1 million. The 2011 payments for the ACA agreement are included in selling, general and administrative expenses in the accompanying statements of income.

14. Subsequent Events

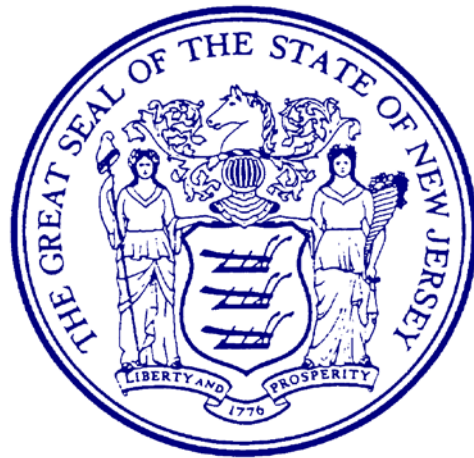
The Company completed its subsequent events review through May 7, 2012, the date on which the financial statements were available to be issued and noted no other items. In February 2012, Dennis C Gomes, President and Chief Executive Officer of the Company and principal of Gomes Gaming, passed away. Under the terms of the Operating Agreement the death of Mr. Gomes created an event that allows for the termination of the Operating Agreement by the Company. In March 2012, the Company terminated the Operating Agreement.

DGMB CASINO, LLC

ANNUAL FILINGS

FOR THE PERIOD DECEMBER 31, 2011

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

DGMB CASINO, LLC
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE PERIOD DECEMBER 31, 2011

(UNAUDITED)
(\$ IN THOUSANDS)

Amended 10/20/14

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$2,903		
2	Returned Patrons' Checks.....	1,874		
3	Total Patrons' Checks.....	4,777	\$1,413	\$3,364
4	Hotel Receivables.....	1,329		\$1,329
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	11,518		
8	Total Other Receivables.....	11,518		\$11,518
9	Totals (Form DGE-205).....	\$17,624	\$1,413	\$16,211

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$2,088
11	Counter Checks Issued.....	80,383
12	Checks Redeemed Prior to Deposit.....	(61,993)
13	Checks Collected Through Deposits.....	(15,498)
14	Checks Transferred to Returned Checks.....	(1,874)
15	Other Adjustments.....	(203)
16	Ending Balance.....	\$2,903
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,580
19	Provision as a Percent of Counter Checks Issued.....	2.0%

DGMB CASINO, LLC

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2011

(\$ 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	363			
2	Slot Machines	60			
3	Administration	9			
4	Casino Accounting	99			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	531	\$11,521	\$0	\$11,521
8	ROOMS	197	3,653		3,653
9	FOOD AND BEVERAGE	588	11,556		11,556
10	GUEST ENTERTAINMENT	129	2,347		2,347
11	MARKETING	122	3,792		3,792
12	OPERATION AND MAINTENANCE	164	3,619		3,619
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	21	1,557		1,557
14	Accounting and Auditing	20	1,513		1,513
15	Security	125	3,556		3,556
16	Other Administrative and General	31	3,772		3,772
	OTHER OPERATED DEPARTMENTS:				
17	Health Club/Spa	9	196		196
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	1,937	\$47,082	\$0	\$47,082