

**RESORTS DIGITAL GAMING, 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**

# RESORTS DIGITAL GAMING, 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.....		\$15,784	\$7,394
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$608 ; 2017, \$427).....		1,798	10,223
4	Inventories .....		0	0
5	Other Current Assets.....		938	20
6	Total Current Assets.....		18,520	17,637
7	Investments, Advances, and Receivables.....		0	354
8	Property and Equipment - Gross.....		43	0
9	Less: Accumulated Depreciation and Amortization.....		(3)	0
10	Property and Equipment - Net.....		40	0
11	Other Assets.....			
12	Total Assets.....		\$18,560	\$17,991
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,168	\$2,419
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....		2,492	1,023
19	Other Current Liabilities.....		13,363	4,939
20	Total Current Liabilities.....		19,023	8,381
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....		30,363	31,231
24	Other Liabilities.....		8,497	8,812
25	Commitments and Contingencies.....			
26	Total Liabilities.....		57,883	48,424
27	Stockholders', Partners', or Proprietor's Equity.....		(39,323)	(30,433)
28	Total Liabilities and Equity.....		\$18,560	\$17,991

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 NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 1/30/2019

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$21,305	\$18,657
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		1,136	12,076
5	Net Revenue.....		22,441	30,733
	Costs and Expenses:			
6	Casino.....		10,253	8,090
7	Rooms, Food and Beverage.....			
8	General, Administrative and Other.....		10,557	8,580
9	Total Costs and Expenses.....		20,810	16,670
10	Gross Operating Profit.....		1,631	14,063
11	Depreciation and Amortization.....		3	0
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....		577	552
14	Income (Loss) from Operations.....		1,051	13,511
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....		(653)	(873)
18	Nonoperating Income (Expense) - Net.....		0	2,550
19	Total Other Income (Expenses).....		(653)	1,677
20	Income (Loss) Before Taxes .....		398	15,188
21	Provision (Credit) for Income Taxes.....			
22	Net Income (Loss).....		\$398	\$15,188

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 SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Amended 1/30/2019

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....		\$7,727	\$6,418
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		739	11,002
5	Net Revenue.....		8,466	17,420
	Costs and Expenses:			
6	Casino.....		3,478	2,541
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		2,933	2,696
9	Total Costs and Expenses.....		6,411	5,237
10	Gross Operating Profit.....		2,055	12,183
11	Depreciation and Amortization.....		1	0
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....		209	184
14	Income (Loss) from Operations.....		1,845	11,999
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....		(226)	(429)
18	Nonoperating Income (Expense) - Net.....		0	850
19	Total Other Income (Expenses).....		(226)	421
20	Income (Loss) Before Taxes .....		1,619	12,420
21	Provision (Credit) for Income Taxes.....			
22	Net Income (Loss).....		\$1,619	\$12,420

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, 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 Equity Distribution (e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2016.....</b>		\$5,000	(\$2,971)	(\$45,100)	(\$43,071)
2	Net Income (Loss) - 2017.....			11,219		11,219
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....				(9,000)	(9,000)
6	Prior Period Adjustments.....					0
7	Special Capital Contribution				1,131	1,131
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2017.....</b>		5,000	8,248	(52,969)	(39,721)
11	Net Income (Loss) - 2018.....			398		398
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	<b>Balance, September 30, 2018.....</b>		\$5,000	\$8,646	(\$52,969)	(\$39,323)

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 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..		\$8,490	\$6,199
	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.....		(43)	0
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(818)	(525)
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.....		(861)	(525)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			(800)
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			(800)
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 .....		207	0
22	Increase in Interest Due from Affiliates .....		0	(2,550)
23	Net Cash Provided (Used) By Financing Activities.....		207	(4,150)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		7,836	1,524
25	Cash and Cash Equivalents at Beginning of Period.....		7,948	5,870
26	Cash and Cash Equivalents at End of Period.....		\$15,784	\$7,394
	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 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).....		\$398	\$15,188
30	Depreciation and Amortization of Property and Equipment.....		3	0
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.....		653	873
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(338)	(9,809)
39	(Increase) Decrease in Inventories .....			
40	(Increase) Decrease in Other Current Assets.....		(888)	(20)
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		160	454
43	Increase (Decrease) in Other Current Liabilities .....		9,244	639
44	Increase (Decrease) in Other Liabilities .....		(742)	(1,126)
45	Increase (Decrease) in Intercompany Payable .....			
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$8,490	\$6,199

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$43)	\$0
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$43)	\$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 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				
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	125,940	5,170		
12	Total	125,940	\$5,170	0	\$0

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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				
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	38,351	1,445		
12	Total	38,351	\$1,445	0	\$0

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



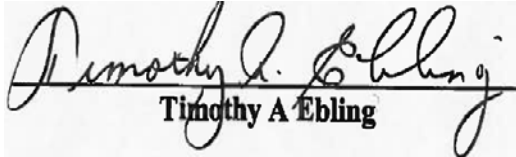
**RESORTS DIGITAL GAMING, LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

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:

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 on August 12, 2015 by the State of New Jersey Casino Control Commission ("Commission") and, as an Internet Gaming Affiliate of DGMB Casino, LLC ("Resorts"), has been authorized by the State of New Jersey Division of Gaming Enforcement ("DGE") to operate real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-18-008) issued to Resorts. Resorts operates Resorts Casino Hotel located in Atlantic City, NJ.

The Company operates the ResortsCasino.com, MoheganSunCasino.com and PokerStarsNJ.com websites which were approved by the DGE.

**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(k), 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 September 30, 2018 and 2017 is \$12.6 and \$3.9 million, respectively. Unrestricted cash balance at September 30, 2018 and 2017 is \$3.2 and \$3.5 million, respectively.

**Receivables**

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

**Allowance for Doubtful Accounts**

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

**Deferred Revenue**

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

**Revenue Recognition**

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

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

**Loyalty Program**

The Company customer loyalty program offers incentives to customers. Under the program, customers are able to accumulate points over time that they may redeem at their discretion under the terms of the program. The points will expire 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 reduction in gaming revenue in the statements of income.

**Gaming Tax**

The Company remits monthly to the State of New Jersey a tax equal to 15% of gross internet gaming revenue, as defined. Gaming tax expense for the three months ended September 30, 2018 and 2017 was \$1.4 million and \$1.2 million, respectively, and for the nine months ended September 30, 2018 and 2017 were \$3.9 million and \$3.4 million, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

**Income Taxes**

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

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in the provision for income taxes.

**Use of Estimates**

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

**3. Receivables**

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

	<u>2018</u>	<u>2017</u>
Gaming Related	\$ 644	\$ 479
Less reserve	(608)	(427)
Other Receivable	1,762	10,171
Receivables, net	<u>\$ 1,798</u>	<u>\$ 10,223</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, and information systems in return for a fee pursuant to the Shared Services Agreement. This fee for the three months ended September 30, 2018 and 2017 was \$209,000 and \$184,000, respectively, and for the nine months ended September 30, 2018 and 2017 was \$577,000 and \$552,000, respectively, and is included in general, administrative and other in the accompanying statements of operations.

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

During 2015, agreements with TSG Interactive US Services Limited (formerly Rational Services Limited) (“Rational”) and NYX Digital Gaming (USA), LLC (formerly Sportech-NYX Gaming, LLC) (“NYX”) and Resorts, which is an “Affiliated Company” as that term is defined in each of the agreements, were assigned to the Company. Between 2013 and 2015, the Company received cash advances which will be earned and recognized as revenue, based upon various events and conditions, over the next ten years.

Between 2013 and 2015, the Company transferred the aforementioned advances to an affiliate and were recorded as due from affiliates as of December 31, 2016, on the accompanying Statement of Changes in Members’ Deficit. Effective January 1, 2017, Holding entered into the First Amendment to the Second Amended and Restated Limited Liability Company Agreement which, among other things, converted the balance due from affiliate to a class of equity referred to as special capital distribution.

**5. Casino Reinvestment Development Authority**

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

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

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

**6. Other Current Liabilities**

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

	<u>2018</u>	<u>2017</u>
Patron Deposits	\$ 12,067	\$ 4,458
Other	1,296	481
	<u>\$ 13,363</u>	<u>\$ 4,939</u>

**7. Commitments and Contingencies**

**Litigation**

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

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

**Commitments**

The Company has an agreement with Rational to provide the operation of and marketing strategy for online gaming in New Jersey for peer to peer poker and casino games. As discussed in Note 4, Rational has made advance payments that are recorded as deferred credits on the accompanying balance sheets.

The Company has an agreement with NYX to serve as its platform provider and casino games content developer for the ResortsCasino.com and MoheganSunCasino.com online gaming sites. In September 2017 the agreement was modified that, among other things, settled a non-interest bearing note, accelerated certain guarantees, and increased future operational costs.

**8. Subsequent Events**

The Company completed its subsequent events review through November 15, 2018, the date on which the financial statements were available to be issued.

No other subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.