

**Resorts Digital Gaming, LLC**  
**QUARTERLY REPORT**  
**FOR THE QUARTER ENDED MARCH 31, 2016**

**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, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$2,933	\$180
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016 \$62 ; 2015, \$0).....	2,3	34,244	29,339
4	Inventories .....		0	0
5	Other Current Assets.....		160	0
6	Total Current Assets.....		37,337	29,519
7	Investments, Advances, and Receivables.....		264	0
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.....		\$37,601	\$29,519
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,370	\$0
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....		324	80
19	Other Current Liabilities.....	5	2,325	22
20	Total Current Liabilities.....		4,019	102
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....		0	0
23	Deferred Credits .....		0	0
24	Other Liabilities.....	6	33,985	31,500
25	Commitments and Contingencies.....			
26	Total Liabilities.....		38,004	31,602
27	Stockholders', Partners', or Proprietor's Equity.....		(403)	(2,083)
28	Total Liabilities and Equity.....		\$37,601	\$29,519

\* 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, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino.....	2	\$3,967	\$205
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		0	300
5	Total Revenue.....		3,967	505
6	Less: Promotional Allowances.....		1,216	131
7	Net Revenue.....		2,751	374
	Costs and Expenses:			
8	Casino.....	2	1,562	1,408
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....	4	2,438	60
11	Total Costs and Expenses.....		4,000	1,468
12	Gross Operating Profit.....		(1,249)	(1,094)
13	Depreciation and Amortization.....		0	0
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....			
16	Income (Loss) from Operations.....		(1,249)	(1,094)
	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.....		850	675
21	Total Other Income (Expenses).....		850	675
22	Income (Loss) Before Taxes .....		(399)	(419)
23	Provision (Credit) for Income Taxes.....			
24	Net Income (Loss).....		(\$399)	(\$419)

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
AND THE THREE MONTHS ENDED MARCH 31, 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2014.....		\$0	(\$1,664)		(\$1,664)
2	Net Income (Loss) - 2015.....			(3,340)		(3,340)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Members' Contribution		5,000			5,000
8						0
9						0
10	Balance, December 31, 2015.....		5,000	(5,004)	0	(4)
11	Net Income (Loss) - 2016.....			(399)		(399)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance, March 31, 2016.....		\$5,000	(\$5,403)	\$0	(\$403)

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, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$1,079	(\$4,919)
	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 .....		(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.....		(62)	0
	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 .....			599
22	Advance from Vendor .....			4,500
23	Net Cash Provided (Used) By Financing Activities.....		0	5,099
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,017	180
25	Cash and Cash Equivalents at Beginning of Period.....		1,916	0
26	Cash and Cash Equivalents at End of Period.....		\$2,933	\$180
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

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, 2016 AND 2015

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$399)	(\$419)
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 .....		(763)	(4,500)
39	(Increase) Decrease in Inventories .....			
40	(Increase) Decrease in Other Current Assets.....		(160)	
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		472	
43	Increase (Decrease) in Other Current Liabilities .....		1,944	
44	Increase (Decrease) in Other Liabilities .....		(15)	
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$1,079	(\$4,919)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

**Resorts Digital Gaming, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2016  
(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 6/29/16

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	27,309	1,216		
12	Total	27,309	\$1,216	0	\$0

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FOR THE THREE MONTHS ENDED MARCH 31, 2016

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	27,309	1,216		
12	Total	27,309	\$1,216	0	\$0

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

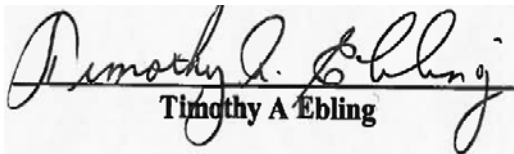
**Resorts Digital Gaming, LLC**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2016

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.

5/16/2016

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 an affiliated company, 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 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 was approved by the DGE to offer legal online gaming in March 2016 and operates under the Company's internet gaming permit.

**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 withdraws and active bets. The balance in this account at March 31, 2016 is \$2,208,000. Unrestricted cash balance at March 31, 2016 is \$725,000.

**Receivables**

Receivables consist of amounts due from related parties, third party processors and related business receivables. Accounts receivables are typically 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.

**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.

**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 balance 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.

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

**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, 2016 and 2015 was \$565,000 and \$31,000, 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. 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 and file a consolidated return with other affiliates that derive income from the casino. These financial statements are prepared on a separate company return approach.

**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.

**3. Receivables**

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

	<u>2016</u>	<u>2015</u>
Gaming related	117	-
less reserve	(62)	-
Other receivable	39	-
Due from Holding	<u>34,150</u>	<u>29,339</u>
Receivables, net	<u>34,244</u>	<u>29,339</u>

**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, information systems, and office space in return for a monthly fee pursuant to a Shared Services Agreement. This fee is included in general, administrative and other in the accompanying statements of income. Agreements with Rational Services Limited (“Rational”) and Sportech-NYX Gaming, LLC (“NYX”) and Resorts were assigned to the Company, which qualifies as an “Affiliated Company” as that is a defined term and the Company has executed all documents required in to effectuate the assignments in 2015. These assignments resulted in the transfer of other liabilities to the Company and a corresponding increase in receivable on the accompany balance sheets.

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

**5. Other Current Liabilities**

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

	<u>2016</u>	<u>2015</u>
Patron deposits	\$ 2,208	\$ 22
Other	117	-
	<u>\$ 2,325</u>	<u>\$ 22</u>

**6. 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 Amaya Services Limited ("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 that are recorded as deferred revenue and are included in other liabilities on the accompanying balance sheets.

The Company has an agreement with NYX Digital Gaming, LLC ("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 deferred revenue and are included in other liabilities on the accompanying balance sheets.

**7. Subsequent Events**

The Company completed its subsequent events review through May 16, 2016, 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.