

**DGMB CASINO, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 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 DECEMBER 31, 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	\$13,927	\$11,668
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$1,589; 2017, \$1,180).....	2, 3, 9	16,063	14,197
4	Inventories	2	1,538	1,621
5	Other Current Assets.....	4	2,751	1,848
6	Total Current Assets.....		34,279	29,334
7	Investments, Advances, and Receivables.....	5	1,874	560
8	Property and Equipment - Gross.....	2, 6	188,002	170,908
9	Less: Accumulated Depreciation and Amortization.....		(53,002)	(43,427)
10	Property and Equipment - Net.....		135,000	127,481
11	Other Assets.....	2, 7	3,824	3,820
12	Total Assets.....		\$174,977	\$161,195
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,744	\$7,214
14	Notes Payable.....	8	3,000	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	4,705	4,783
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	2, 9, 10	13,888	12,460
19	Other Current Liabilities.....		3,453	2,364
20	Total Current Liabilities.....		33,790	26,821
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	0
22	External.....	8	29,283	34,131
23	Deferred Credits		3,930	2,790
24	Other Liabilities.....		677	692
25	Commitments and Contingencies.....	13	0	0
26	Total Liabilities.....		67,680	64,434
27	Stockholders', Partners', or Proprietor's Equity.....		107,297	96,761
28	Total Liabilities and Equity.....		\$174,977	\$161,195

* Prior year amounts have been 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 TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 * (d)
	Revenue:			
1	Casino.....	2	\$117,610	\$124,694
2	Rooms.....		27,029	25,617
3	Food and Beverage.....		18,736	17,402
4	Other.....		8,356	8,958
5	Net Revenue.....		171,731	176,671
	Costs and Expenses:			
6	Casino.....	2	84,405	89,717
7	Rooms, Food and Beverage.....		12,715	11,806
8	General, Administrative and Other.....	2, 12	52,075	51,983
9	Total Costs and Expenses.....		149,195	153,506
10	Gross Operating Profit.....		22,536	23,165
11	Depreciation and Amortization.....	6	9,559	9,557
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	2,866	3,730
13	Other.....			
14	Income (Loss) from Operations.....		10,111	9,878
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	0
16	Interest Expense - External.....	8	(2,222)	(1,398)
17	CRDA Related Income (Expense) - Net.....	5	580	(1,383)
18	Nonoperating Income (Expense) - Net.....		5,457	607
19	Total Other Income (Expenses).....		3,815	(2,174)
20	Income (Loss) Before Taxes		13,926	7,704
21	Provision (Credit) for Income Taxes.....	11	1,142	(71)
22	Net Income (Loss).....		\$12,784	\$7,775

* Prior year amounts have been restated to conform with current year presentation.

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DGMB CASINO, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 * (d)
	Revenue:			
1	Casino.....	2	\$26,812	\$28,382
2	Rooms.....		6,417	5,749
3	Food and Beverage.....		4,635	4,306
4	Other.....		1,452	1,870
5	Net Revenue.....		39,316	40,307
	Costs and Expenses:			
6	Casino.....	2	21,225	22,028
7	Rooms, Food and Beverage.....		2,838	2,643
8	General, Administrative and Other.....	2, 12	12,641	12,778
9	Total Costs and Expenses.....		36,704	37,449
10	Gross Operating Profit.....		2,612	2,858
11	Depreciation and Amortization.....	6	2,268	2,500
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	644	630
13	Other.....			
14	Income (Loss) from Operations.....		(300)	(272)
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	7,532
16	Interest Expense - External.....	8	(603)	(625)
17	CRDA Related Income (Expense) - Net.....	5	1,160	(627)
18	Nonoperating Income (Expense) - Net.....		1,061	(406)
19	Total Other Income (Expenses).....		1,618	5,874
20	Income (Loss) Before Taxes		1,318	5,602
21	Provision (Credit) for Income Taxes.....	11	600	(73)
22	Net Income (Loss).....		\$718	\$5,675

* Prior year amounts have been restated to conform with current year presentation.

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Special Capital Contribution (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2016.....		\$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	Balance, December 31, 2017.....		35,078	(22,409)	84,092	96,761
11	Net Income (Loss) - 2018.....			12,784		12,784
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	Balance, December 31, 2018.....		\$35,078	(\$9,625)	\$81,844	\$107,297

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 TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$24,258	\$18,253
	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.....		(17,094)	(18,527)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(2,292)	(2,348)
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		1,561	2,465
11				
12	Net Cash Provided (Used) By Investing Activities.....		(17,825)	(18,410)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		3,000	0
14	Payments to Settle Short-Term Debt.....		(5,000)	(20,122)
15	Proceeds from Long-Term Debt		0	48,000
16	Costs of Issuing Debt.....		74	(522)
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		0	(29,069)
21	Net borrowings from (to) related party		0	0
22	Special Capital Distribution, net		(2,248)	0
23	Net Cash Provided (Used) By Financing Activities.....		(4,174)	(1,713)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		2,259	(1,870)
25	Cash and Cash Equivalents at Beginning of Period.....		11,668	13,538
26	Cash and Cash Equivalents at End of Period.....		\$13,927	\$11,668
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,892	\$594
28	Income Taxes.....		\$542	\$2

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 TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 * (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$12,784	\$7,775
30	Depreciation and Amortization of Property and Equipment.....		9,574	9,572
31	Amortization of Other Assets.....		(15)	(15)
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent		1,140	(230)
35	(Gain) Loss on Disposition of Property and Equipment.....		0	397
36	(Gain) Loss on CRDA-Related Obligations.....		(580)	1,383
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(2,275)	2,793
39	(Increase) Decrease in Inventories		83	(221)
40	(Increase) Decrease in Other Current Assets.....		(903)	160
41	(Increase) Decrease in Other Assets.....		(4)	39
42	Increase (Decrease) in Accounts Payable.....		1,531	(390)
43	Increase (Decrease) in Other Current Liabilities		2,513	(4,246)
44	Increase (Decrease) in Other Liabilities		0	0
45	Decrease in Due from Affiliate / Receivables		410	1,236
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$24,258	\$18,253

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$17,094)	(\$18,527)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$17,094)	(\$18,527)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

* Prior year amounts have been restated to conform with current year presentation.

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

DGMB CASINO, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 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	202,793	\$14,313	0	\$0
2	Food	269,324	6,230	439,166	6,839
3	Beverage	880,476	5,713	0	0
4	Travel	0	0	18,840	1,087
5	Bus Program Cash	5,745	708	0	0
6	Promotional Gaming Credits	756,333	29,734	0	0
7	Complimentary Cash Gifts	96,148	5,429	0	0
8	Entertainment	11,401	1,232	1,033	129
9	Retail & Non-Cash Gifts	0	0	48,756	5,603
10	Parking	0	0	332,281	1,323
11	Other	6,865	97	47,251	930
12	Total	2,229,085	\$63,456	887,327	\$15,911

FOR THE THREE MONTHS ENDED DECEMBER 31, 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	46,905	\$3,319	0	\$0
2	Food	65,277	1,098	105,471	1,641
3	Beverage	213,251	1,384	0	0
4	Travel	0	0	5,801	340
5	Bus Program Cash	1,354	142	0	0
6	Promotional Gaming Credits	162,138	7,724	0	0
7	Complimentary Cash Gifts	28,158	2,045	0	0
8	Entertainment	3,222	435	190	24
9	Retail & Non-Cash Gifts	0	0	15,674	1,798
10	Parking	0	0	65,894	260
11	Other	1,424	21	12,251	55
12	Total	521,729	\$16,168	205,281	\$4,118

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

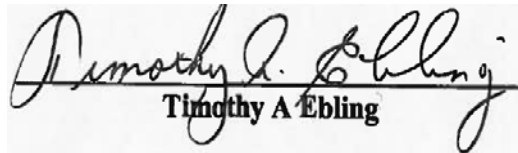
DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 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.

4/30/2019

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 December 31, 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:

Asset Class	Useful Life
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 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

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 December 31, 2018 and 2017, the "Cash Back" liability was \$171,000 and \$56,000, 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 December 31, 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 \$934,000 and \$1.0 million for the three months ended December 31, 2018 and 2017, respectively, and \$4.4 million and \$4.5 million for the twelve months ended December 31, 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 \$3.1 million and \$3.1 million for the three months ended December 31, 2018 and 2017, respectively, and \$13.0 million and \$13.5 million for the twelve months ended December 31, 2018 and 2017, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

Multiemployer Benefit Plans

Certain employees of the Company are covered by union sponsored, collectively bargained, health and welfare plans. The contributions for these plans totaled \$2.1 million and \$2.0 million for the three months ended December 31, 2018 and 2017, respectively and \$8.5 million and \$8.0 million for the twelve months ended December 31, 2018 and 2017, respectively, and were included in total costs and expenses in the accompanying statements of income.

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

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.

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize net deferred tax assets in the future in excess of their recorded amount, an adjustment to the deferred tax asset valuation allowance would be made, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 - *Income Taxes* on the basis of a two-step process in which (1) determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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.

Recent Accounting Pronouncements

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU is effective for fiscal years beginning after December 15, 2018, using one of two retrospective application methods. The Company has determined it will adopt this ASU on January 1, 2019 using the full retrospective method, which will require restatement of each prior reporting period to be presented. The Company has concluded that the most significant impact resulting from the adoption of ASC 606 will be a change in the reporting of rewards earned and redeemed by our customers under our loyalty programs. Currently, when a customer redeems their loyalty program points, the Company records non-gaming complimentary revenue, with a corresponding deduction for promotional allowance. Under the new accounting standard, points earned by our customers as a result of their gaming activity will create a separate performance obligation, which will require the allocation of a portion of the gaming revenue to that obligation. Under ASC 606, when the customer redeems the points and the performance obligation is fulfilled by the Company, revenue will be recognized in the venue that provides the goods or services (for example, hotel, food, beverage, or other). Further, the loyalty program liabilities, which are currently measured at the estimated cost of the benefits, will be measured at the expected retail value of the points under ASC 606. In addition, adjustments resulting from the implementation of ASC 606 will require reclassifications between gaming revenue and promotional allowances. The primary impact of these reclassifications will be a reduction in gaming revenue by the approximate amount of previously reported promotional allowances, but will not materially change the amount of net revenues.

Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU 2015-17, which requires that deferred tax liabilities and assets be presented in the balance sheet as noncurrent. The ASU is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2016 and early adoption is permitted. The Company adopted this ASU during the year ended December 31, 2017.

Accounting Standards Update 2015-11, Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU No. 2015-11, which amends FASB ASU Topic 330, Inventory. This ASU requires entities to measure inventory at the lower of cost or net realizable value and eliminates the option that currently exists for measuring inventory at market value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. This ASU is effective for fiscal years beginning after December 15, 2016. This ASU should be applied prospectively with earlier application permitted as of the beginning of an interim period or annual reporting period. The Company adopted this ASU during the year ended December 31, 2017.

Accounting Standards Update 2016-02, Leases

In February 2016, the FASB issued guidance, which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is evaluating the impact of the adoption of this guidance on the financial statements and footnote disclosures.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)

In August 2016, the FASB issued guidance intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows, specifically clarifying the guidance on eight cash flow issues. The effective date is for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company is evaluating the impact of the adoption on the financial statements and footnote disclosures.

3. Receivables

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

	<u>2018</u>	<u>2017</u>
Gaming	\$ 5,345	\$ 3,947
Less: allowance for doubtful accounts	(1,283)	(1,002)
	<u>4,062</u>	<u>2,945</u>
Non-gaming:		
Hotel and related	1,634	986
Less: allowance for doubtful accounts	(306)	(178)
EDA Fund Receivable	467	478
Tenant Receivable	512	941
Intercompany	7,880	8,289
Other	<u>1,814</u>	<u>736</u>
	12,001	11,252
Receivables, net	<u>\$ 16,063</u>	<u>\$ 14,197</u>

4. Other Current Assets

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

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 626	\$ 443
Prepaid casino license	373	379
Prepaid maintenance agreements	500	569
Prepaid sewer	95	97
Prepaid miscellaneous	334	200
Other prepaid expenses and current assets	<u>823</u>	<u>160</u>
	<u>\$ 2,751</u>	<u>\$ 1,848</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 or effective 2017, be used to fund the PILOT. 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 December 31, (in thousands):

	2018	2017
Deposits, net of valuation allowance for \$1,538 and \$958 at December 31, 2018 and 2017, respectively	\$ 1,393	\$ 78
CRDA Bonds, net of valuation allowance for \$7,850 and \$7,850 at December 31, 2018 and 2017, respectively	481	482
	\$ 1,874	\$ 560

The Company records expense to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were (\$1,160,000) and \$627,000 for the three months ended December 31, 2018 and 2017, respectively, and (\$580,000) and \$1,383,000 for the twelve months ended December 31, 2018 and 2017, respectively. CRDA expense is included in other income (expenses) in the accompanying statements of income.

The funds on deposit are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to reflect their future value to the Company. Once CRDA Bonds are issued, they are recorded at a discount to approximate fair value. 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.

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, additional valuation allowances will be recorded. During 2018, the Company received a bond redemption totaling approximately \$4.2 million, which is included in non-operating income on the accompanying statements of income.

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 December 31, (in thousands):

	<u>2018</u>	<u>2017</u>
Land	\$ 11,842	\$ 11,643
Hotels and other buildings	119,469	104,843
Furniture, fixtures and equipment	52,857	51,794
Construction in progress	<u>3,834</u>	<u>2,628</u>
	188,002	170,908
Less: accumulated depreciation	<u>(53,002)</u>	<u>(43,427)</u>
Net property and equipment	<u>\$ 135,000</u>	<u>\$ 127,481</u>

Depreciation expense was \$2.3 million and \$2.5 million for the three months ended December 31, 2018 and 2017, respectively, and \$9.6 million and \$9.6 million for the twelve months ended December 31, 2018 and 2017, respectively. Depreciation expense is included in depreciation and amortization in the accompanying statements of income.

7. Intangible Assets

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at \$3.3 million on December 31, 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 (“Original Key Loan”) which was accessed in March 2017 for a total borrowing of \$20 million. On December 21, 2017 the Original Key Loan was paid off as the Company entered into a new five-year \$60 million variable rate credit facility with Key Bank (“Key Bank 60”) consisting of a \$40 million term loan, a \$10 million line of credit and an option for an additional \$10 million term loan. The credit facility requires the Company to receive approval for individual borrowings as well as comply with various covenants. The term loan has a first lien on all assets of the Company. Interest is due monthly at LIBOR plus 2.50% (rate is variable between a range of 2.25% - 2.75% depending on a quarterly ratio test) with quarterly principal payments of \$1.25 million and a balloon payment due December 21, 2022. Monthly interest and quarterly principal payments have been made as required. As of December 31, 2018, there was \$35 million outstanding on the term loan and \$3 million outstanding on the line of credit. The Company was in compliance with or received waivers for all covenants at December 31, 2018. In March 2019, the Company withdrew an additional \$5 million from the line of credit.

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 \$644,000 and \$630,000 for the three months ended December 31, 2018 and 2017, respectively, and \$2.9 million and \$3.7 million for the twelve months ended December 31, 2018 and 2017, respectively in base and incentive fees related to the Management Agreement. As of December 31, 2018 and 2017, there was \$3.0 million and \$2.0 million respectively, of accrued incentive fees on the accompanying balance sheets.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

An affiliate of the Company with the same ownership, Resorts Digital Gaming, LLC, operates real money online gaming in New Jersey under an Internet Gaming Permit 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. The Company allocated \$785,000 and \$735,000 in 2018 and 2017, respectively, as a result of this agreement with Resorts Digital Gaming, LLC. Agreements with TSG Services US Limited (formerly Rational Services Limited) (“Rational”) and NYX Digital Gaming (USA) LLC (formerly Sportech-NYX Gaming, LLC) (“NYX”) and the Company were assigned to Resorts Digital Gaming, LLC, which qualifies as an “Affiliated Company” as that is a defined term in each of the agreements and the Company has executed all documents required in to effectuate the assignment in 2015.

In addition, on November 9, 2018, the Company entered into a sports book agreement with Crown NJ Gaming, Inc., a Delaware corporation, d/b/a/ DraftKings (“DraftKings”), whereby the Company licensed said third party to operate a retail sports book at Resorts Casino Hotel, known as “DraftKings Sports Book at Resorts” utilizing the Sports Wagering License of affiliate Resorts Digital Gaming, LLC.

Amounts due from Resorts Digital Gaming, LLC totaled \$7.9 million and \$8.3 million at December 31, 2018 and 2017, respectively, and are included in due from affiliate on the accompanying balance sheets.

10. Other Accrued Expenses

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

	<u>2018</u>	<u>2017</u>
Payroll and related costs	\$ 5,852	\$ 5,126
Capital liability	108	595
Unredeemed incentives	1,951	1,778
Management Fees	3,303	2,290
Utilities	326	335
Guest claims	176	307
Regulatory and state taxes	497	729
Other	1,675	1,300
	<u>\$ 13,888</u>	<u>\$ 12,460</u>

11. Income Taxes

The Company is subject to the State of New Jersey Income Tax and, as noted above, is not subject to federal income taxes. The Company is required to file a New Jersey consolidated return with other affiliates that conduct business with the casino. We calculate the provision for income taxes by using a “separate return” method. Under this method, we are assumed to file a separate return with the tax authority, thereby reporting our taxable income or loss and paying the applicable tax to or receiving the appropriate refund without our affiliates. Our current provision reflects the amount of tax payable or refundable based on a hypothetical, current-year separate return. We provide deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical separate return and assess the need for a valuation allowance based on our projected separate return results.

The components of income taxes for the years ended December 31, 2018 and 2017 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Current	\$ 2	\$ 2
Deferred	1,140	(73)
Income tax benefit (provision)	<u>\$ 1,142</u>	<u>\$ (71)</u>

The differences between income taxes expected at the New Jersey statutory income tax rate of 9% and the reported income tax provision is the Company’s valuation allowance on the deferred tax asset.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

The Company's deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Total deferred tax assets	\$ 5,727	\$ 5,145
Total deferred tax liabilities	(7,099)	(4,966)
Valuation allowance	(2,558)	(2,969)
Total deferred tax liability, net	\$ <u>(3,930)</u>	\$ <u>(2,790)</u>

12. Leases

Operating Leases –

The Company leases real estate and equipment for use in its business through operating leases. Future minimum rental commitments for non-cancelable leases, including renewal options and capital leases, as of December 31, 2018, are as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Operating Lease</u> <u>Obligations</u>
2019	\$ 330
2020	330
2021	330
2022	330
2023	330
Thereafter	<u>12,103</u>
	<u>\$ 13,753</u>

Scheduled rent increases are expensed on a straight-line basis primarily over the life of the applicable lease. Rental expense, including short-term rentals of gaming equipment and billboards, totaled \$4.2 million and \$5.0 million for the years ended December 31, 2018 and 2017, respectively and is included in general, administrative and other of the accompanying statements of income.

The Company rents space in its facility to third party tenants that sell retail and food and beverage products that complement the Company's offerings. Third party tenant income totaled \$3.3 million and \$3.2 million for the years ended December 31, 2018 and 2017, respectively and is included in other revenue of the accompanying statements of income.

Future minimum rental income for non-cancellable leases, including renewal options as of December 31, 2018 and 2017, were as follows:

<u>Years Ending December 31,</u>	<u>Rental Income</u>
2019	\$ 2,931
2020	2,370
2021	2,370
2022	2,370
2023	1,204
Thereafter	<u>0</u>
	<u>\$ 11,245</u>

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

13. 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.

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 diverted the future payments to the PILOT program which were an industry combined \$15 million for calendar year 2017 and \$10 million for calendar year 2018.

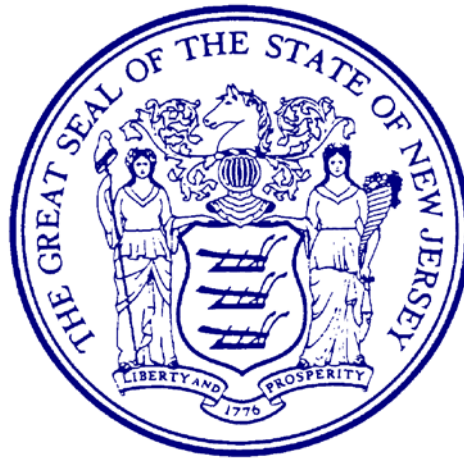
The Company pays a guaranteed minimum payment of \$1.0 million per year to Margaritaville of Atlantic City, LLC, ("Margaritaville") a subsidiary of Margaritaville Enterprises, LLC, an owner, operator and licensor of multiple Margaritaville restaurants in the United States. In addition, the Company may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

14. Subsequent Events

The Company completed its subsequent events review through April 1, 2019 the date on which the financial statements were issued. In March 2019, the Company withdrew \$5 million from the line of credit with Key Bank ("Key Bank 60"). No other subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.

DGMB CASINO, LLC
ANNUAL FILINGS
FOR THE PERIOD DECEMBER 31, 2018

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 YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,489		
2	Returned Patrons' Checks.....	1,857		
3	Total Patrons' Checks.....	5,346	\$1,283	\$4,063
4	Hotel Receivables.....	2,243	306	\$1,937
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	7,880		
7	Other Accounts and Notes Receivables.....	2,183		
8	Total Other Receivables.....	10,063		\$10,063
9	Totals (Form DGE-205).....	\$17,652	\$1,589	\$16,063

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$2,613
11	Counter Checks Issued.....	88,177
12	Checks Redeemed Prior to Deposit.....	(70,835)
13	Checks Collected Through Deposits.....	(14,588)
14	Checks Transferred to Returned Checks.....	(1,806)
15	Other Adjustments.....	(72)
16	Ending Balance.....	\$3,489
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,285
19	Provision as a Percent of Counter Checks Issued.....	1.5%

DGMB CASINO, LLC

ANNUAL EMPLOYMENT AND PAYROLL REPORT *

AT DECEMBER 31, 2018

(\$ 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	409			
2	Slot Machines	46			
3	Administration	10			
4	Casino Accounting	79			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	544	\$11,345		\$11,345
8	ROOMS	208	4,939		4,939
9	FOOD AND BEVERAGE	481	8,620		8,620
10	GUEST ENTERTAINMENT	103	1,230		1,230
11	MARKETING	116	5,014		5,014
12	OPERATION AND MAINTENANCE	179	4,054		4,054
13	Executive Office	14	3,164		3,164
14	Accounting and Auditing	40	1,513		1,513
15	Security	140	4,301		4,301
16	Other Administrative and General	45	4,798		4,798
17	OTHER OPERATED DEPARTMENTS:				0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	1,870	\$48,978	\$0	\$48,978

* Includes employees of Resorts Digital Gaming, LLC