

**RESORTS DIGITAL GAMING, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 2019

**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 DECEMBER 31, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$35,253	\$21,394
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, \$848 ; 2018, \$628).....	2, 3	5,456	1,909
4	Inventories			
5	Other Current Assets.....		78	661
6	Total Current Assets.....		40,787	23,964
7	Investments, Advances, and Receivables.....			
8	Property and Equipment - Gross.....		66	45
9	Less: Accumulated Depreciation and Amortization.....		(26)	(6)
10	Property and Equipment - Net.....		40	39
11	Other Assets.....			
12	Total Assets.....		\$40,827	\$24,003
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$2,191	\$3,115
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.....		3,447	2,131
19	Other Current Liabilities.....	6	34,685	18,032
20	Total Current Liabilities.....		40,323	23,278
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....			
23	Deferred Credits	2, 10	30,170	30,582
24	Other Liabilities.....	4	7,104	7,880
25	Commitments and Contingencies.....			
26	Total Liabilities.....		77,597	61,740
27	Stockholders', Partners', or Proprietor's Equity.....		(36,770)	(37,737)
28	Total Liabilities and Equity.....		\$40,827	\$24,003

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 TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....	2	\$35,101	\$29,333
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		610	801
5	Net Revenue.....		35,711	30,134
	Costs and Expenses:			
6	Casino.....	2	16,943	13,408
7	Rooms, Food and Beverage.....			
8	General, Administrative and Other.....		10,250	13,097
9	Total Costs and Expenses.....		27,193	26,505
10	Gross Operating Profit.....		8,518	3,629
11	Depreciation and Amortization.....		20	6
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	4	785	785
14	Income (Loss) from Operations.....		7,713	2,838
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....	5	(900)	(854)
18	Nonoperating Income (Expense) - Net.....			0
19	Total Other Income (Expenses).....		(900)	(854)
20	Income (Loss) Before Taxes		6,813	1,984
21	Provision (Credit) for Income Taxes.....	7	846	272
22	Net Income (Loss).....		\$5,967	\$1,712

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 DECEMBER 31, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....	2	\$9,462	\$8,028
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		144	(335)
5	Net Revenue.....		9,606	7,693
	Costs and Expenses:			
6	Casino.....	2	4,541	3,155
7	Rooms, Food and Beverage.....			
8	General, Administrative and Other.....		2,065	2,540
9	Total Costs and Expenses.....		6,606	5,695
10	Gross Operating Profit.....		3,000	1,998
11	Depreciation and Amortization.....		5	3
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	4	196	208
14	Income (Loss) from Operations.....		2,799	1,787
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....	5	(224)	(201)
18	Nonoperating Income (Expense) - Net.....			0
19	Total Other Income (Expenses).....		(224)	(201)
20	Income (Loss) Before Taxes		2,575	1,586
21	Provision (Credit) for Income Taxes.....	7	846	272
22	Net Income (Loss).....		\$1,729	\$1,314

The accompanying notes are an integral part of the financial statements.
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RESORTS DIGITAL GAMING, LLC

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 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	Balance, December 31, 2017.....		\$5,000	\$8,248	(\$52,969)	(\$39,721)
2	Net Income (Loss) - 2018.....			1,712		1,712
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Contribution				272	272
8						0
9						0
10	Balance, December 31, 2018.....		5,000	9,960	(52,697)	(37,737)
11	Net Income (Loss) - 2019.....			5,967		5,967
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....				(5,846)	(5,846)
15	Prior Period Adjustments.....					0
16	Special Capital Contribution				846	846
17						0
18						0
19	Balance, December 31, 2019.....		\$5,000	\$15,927	(\$57,697)	(\$36,770)

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 TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$22,551	\$14,079
	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.....		(21)	(45)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(2,825)	(588)
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.....		(2,846)	(633)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		(5,846)	0
21	Net Proceeds/Payments related party			
22	Increase in Interest Due from Affiliates			
23	Net Cash Provided (Used) By Financing Activities.....		(5,846)	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		13,859	13,446
25	Cash and Cash Equivalents at Beginning of Period.....		21,394	7,948
26	Cash and Cash Equivalents at End of Period.....		\$35,253	\$21,394
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....		\$0	\$0

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 TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$5,967	\$1,712
30	Depreciation and Amortization of Property and Equipment...		20	6
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.....		900	855
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,622)	(786)
39	(Increase) Decrease in Inventories			
40	(Increase) Decrease in Other Current Assets.....		584	(611)
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		(924)	107
43	Increase (Decrease) in Other Current Liabilities		17,969	13,456
44	Increase (Decrease) in Other Liabilities		(413)	(522)
45	Increase (Decrease) in Intercompany Payable		(776)	(410)
46	Non cash tax expense		846	272
47	Net Cash Provided (Used) By Operating Activities.....		\$22,551	\$14,079

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$21)	(\$45)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$21)	(\$45)
	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

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

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019
(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	133,017	7,023		
12	Total	133,017	\$7,023	0	\$0

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

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	24,569	1,746		
12	Total	24,569	\$1,746	0	\$0

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

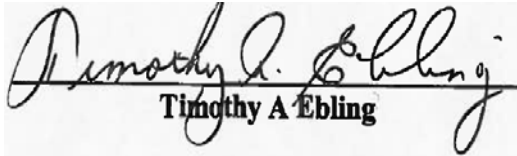
RESORTS DIGITAL GAMING, LLC STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2019

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:

RESORTS DIGITAL GAMING, LLC
Casino Licensee

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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 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 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 has agreements with certain providers of online gaming platforms who advanced funds for future revenues. Those advances were transferred to a related party and, as discussed below in Note 4, are included in the equity section of the balance sheet.

The Company operates the ResortsCasino.com, MoheganSunCasino.com and PokerStarsNJ.com websites, which were approved by the DGE. In 2018, legalized sports betting was approved in New Jersey. On May 21, 2018, the Company entered into an online gaming agreement with Crown NJ Gaming, Inc., a Delaware corporation, d/b/a DraftKings (“DraftKings”) whereby the Company licensed DraftKings to operate (i) an online casino website (with the exception of poker) utilizing the Company’s Internet Gaming Permit and (ii) an online sports betting website utilizing the Company’s Sports Wagering License. In addition, PokerStarsNJ.com and ResortsCasino.com offer sports betting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - 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.

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 December 31, 2019 and 2018 was \$33,581 and \$17,159, respectively. Unrestricted cash balance at December 31, 2019 and 2018 was \$1,672 and \$4,335, respectively.

Receivables - Receivables consist of amounts due from patrons and third-party processors and online gaming platforms. As of December 31, 2019, and 2018, there was \$5,349 and \$1,869, respectively, due from gaming platform providers. 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

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

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 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.

As of January 1, 2019, the Company adopted the provisions of FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Topic 606”), which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services.

The Company’s revenue contracts with customers consist of gaming wagers and other transactions. The transaction price for a gaming wager contract is the difference between gaming wins and losses, not the total amount wagered. Gaming wager contracts involve two performance obligations for those customers earning points under the Company’s players’ club and a single performance obligation for customers who don’t participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis because such wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with loyalty points earned, the Company allocates an amount to the loyalty credit liability based on the stand-alone selling price of the points earned. An amount is allocated to the gaming wager performance obligation using the residual approach because the stand-alone price for wagers is highly variable and no set established price exists for such wagers. The allocated revenue for gaming wagers is recognized when the wagers occur because all such wagers settle immediately. See Note 10 for additional disclosures regarding the contract and customer-related liabilities.

Loyalty Program - The Company’s customer loyalty program offers incentives to customers. Under the program, customers can accumulate points over time that they may redeem at their discretion under the terms of the program. The liability is included in accrued expenses and other current liabilities and was \$19 and \$13 at December 31, 2019 and 2018, respectively. The points expire if the customer does not earn points over a specified period from the date they were first earned. The points are recognized when issued and are recognized as a reduction in revenue on the statements of operations.

Gaming Tax - The Company remits monthly to the State of New Jersey a tax equal to 15% of gross internet gaming revenue and a tax equal to 13% of gross internet sports wagering revenue, as defined. Gaming tax expense was \$5,452 and \$5,126 for the twelve months ended December 31, 2019 and 2018, 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

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

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. Generally, the statute of limitations for examination of the Company's tax returns is open for years ended December 31, 2015 through the current year.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02 "Leases" which replaces the existing guidance in ASC 840 "Leases". The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. This standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Company is currently assessing the impact the adoption of this standard will have on its financial statements and footnote disclosures.

NOTE 3 - RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Gaming Related	\$ 955	\$ 639
Less reserve	(848)	(628)
Third Party Receivable	5,349	1,898
Receivables, net	<u>\$ 5,456</u>	<u>\$ 1,909</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

Resorts 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 was \$785 and \$785 for the twelve months ended December 31, 2019 and 2018, respectively, and is included in general, administrative and other in the accompanying statements of operations. The Company owed an affiliate, DGMB Casino, LLC, \$7,107 and \$7,880 as of December 31, 2019 and 2018, respectively, and is recorded as other liabilities.

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 \$32,000 in cash advances, which will be earned and recognized as revenue, based upon various events and conditions, over the next ten years. The company had approximately \$30,170 and \$30,582 recorded as deferred revenue as a result of these advances at December 31, 2019 and 2018, respectively.

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

NOTE 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 implemented a Payment in Lieu of Taxes Program (the “PILOT”). Commencing in 2017 and for a period of ten (10) years, each Atlantic City casino property owner would 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 has 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.

NOTE 6 – OTHER CURRENT LIABILITES

	2019	2018
Patron Deposits	\$ 33,488	\$ 16,992
Other	1,197	1,040
	\$ 34,685	\$ 18,032

Other current liabilities as of December 31 consisted of the following:

NOTE 7 – 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.

Components of income taxes for the years ended December 31, 2019 and 2018 were as follow:

	2019	2018
Current	\$ 846	\$ 272
Deferred	-	-
Income tax provision	\$ 846	\$ 272

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

The Company's deferred tax assets and liabilities as of December 31, 2019 and 2018 were as follows:

	2019	2018
Total deferred tax assets	\$ 2,078	\$ 2,144
Total deferred tax liabilities	(2)	-
Valuation allowance	(2,076)	(2,144)
Total deferred tax assets, net	\$ -	\$ -

The significant component of the deferred tax assets deferred revenue.

Net deferred tax assets have been reduced by a valuation allowance of \$2,076 and \$2,144 at December 31, 2019 and 2018, respectively. After consideration of all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations, the Company believes certain net deferred tax assets are not likely to be utilized. In the event the Company determines it would be able to realize these net deferred tax assets in the future in an amount different from their recorded amount, the Company would make an adjustment to the valuation allowance, which would be recorded through the provision for income taxes.

The Company did not have any net operating loss carryforward as of December 31, 2019. These financial statements are prepared on a separate company return approach; therefore, the net operating loss carryforward differs from the filed consolidated New Jersey income tax return.

The Company has not identified any uncertain tax positions to recognize as a liability as of December 31, 2019 and 2018.

NOTE 8 – 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.

NOTE 9 – LEASES

On November 15, 2017, the Company entered into a non-cancellable operating lease agreement with Bayport One, LLC c/o US Realty Management Company, LLC to rent office space for use in its business for a minimum of five years.

Future minimum rental commitments are as follows:

<u>Years Ending December 31,</u>		
2020	\$	60
2021		60
2022		55
	\$	175

Lease expense totaled approximately \$60,000 and \$60,000 for the years ended December 31, 2019 and 2018, respectively

RESORTS DIGITAL GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(\$ in Thousands)

NOTE 10 – CONTRACT – RELATED LIABILITIES

The Company has an agreement with TSG 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 3, between 2013 and 2015, the Company received cash advances which were recorded as deferred revenue and are being recognized as revenue pursuant to terms of the related contract.

	<u>2019</u>		<u>2018</u>
Revenue earned per terms of agreement			
Balance at January 1	\$ 30,582	\$	31,105
Balance at December 31	30,170	\$	30,582

NOTE 11 – SUBSEQUENT EVENTS

The Company completed its subsequent events review through April 30th, 2020, the date on which the financial statements were issued. Subsequent to year-end, the global markets have been impacted by the effects of the world-wide coronavirus pandemic. The Company is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Company's financial position is not known.

Resorts Digital Gaming, LLC
ANNUAL FILINGS
FOR THE PERIOD DECEMBER 31, 2019

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



OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

Resorts Digital Gaming, LLC

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2019

(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.....	\$0		
2	Returned Patrons' Checks.....	866		
3	Total Patrons' Checks.....	866	\$848	\$18
4	Hotel Receivables.....	-	-	\$0
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	89		
7	Other Accounts and Notes Receivables.....	5,349		
8	Total Other Receivables.....	5,438		\$5,438
9	Totals (Form DGE-205).....	\$6,304	\$848	\$5,456

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$0
11	Counter Checks Issued.....	-
12	Checks Redeemed Prior to Deposit.....	-
13	Checks Collected Through Deposits.....	-
14	Checks Transferred to Returned Checks.....	-
15	Other Adjustments.....	0
16	Ending Balance.....	\$0
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$0
19	Provision as a Percent of Counter Checks Issued.....	0.0%

Resorts Digital Gaming, LLC

ANNUAL EMPLOYMENT AND PAYROLL REPORT *

AT DECEMBER 31, 2019
(\$ 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				
2	Slot Machines				
3	Administration				
4	Casino Accounting				
5	Simulcasting				
6	Other				
7	Total - Casino	0			\$0
8	ROOMS				0
9	FOOD AND BEVERAGE				0
10	GUEST ENTERTAINMENT				0
11	MARKETING				0
12	OPERATION AND MAINTENANCE				0
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office				0
14	Accounting and Auditing				0
15	Security				0
16	Other Administrative and General				0
	OTHER OPERATED DEPARTMENTS:				
17					0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	0	\$0	\$0	\$0

* Resorts Digital Gaming, LLC employees are included in the numbers reported under DGMB Casino, LLC