

**RESORTS DIGITAL GAMING, LLC
QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2020**

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

RESORTS DIGITAL GAMING, LLC

BALANCE SHEETS

AS OF MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$32,626	\$25,697
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$902 ; 2019, \$660).....	2, 3	3,626	3,427
4	Inventories			
5	Other Current Assets.....		225	817
6	Total Current Assets.....		36,477	29,941
7	Investments, Advances, and Receivables.....			
8	Property and Equipment - Gross.....		66	66
9	Less: Accumulated Depreciation and Amortization.....		(25)	(8)
10	Property and Equipment - Net.....		41	58
11	Other Assets.....			
12	Total Assets.....		\$36,518	\$29,999
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,163	\$5,292
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.....		3,197	3,325
19	Other Current Liabilities.....	6	30,349	19,315
20	Total Current Liabilities.....		36,709	27,932
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....			
23	Deferred Credits	2	29,993	30,373
24	Other Liabilities.....	4	6,337	8,023
25	Commitments and Contingencies.....			
26	Total Liabilities.....		73,039	66,328
27	Stockholders', Partners', or Proprietor's Equity.....		(36,521)	(36,329)
28	Total Liabilities and Equity.....		\$36,518	\$29,999

* 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.

RESORTS DIGITAL GAMING, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$10,357	\$8,789
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		106	359
5	Net Revenue.....		10,463	9,148
	Costs and Expenses:			
6	Casino.....	2	4,328	4,285
7	Rooms, Food and Beverage.....			
8	General, Administrative and Other.....		3,459	3,017
9	Total Costs and Expenses.....		7,787	7,302
10	Gross Operating Profit.....		2,676	1,846
11	Depreciation and Amortization.....		0	2
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	4	185	205
14	Income (Loss) from Operations.....		2,491	1,639
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....	5	(249)	(231)
18	Nonoperating Income (Expense) - Net.....			
19	Total Other Income (Expenses).....		(249)	(231)
20	Income (Loss) Before Taxes		2,242	1,408
21	Provision (Credit) for Income Taxes.....			
22	Net Income (Loss).....		\$2,242	\$1,408

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, 2019

AND THE THREE MONTHS ENDED MARCH 31, 2020

(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, 2018.....		\$5,000	\$9,960	(\$52,697)	(\$37,737)
2	Net Income (Loss) - 2019.....			5,967		5,967
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....				(5,846)	(5,846)
6	Prior Period Adjustments.....					0
7	Special Capital Contribution				846	846
8						0
9						0
10	Balance, December 31, 2019.....		5,000	15,927	(57,697)	(36,770)
11	Net Income (Loss) - 2020.....			2,242		2,242
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....				(1,993)	(1,993)
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance, March 31, 2020.....		\$5,000	\$18,169	(\$59,690)	(\$36,521)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS DIGITAL GAMING, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$562	\$4,845
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		0	(20)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(1,196)	(522)
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.....		(1,196)	(542)
	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.....		(1,993)	0
21	Net Proceeds/Payments related party			
22	Increase in Interest Due from Affiliates			
23	Net Cash Provided (Used) By Financing Activities.....		(1,993)	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(2,627)	4,303
25	Cash and Cash Equivalents at Beginning of Period.....		35,253	21,394
26	Cash and Cash Equivalents at End of Period.....		\$32,626	\$25,697
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

RESORTS DIGITAL GAMING, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Amended 8/27/20

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss).....		\$2,242	\$1,408
30	Depreciation and Amortization of Property and Equipment...		0	2
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.....		248	522
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		1,830	(746)
39	(Increase) Decrease in Inventories			
40	(Increase) Decrease in Other Current Assets.....		(147)	(156)
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		972	2,177
43	Increase (Decrease) in Other Current Liabilities		(3,636)	1,705
44	Increase (Decrease) in Other Liabilities		(177)	(210)
45	Increase (Decrease) in Intercompany Payable		(770)	143
46	Non cash tax expense			
47	Net Cash Provided (Used) By Operating Activities.....		\$562	\$4,845

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

ACQUISITION OF PROPERTY AND EQUIPMENT:				
48	Additions to Property and Equipment.....		\$0	(\$20)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		\$0	(\$20)
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.....			
58	Less: Issuances to Settle Long-Term Debt.....			
59	Consideration in Acquisition of Business Entities.....			
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 THREE MONTHS ENDED MARCH 31, 2020
(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	29,194	1,628		
12	Total	29,194	\$1,628	0	\$0

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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	29,194	1,628		
12	Total	29,194	\$1,628	0	\$0

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

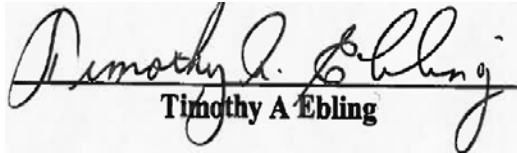
RESORTS DIGITAL GAMING, LLC STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2020

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.

05/15/20

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 March 31, 2020 and 2019 was \$29,156 and \$18,685 respectively. Unrestricted cash balance at March 31, 2020 and 2019 was \$3,470 and \$7,012, respectively.

Receivables - Receivables consist of amounts due from patrons and third-party processors and online gaming platforms. As of March 31, 2019, and 2018, there was \$3,626 and \$2,654, 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 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.

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

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.

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 \$41 and \$29 at March 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 \$1,501 and \$1,391 for the three months ended March 31, 2020 and 2019, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

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, 2020. 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.

Omitted Disclosures - In accordance with the DGE Financial Reporting guidelines the Company has elected not to include certain disclosures that were made in the December 31, 2019 report. Accordingly, the following disclosures have been omitted: certain Income Tax disclosures and Leases.

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

NOTE 3 - RECEIVABLES AND PATRONS' CHECKS

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

	<u>2020</u>	<u>2019</u>
Gaming Related	\$ 996	\$ 716
Less reserve	(902)	(660)
Third Party Receivable	3,529	3,371
Other	3	-
Receivables, net	<u>\$ 3,626</u>	<u>\$ 3,427</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 \$185 and \$196 for the three months ended March 31, 2020 and 2019, respectively, and is included in general, administrative and other in the accompanying statements of operations. The Company owed an affiliate, DGMB Casino, LLC, \$6,338 and \$8.023 as of March 31, 2020 and 2019, 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.

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.

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

NOTE 6 – OTHER CURRENT LIABILITES

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

	<u>2020</u>	<u>2019</u>
Patron Deposits	\$ 29,005	\$ 18,498
CRDA Obligations	1,259	762
Other	85	55
	<u>\$ 30,349</u>	<u>\$ 19,315</u>

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 – SUBSEQUENT EVENTS

The Company completed its subsequent events review through May 15th, 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.