

**DGMB CASINO, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

**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 SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$17,404	\$12,055
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$1,468; 2017, \$1,072).....	2,3	15,387	17,447
4	Inventories .....	2	1,791	1,570
5	Other Current Assets.....	4	2,316	2,705
6	Total Current Assets.....		36,898	33,777
7	Investments, Advances, and Receivables.....	5	1,504	1,063
8	Property and Equipment - Gross.....		179,794	169,566
9	Less: Accumulated Depreciation and Amortization.....		(50,729)	(42,475)
10	Property and Equipment - Net.....	2,6	129,065	127,091
11	Other Assets.....	2,7	3,838	3,858
12	Total Assets.....		\$171,305	\$165,789
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,381	\$6,790
14	Notes Payable.....	8	3,000	422
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	4,728	2,948
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	10	14,197	15,690
19	Other Current Liabilities.....		2,499	2,199
20	Total Current Liabilities.....		30,805	28,049
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	75,987
22	External.....	8	30,450	10,338
23	Deferred Credits .....		2,790	3,020
24	Other Liabilities.....		681	41,401
25	Commitments and Contingencies.....	11	0	0
26	Total Liabilities.....		64,726	158,795
27	Stockholders', Partners', or Proprietor's Equity.....		106,579	6,994
28	Total Liabilities and Equity.....		\$171,305	\$165,789

\* 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.

# DGMB CASINO, LLC

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$90,798	\$96,312
2	Rooms.....		20,612	19,868
3	Food and Beverage.....		14,101	13,096
4	Other.....		6,904	7,088
5	Net Revenue.....	2	132,415	136,364
	Costs and Expenses:			
6	Casino.....		63,180	67,689
7	Rooms, Food and Beverage.....		9,877	9,163
8	General, Administrative and Other.....		39,434	39,205
9	Total Costs and Expenses.....		112,491	116,057
10	Gross Operating Profit.....		19,924	20,307
11	Depreciation and Amortization.....	6	7,291	7,057
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	2,222	3,100
13	Other.....			
14	Income (Loss) from Operations.....		10,411	10,150
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(7,532)
16	Interest Expense - External.....	8	(1,619)	(773)
17	CRDA Related Income (Expense) - Net.....	5	(580)	(756)
18	Nonoperating Income (Expense) - Net.....		4,396	1,013
19	Total Other Income (Expenses).....		2,197	(8,048)
20	Income (Loss) Before Taxes .....		12,608	2,102
21	Provision (Credit) for Income Taxes.....	2	542	2
22	Net Income (Loss).....		\$12,066	\$2,100

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 THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$32,559	\$36,702
2	Rooms.....		8,462	8,386
3	Food and Beverage.....		5,380	4,989
4	Other.....		2,551	2,717
5	Net Revenue.....	2	48,952	52,794
	Costs and Expenses:			
6	Casino.....		22,367	24,731
7	Rooms, Food and Beverage.....		3,621	3,398
8	General, Administrative and Other.....		13,777	13,894
9	Total Costs and Expenses.....		39,765	42,023
10	Gross Operating Profit.....		9,187	10,771
11	Depreciation and Amortization.....	6	2,247	2,463
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	778	1,328
13	Other.....			
14	Income (Loss) from Operations.....		6,162	6,980
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	(2,491)
16	Interest Expense - External.....	8	(567)	(272)
17	CRDA Related Income (Expense) - Net.....	5	(215)	(236)
18	Nonoperating Income (Expense) - Net.....		4,293	560
19	Total Other Income (Expenses).....		3,511	(2,439)
20	Income (Loss) Before Taxes .....	2	9,673	4,541
21	Provision (Credit) for Income Taxes.....		540	0
22	Net Income (Loss).....		\$9,133	\$4,541

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Special Capital Contribution (e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2016.....</b>		\$35,078	(\$30,184)	\$0	\$4,894
2	Net Income (Loss) - 2017.....			7,775		7,775
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Contribution, net				84,092	84,092
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2017.....</b>		35,078	(22,409)	84,092	96,761
11	Net Income (Loss) - 2018.....			12,066		12,066
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Special Capital Distribution, net				(2,248)	(2,248)
17	_____					0
18	_____					0
19	<b>Balance, September 30, 2018.....</b>		\$35,078	(\$10,343)	\$81,844	\$106,579

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 CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$19,032	\$14,521
	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.....		(8,886)	(15,236)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(1,642)	(1,638)
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 .....		216	2,041
11				
12	Net Cash Provided (Used) By Investing Activities.....		(10,312)	(14,833)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		3,000	0
14	Payments to Settle Short-Term Debt.....		0	(1,160)
15	Proceeds from Long-Term Debt .....		0	8,000
16	Costs of Issuing Debt.....		14	170
17	Payments to Settle Long-Term Debt.....		(3,750)	(4,860)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Net borrowings from (to) related party .....		0	(3,321)
22	Special Capital Distribution, net .....		(2,248)	0
23	Net Cash Provided (Used) By Financing Activities.....		(2,984)	(1,171)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		5,736	(1,483)
25	Cash and Cash Equivalents at Beginning of Period.....		11,668	13,538
26	Cash and Cash Equivalents at End of Period.....		\$17,404	\$12,055
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,398	\$406
28	Income Taxes.....		\$2	\$2

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

# DGMB CASINO, LLC

## STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$12,066	\$2,100
30	Depreciation and Amortization of Property and Equipment.....		7,302	7,068
31	Amortization of Other Assets.....		(11)	(11)
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.....		580	757
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(1,190)	95
39	(Increase) Decrease in Inventories .....		(170)	(170)
40	(Increase) Decrease in Other Current Assets.....		(468)	(697)
41	(Increase) Decrease in Other Assets.....		(18)	1
42	Increase (Decrease) in Accounts Payable.....		(832)	(813)
43	Increase (Decrease) in Other Current Liabilities .....		1,773	(1,342)
44	Increase (Decrease) in Other Liabilities .....		0	7,533
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$19,032	\$14,521

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$8,886)	(\$15,236)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$8,886)	(\$15,236)
	<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.

**DGMB CASINO, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018  
(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	155,888	\$10,994	0	\$0
2	Food	204,047	5,132	333,695	5,198
3	Beverage	667,225	4,329	0	0
4	Travel	0	0	13,039	747
5	Bus Program Cash	4,391	566	0	0
6	Promotional Gaming Credits	594,195	22,010	0	0
7	Complimentary Cash Gifts	67,990	3,384	0	0
8	Entertainment	8,179	797	843	105
9	Retail & Non-Cash Gifts	0	0	33,082	3,805
10	Parking	0	0	266,387	1,063
11	Other	5,441	76	35,000	875
12	Total	1,707,356	\$47,288	682,046	\$11,793

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	64,954	\$4,449	0	\$0
2	Food	85,244	2,421	122,478	2,099
3	Beverage	237,914	1,543	0	0
4	Travel	0	0	4,112	258
5	Bus Program Cash	1,928	247	0	0
6	Promotional Gaming Credits	247,303	8,888	0	0
7	Complimentary Cash Gifts	24,072	1,220	0	0
8	Entertainment	2,776	295	675	84
9	Retail & Non-Cash Gifts	0	0	11,874	1,366
10	Parking	0	0	75,517	295
11	Other	1,955	27	15,551	389
12	Total	666,146	\$19,090	230,207	\$4,491

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



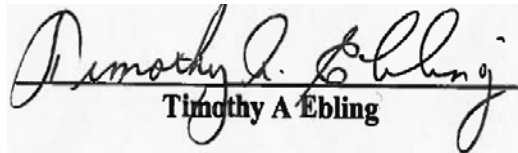
**DGMB CASINO, LLC**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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.

11/15/2018

Date



**Timothy A Ebling**

Vice President, CFO

Title

9194-11

License Number

On Behalf of:

DGMB CASINO, LLC

Casino Licensee

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Division of Gaming Enforcement (“DGE”) 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”). Resorts is a casino hotel operating in Atlantic City, New Jersey. The Company is wholly owned 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. On October 1, 2012, Holding admitted MGA Gaming NJ, LLC (MGA), a New Jersey limited liability company, as a non-managing member of Holding and 10% owner. MGA then entered into a management agreement for the management of the Company.

**2. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents –**

Cash and cash equivalents include cash in the bank and cash on the casino floor, which are all unrestricted. As of September 30, 2018, amounts held in financial institutions were in excess of FDIC insurance limits

**Receivables**

Receivables consist primarily of casino, hotel, related party, and other receivables. 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.

**Inventories**

Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or net realizable 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 since the date of acquisition are stated at cost.

The Company capitalizes the costs of improvements that extend the life of the asset and expenses 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:

<b>Asset Class</b>	<b>Useful Life</b>
Building and improvements	35-40 years
Furniture, fixtures, and equipment	3-7 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

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

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 has been recognized.

**Intangible Assets**

Intangible assets, included in other assets in the accompany balance sheets, includes a trade name. 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. No impairment of intangible assets has been recognized.

**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 are recognized at the time they are won by customers. 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 reduction in revenue 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**

The Company provides incentives to its casino customers, based on levels of gaming activity, through its "Cash Back" marketing program. The incentives are in the form of points, which may be redeemed for wagers on slot machines. The Company estimates a liability for outstanding "Cash Back" incentives (those incentives which have been earned, but not redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The ultimate redemption amount resulting from this marketing program could vary from the estimated liability based on actual redemption activity. The amount is recorded as a reduction in revenue in the statements of income. At September 30, 2018 and 2017, the "Cash Back" liability was \$171,000 and \$206,000, respectively and is included in other accrued expenses in the accompanying balance sheets.

**Bankable Complimentaries**

The Company customer loyalty program offers incentives to gaming customers 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 use their player card and earn points over a designated period from the time they were first earned. Because of the customer's ability to bank the comp dollars, the Company accrues the expense of the comp dollars as they are earned, after consideration of estimated breakage for points that will not be redeemed. The estimated cost to provide comp dollars 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 the marginal costs of the benefits provided, breakage rates and the mix of goods and services for which comp dollars will be redeemed. At September 30, 2018 and 2017, the bankable complimentary liability was \$1.8 million and \$1.7 million, respectively and is included in other accrued expenses in the accompanying balance sheets.

**Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. The carrying amount of the note payable approximates fair value as the interest rate is variable and the Company's credit worthiness has not changed since issuing such note.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses were \$1.2 million and \$1.3 million for the three months ended September 30, 2018 and 2017, respectively, and \$3.4 million and \$3.5 million for the nine months ended September 30, 2018 and 2017, respectively. Advertising expenses are included in general, administrative, and other expenses in the accompanying statements of income.

**Gaming Tax**

The Company remits to the State of New Jersey a tax equal to 8% of gross gaming revenue. Gaming tax expense was \$3.6 million and \$4.0 million for the three months ended September 30, 2018 and 2017, respectively, and \$9.9 million and \$10.4 million for the nine months ended September 30, 2018 and 2017, 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 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, 2017 report. Accordingly, the following disclosures have been omitted: certain Multiemployer Benefit Plans, certain Income Tax disclosures, and Leases.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

**3. Receivables**

Components of receivables were as follows at September 30, (in thousands):

	<u>2018</u>	<u>2017</u>
Gaming	\$ 3,836	\$ 3,965
Less: allowance for doubtful accounts	(1,225)	(909)
	<u>2,611</u>	<u>3,056</u>
Non-gaming:		
Hotel and related	1,991	1,322
Less: allowance for doubtful accounts	(243)	(163)
EDA Fund Receivable	467	1,864
Tenant Receivable	427	1,204
Intercompany	8,496	8,842
Other	1,638	1,322
	<u>12,776</u>	<u>14,391</u>
Receivables, net	<u>\$ 15,387</u>	<u>\$ 17,447</u>

**4. Other Current Assets**

Components of other current assets were as follows at September 30, (in thousands):

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 501	\$ 607
Prepaid casino license	561	568
Prepaid maintenance agreements	417	455
Prepaid sewer	238	242
Prepaid miscellaneous	117	446
Other prepaid expenses and current assets	482	387
	<u>\$ 2,316</u>	<u>\$ 2,705</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 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 in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

Components of investments, advances and receivables were as follows at September 30, (in thousands):

	<b>2018</b>	<b>2017</b>
Deposits — net of valuation allowance for \$1,353 and \$1,203, respectively	\$ 1,023	\$ 415
CRDA Bonds — net of valuation allowance for \$7,850 and \$7,850, respectively	481	648
	\$ 1,504	\$ 1,063

The Company records expense to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were \$215,000 and \$236,000 for the three months ended September 30, 2018 and 2017, respectively, and \$580,000 and \$756,000 for the nine months ended September 30, 2018 and 2017, respectively. CRDA expense is included in other income (expenses) in the accompanying statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. If CRDA Bonds are issued, we have concluded that the bonds are classified as held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, the Company is not permitted to do otherwise. As such, the CRDA Bonds are measured 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.

After the initial determination of fair value, the Company analyzes the recoverability of the CRDA Bonds on a quarterly basis and its effect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each borrower, 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, the asset will be written down to its expected realizable amount.

On May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implements a Payment in Lieu of Taxes Program (“the PILOT”). Beginning calendar year 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 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. As a result of the PILOT, any CRDA contributions not previously committed by the CRDA will be expensed.

In October, 2014, the Company applied to CRDA for financial assistance in the form of a direct investment grant in the amount of \$9.4 million for the construction of an approximately 12,533 square foot meeting space expansion project (“Meeting Space Component”) with an estimated budget of \$4.7 million and renovation of 310 bathrooms (“Hotel Room Component”), also with an estimated budget of \$4.7 million, which application was approved by CRDA in December, 2014. In or about March, 2015 the Company requested modification to the project to allow the Company to forgo proceeding with the Hotel Room Component unless future Investment Alternative Tax revenues are available to the Company to fund the Hotel Room Component as contemplated by the original application. The Meeting Space Component was completed in August 2015 and the Hotel Room Component was completed in April 2018.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**6. Property and Equipment**

Components of property and equipment, net were as follows at September 30, (in thousands):

	<u>2018</u>	<u>2017</u>
Land	\$ 11,739	\$ 11,643
Hotels and other buildings	110,818	102,865
Furniture, fixtures and equipment	52,633	52,667
Construction in progress	4,604	2,391
	<u>179,794</u>	<u>169,566</u>
Less: accumulated depreciation	<u>(50,729)</u>	<u>(42,475)</u>
Net property and equipment	<u>\$ 129,065</u>	<u>\$ 127,091</u>

Depreciation expense was \$2.3 million and \$2.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$7.3 million and \$7.1 million for the nine months ended September 30, 2018 and 2017, respectively.

**7. Intangible Assets**

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at \$3.3 million on September 30, 2018 and 2017, respectively. The trade name is deemed to have an indefinite life.

**8. Debt**

On April 22, 2016, the Company entered into a three-year variable rate credit facility with Key Bank in the principal loan amount of \$12 million with an accordion feature allowing borrowings of an additional \$8 million which was accessed in March 2017 for a total borrowing of \$20 million ("Original Key"). On December 21, 2017 the Original Key Loan was paid off as the Company entered into a new five year variable rate credit facility with Key Bank in the principal amount of \$40 million with a \$10 million revolving line of credit and an option for an additional \$10 million term loan ("Key Bank 60"). The credit facility has various covenants with which the Company is in compliance. The term loan has a first lien on all assets of the Company. Interest is due monthly at LIBOR plus 2.50% with quarterly principal payments and a balloon payment due December 21, 2022. Monthly interest and quarterly principal payments have been made as required. The total principal amount outstanding at September 30, 2018 was \$36.3 million.

In June 2018 the Company drew down \$3 million of the \$10 million revolving line of credit. Interest is due monthly at LIBOR plus 2.50% and matures on December 21, 2022. At September 30, 2018 the total outstanding revolving line of credit was \$3 million with \$7 million available. There is an unused credit fee of .25% on the available balance.

In October 2014, the Company entered into a \$2.5 million three year Promissory Note with the EDA Grant as collateral maturing on November 1, 2017. Principal payments are tied to the amount received from the grant and are no less than \$785,000 annually beginning August 31, 2015. The Promissory Note accrues interest at a rate of 4.25% plus LIBOR as defined. In addition to the grant collateral, the Promissory Note is guaranteed by certain affiliates of Holding. The minimum principal payment of \$785,000 was made in August 2016 and an additional pay down of \$150,000 was made in February 2017. The loan was paid off on the November 1, 2017 maturity date. The amount outstanding at September 30, 2018 and 2017 is \$0 and \$422,000, respectively.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

**9. Related Party Transactions**

Holding entered into the First Amendment to the Second Amended and Restated Limited Liability Company Agreement effective January 1, 2017 that, among other things, converted the loans and related interest to a class of equity referred to as special capital contribution.

On October 1, 2012, the Company entered into an agreement with MGA whereby MGA would manage and operate Resorts Casino Hotel (the "Management Agreement") for a minimum term of five years. MGA is compensated for its services under the Management Agreement with a base fee calculated as a percentage of net revenues and paid on a monthly basis. The Management Agreement also allows for an incentive fee paid annually based on annual EBITDA results as defined in the Management Agreement. The Management Agreement was amended effective October 14, 2015, which, among other things, extended the minimum term to December 31, 2019. The Company recorded \$777,000 and \$1.3 million for the three months ended September 30, 2018 and 2017, respectively, and \$2.2 million and \$3.1 million for the nine months ended September 30, 2018 and 2017, respectively in base and incentive fees related to the Management Agreement. As of September 30, 2018 and 2017, there was \$2.9 million and \$1.8 million respectively, of accrued incentive fees on the accompanying balance sheets.

An affiliate of the Company with the same ownership, Resorts Digital Gaming, LLC, operates real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-18-008) issued to the Company. The Company provides Resorts Digital Gaming, LLC with administrative services such as payroll, accounting, risk management, legal, treasury, and information systems in return for a fee pursuant to a Shared Services Agreement. Agreements with Rational Services Limited ("Rational") and Sportech-NYX Gaming, LLC ("NYX") and the Company were assigned to Resorts Digital Gaming, LLC, which qualifies as an "Affiliated Company" as that term is defined and the Company has executed all documents required in to effectuate the assignment in 2015.

**10. Other Accrued Expenses**

Components of other accrued expenses were as follows at September 30, (in thousands):

	<u>2018</u>	<u>2017</u>
Payroll and related costs	\$ 6,134	\$ 7,811
Capital liability	210	1,007
Unredeemed incentives	1,951	1,928
Management Fees	2,935	1,820
Property taxes	537	-
Utilities	469	424
Guest claims	258	339
Regulatory and state taxes	401	1,246
Other	1,302	1,115
	<u>\$ 14,197</u>	<u>\$ 15,690</u>

**11. Commitments and Contingencies**

**Litigation**

There are other 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 will not have a material effect on the Company's financial position or results of operations.



**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Commitments**

All the Atlantic City casino properties (“AC Industry”) and the CRDA were required by law to enter 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 expired on December 31, 2016. The agreement provided that in exchange for funding the ACA would create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5.0 million as of December 31, 2011 and was required to continue to pay \$30.0 million annually for the term of the agreement. Each payment was allocated to the AC Industry based on each casino’s prorated share of gross gaming revenues from the preceding period. In November 2014, the ACA board voted unanimously to request the state legislature to disband the ACA in light of then pending legislation to divert the Industry’s combined \$30.0 million yearly ACA contributions to fund a portion of the city’s budget in addition to the PILOT payments required of casino licensees.

As stated above in Note 5, on May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implemented the PILOT program. The legislation permits CRDA to cancel the agreement with casino licensees removing the obligation to fund the functions that were previously supported by their contributions to the ACA and diverts the funding for calendar years 2015 to 2023 to payments under the PILOT program. The Company is responsible for its pro-rata share of \$10.0 million in 2018.

The Company pays a guaranteed minimum payment of \$1.0 million per year to Margaritaville of Atlantic City, LLC, (“Margaritaville”) a subsidiary of Margaritaville Enterprises, LLC, an owner, operator and licensor of multiple Margaritaville restaurants in the United States. In addition, the Company may pay up to \$2.0 million additional per year if annual gross revenues exceed certain thresholds.

**12. Subsequent Events**

The Company completed its subsequent events review through November 15, 2018 the date on which the financial statements were issued. No subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.