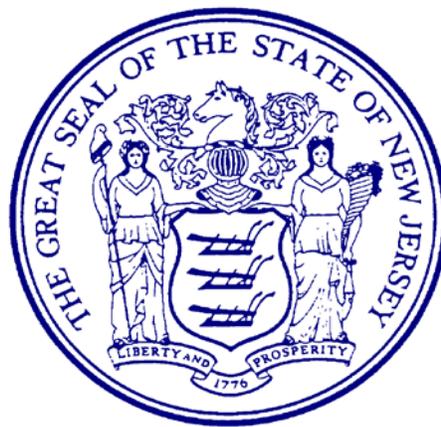


**DGMB CASINO, LLC
QUARTERLY REPORT**

FOR THE PERIOD ENDED MARCH 31, 2014

**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 MARCH 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$8,656	\$9,382
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$ 2,190; 2013, \$1,927).....	2,3	6,211	3,388
4	Inventories		1,442	1,234
5	Other Current Assets.....	4	2,980	2,323
6	Total Current Assets.....		19,289	16,327
7	Investments, Advances, and Receivables.....	2,5	5,646	15,001
8	Property and Equipment - Gross.....		113,890	85,698
9	Less: Accumulated Depreciation and Amortization.....		(14,614)	(8,013)
10	Property and Equipment - Net.....	6	99,276	77,685
11	Other Assets.....		3,355	3,543
12	Total Assets.....		\$127,566	\$112,556
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,128	\$19,087
14	Notes Payable.....		700	700
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	9	77,219	48,468
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	10	9,863	10,691
19	Other Current Liabilities.....	9	10,038	2,818
20	Total Current Liabilities.....		102,948	81,764
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	8	1,050	1,750
23	Deferred Credits		2,613	1,709
24	Other Liabilities.....	11	5,875	764
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		112,486	85,987
27	Stockholders', Partners', or Proprietor's Equity.....		15,080	26,569
28	Total Liabilities and Equity.....		\$127,566	\$112,556

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

DGMB CASINO, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 * (d)
	Revenue:			
1	Casino.....		\$29,054	\$26,071
2	Rooms.....		4,161	3,140
3	Food and Beverage.....		3,362	4,239
4	Other.....		1,447	1,151
5	Total Revenue.....		38,024	34,601
6	Less: Promotional Allowances.....	2	9,715	9,693
7	Net Revenue.....	2	28,309	24,908
	Costs and Expenses:			
8	Casino.....		16,703	17,202
9	Rooms, Food and Beverage.....		2,500	2,668
10	General, Administrative and Other.....		11,474	11,105
11	Total Costs and Expenses.....		30,677	30,975
12	Gross Operating Profit.....		(2,368)	(6,067)
13	Depreciation and Amortization.....	6	1,573	1,287
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		284	252
15	Other.....			
16	Income (Loss) from Operations.....		(4,225)	(7,606)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9	(2,022)	(865)
18	Interest Expense - External.....	8	(18)	(25)
19	CRDA Related Income (Expense) - Net.....	5	(97)	(248)
20	Nonoperating Income (Expense) - Net.....	2	2,913	947
21	Total Other Income (Expenses).....		776	(191)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(3,449)	(7,797)
23	Provision (Credit) for Income Taxes.....			
24	Income (Loss) Before Extraordinary Items.....		(3,449)	(7,797)
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0).....			
26	Net Income (Loss).....		(\$3,449)	(\$7,797)

* Restated to conform with current year

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

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

FOR THE THREE MONTHS ENDED MARCH 31, 2014
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2012.....		\$35,078	(\$712)	\$0	\$34,366
2	Net Income (Loss) - 2013.....			(15,837)		(15,837)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2013.....		35,078	(16,549)	0	18,529
11	Net Income (Loss) - 2014.....			(3,449)		(3,449)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, March 31, 2014.....		\$35,078	(\$19,998)	\$0	\$15,080

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 THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$3,245)	(\$12,015)
	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.....		(641)	(6,861)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(374)	(220)
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		599	5,526
11				
12	Net Cash Provided (Used) By Investing Activities.....		(416)	(1,555)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(175)	(175)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Proceeds from related party debt		5,700	13,250
22	Payments of related party debt		(2,000)	0
23	Net Cash Provided (Used) By Financing Activities.....		3,525	13,075
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(136)	(495)
25	Cash and Cash Equivalents at Beginning of Period.....		8,792	9,877
26	Cash and Cash Equivalents at End of Period.....		\$8,656	\$9,382
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$18	\$25
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.

DGMB CASINO, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$3,449)	(\$7,797)
30	Depreciation and Amortization of Property and Equipment.....		1,577	1,216
31	Amortization of Other Assets.....		(4)	71
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.....		97	249
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(299)	1,553
39	(Increase) Decrease in Inventories		(19)	(36)
40	(Increase) Decrease in Other Current Assets.....		(1,289)	(520)
41	(Increase) Decrease in Other Assets.....		0	6
42	Increase (Decrease) in Accounts Payable.....		(1,517)	(6,774)
43	Increase (Decrease) in Other Current Liabilities		1,658	17
44	Increase (Decrease) in Other Liabilities			
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$3,245)	(\$12,015)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$641)	(\$6,861)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$641)	(\$6,861)
	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.

DGMB CASINO, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2014
(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	35,545	\$2,466	0	\$0
2	Food	37,236	1,106	205,755	956
3	Beverage	175,881	1,143	0	0
4	Travel	0	0	5,445	420
5	Bus Program Cash	763	94	0	0
6	Promotional Gaming Credits	122,034	3,856	0	0
7	Complimentary Cash Gifts	24,883	686	0	0
8	Entertainment	13,091	331	97	12
9	Retail & Non-Cash Gifts	0	0	8,603	989
10	Parking	0	0	0	0
11	Other	2,367	33	7,666	192
12	Total	411,800	\$9,715	227,566	\$2,569

FOR THE THREE MONTHS ENDED MARCH 31, 2014

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	35,545	\$2,466	0	\$0
2	Food	37,236	1,106	205,755	956
3	Beverage	175,881	1,143	0	0
4	Travel	0	0	5,445	420
5	Bus Program Cash	763	94	0	0
6	Promotional Gaming Credits	122,034	3,856	0	0
7	Complimentary Cash Gifts	24,883	686	0	0
8	Entertainment	13,091	331	97	12
9	Retail & Non-Cash Gifts	0	0	8,603	989
10	Parking	0	0	0	0
11	Other	2,367	33	7,666	192
12	Total	411,800	\$9,715	227,566	\$2,569

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

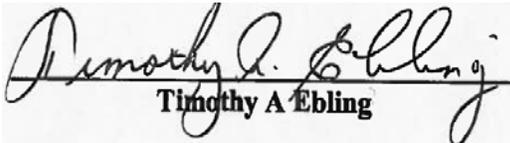
DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2014

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.

5/15/2014

Date


Timothy A Ebling

VP, Chief Financial Officer

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 regulation of the New Jersey Division of Gaming Enforcement 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 owned 100% 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.

The Company has been issued an Internet Gaming Permit (NJIGP-13-008) by the State of New Jersey Division of Gaming Enforcement (DGE). As of March 31, 2014 the Company has not had any internet gaming operations but expects to engage in internet gaming in 2014.

2. Summary of Significant Accounting Policies

Receivables

Receivables consist primarily of casino, hotel and other receivables. Accounts receivables are typically 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 market 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	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 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.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Included in Nonoperating Income (Expense)-Net on the accompanying statements of income are proceeds from insurance related to Super Storm Sandy. The net gain recorded in Nonoperating Income (Expense)-Net for the three months ended March 31, 2014 and 2013 is \$2.9 Million and \$882,000, respectively. The dollar amount recorded from the insurance company is not contingent on any finalization of the loss amount or any other conditions. At this time, evaluation and analysis of property damage has not been finalized. As additional recoveries are realized, the amounts will be recorded in the financial statements.

Intangible Assets

Intangible assets, included in Other Assets in the accompany balance sheets, includes customer relationships and trade name. Customer relationships represent the value of repeat business associated with our customer loyalty programs. These intangible assets were amortized over a 3-year period under the straight-line method. 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 promotional allowance 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 promotional allowance in the statements of income. At March 31, 2014 and 2013, the "Cash Back" liability was \$75,000. Cash Back liability is included in other accrued expenses in the accompanying balance sheets.

Bankable Complimentaries

The Company customer loyalty program, Resorts Star Club, 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 March 31, 2014 and 2013, the bankable complimentary liability was \$840,000 and \$1.1 Million, respectively and is included in other accrued expenses in the accompanying balance sheets.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$720,000 and \$580,000 for the three months ended March 31, 2014 and 2013, respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

Gaming Tax

The Company remits weekly to the State of New Jersey a tax equal to 8% of the gross gaming revenue. Gaming taxes paid for the three months ended March 31, 2014 and 2013 were \$2.1 million and \$1.9 million, 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 \$1.7 million and \$1.8 million for the three months ended March 31, 2014 and 2013, respectively, and were included in total costs and expenses in the accompanying consolidated 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:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. 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.

Under the Collective Bargaining Agreement entered into with UNITE HERE Local 54, Resorts began contributing as a new employer to the UNITE HERE National Retirement Fund (NRF) effective July 1, 2012 based on the fact that the NRF will receive approval from the Pension Benefit Guarantee Corporation ("PBGC") to use a withdrawal liability method that places Resorts in a new pool with other new employers for purposes of calculating withdrawal liability. If approved by the PBGC, Resorts' withdrawal liability exposure is significantly reduced and, at this point in time, non-existent, because the new employer pool is not underfunded at this time. More importantly, Resorts is not liable for the large underfunded amount in the existing NRF pool. In the event the PBGC does not approve Resorts participation in the new employer pool, then the NRF will refund Resorts' contributions without interest and Resorts' agreement to contribute to the NRF will cease. Resorts and UNITE HERE Local 54 will then meet in a good faith attempt to agree upon an alternate retirement contribution method, which will not expose Resorts to a significant unfunded liability.

Economic Development Authority Grant

The Company entered into a Licensing and Lease Agreement with Margaritaville of Atlantic City, LLC (Margaritaville). Margaritaville restaurants are affiliated with the famed singer Jimmy Buffet and are themed with Key West and Tropical motif and lifestyles depicted in the music of Mr. Buffet. The agreement called for the Company to construct a Margaritaville themed Café, Landshark Bar and Grill, 5 O'clock Somewhere Bar, along with a Margaritaville themed section of the existing gaming floor all within the existing Resorts property ("Margaritaville Projects") which were completed and opened in 2013. In 2013, the State of New Jersey Economic Development Authority approved a \$5,055,000 grant for Resorts under the Economic Redevelopment and Growth Program ("ERG Grant") for the Margaritaville Projects. The ERG Grant is an incentive grant of up to 75% of the annual incremental state tax revenue generated by the project. The ERG Grant comes

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

in the form of rebates for certain state taxes paid (e.g., sales taxes paid on construction materials and food and beverage sales, corporate business taxes, etc.). As of March 31, 2014, Resorts recorded approximately \$1.6 million in ERG Grant receivables based on these state taxes (see Note 4. Receivables) and a gain of \$167,000 that is included in Nonoperating Income (Expense) – Net on the corresponding Statements of Income for the three months ended March 31, 2014.

Income Taxes

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

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

Use of Estimates

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

Omitted Disclosures

In accordance with the DGE Financial Reporting guidelines the Company has elected not to include certain disclosures that were made in the December 31, 2013 report. Accordingly, the following disclosures have been omitted: Management's Plans Related to Liquidity and Capital Needs, certain Multiemployer Benefit Plans, Recent Accounting Pronouncements, certain Income Tax disclosures, and Leases.

3. Receivables

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

	<u>2014</u>	<u>2013</u>
Gaming	\$ 4,427	\$ 3,552
Less: allowance for doubtful accounts	(2,119)	(1,692)
	<u>2,308</u>	<u>1,860</u>
Non-gaming:		
Hotel and related	457	1,172
Less: allowance for doubtful accounts	(71)	(235)
EDA Fund Receivable	1,612	-
Tenant Receivable	692	-
Other	1,213	591
	<u>3,903</u>	<u>1,528</u>
Receivables, net	<u>\$ 6,211</u>	<u>\$ 3,388</u>

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

4. Other Current Assets

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

	<u>2014</u>	<u>2013</u>
Prepaid insurance	\$ 1,225	\$ 945
Prepaid casino license	218	259
Prepaid maintenance agreements	396	416
Prepaid sewer	219	246
Prepaid rent	135	135
Current deferred tax asset	6	113
Atlantic City Alliance	355	-
Other prepaid expenses and current assets	426	209
	<u>\$ 2,980</u>	<u>\$ 2,323</u>

5. Investments, Advances and Receivables

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 1.25% of the Company's gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestments Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, direct investments in approved CRDA projects may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

Components of investments, advances and receivables were as follows at March 31, (in thousands):

	<u>2014</u>	<u>2013</u>
Deposits — net of valuation allowance for \$1,232 and \$1,094, respectively	\$ 2,596	\$ 11,846
CRDA Bonds — net of valuation allowance for \$8,093 and \$8,160, respectively	3,050	3,155
	<u>\$ 5,646</u>	<u>\$ 15,001</u>

The Company records (credits) charges to operations to reflect the estimated net realizable value of its CRDA investment. Such (credits) charges to operations were \$97,000 and \$249,000 for the periods ended March 31, 2014 and 2013, respectively. CRDA (credits) charges are included in other income (expenses) in the accompanying statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued, we have concluded that the bonds are classified as held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, the Company is not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, their fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value.

After the initial determination of fair value, the Company analyzes the recoverability of the CRDA Bonds on a quarterly basis and its effect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each borrower, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

The Company has planned the development of a Food Court within its casino hotel property that will house five different food and beverage offerings to its customers. The Food Court outlets will be operated by third party vendors under a Master Lease paying rent based upon a percentage of food and beverage revenues. All of the outlets are opened for business.

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The CRDA has granted \$2.8 million to Resorts, of funds on deposit with the CRDA in the CRDA Atlantic City Expansion Fund, for use in the development of the Food Court project. As of March 31, 2014, approximately \$2.3 million has been received for the Food Court project.

6. Property and Equipment

Components of property and equipment, net were as follows at March 31, (in thousands):

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 11,570	\$ 11,500
Hotels and other buildings	72,631	27,150
Furniture, fixtures and equipment	29,428	19,992
Construction in progress	261	27,056
	<u>113,890</u>	<u>85,698</u>
Less: accumulated depreciation	<u>(14,614)</u>	<u>(8,013)</u>
Net property and equipment	<u>\$ 99,276</u>	<u>\$ 77,685</u>

Depreciation expense for the three months ended March 31, 2014 and 2013 was \$1.6 million and \$1.2 million, respectively.

Interest capitalized for construction in progress was \$ 0 and \$180,000 for the three months ended March 31, 2014 and 2013, respectively.

7. Intangible Assets

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at \$3.3 million at March 31, 2014 and 2013 and a customer database with a net value of \$ 0 and \$200,000 at March 31, 2014 and 2013, respectively. The trade name is deemed to have an indefinite life. The customer database was determined to have an initial value of \$900,000 based on the application of purchase accounting in 2010 and a three-year life based upon attrition rates and computations of incremental value derived from existing relationships. The Company recorded \$0 and \$75,000 of amortization expense for the customer database for the periods ending March 31, 2014 and 2013, respectively. The customer database was fully amortized at December 31, 2013.

8. Note Payable

In August 2011, the Company obtained a loan for \$3.5 million to fund the purchase of heating ventilation and air-conditioning equipment, all of which are secured by the purchased equipment. An entity controlled by the Company's principal shareholder provided guarantees on the note payable. The payment terms of the note are 60 months spread ratably for the principle balance, plus interest on the outstanding principal balance at LIBOR plus 300 basis points. At no time will the interest rate fall below 400 basis points. At March 31, 2014 and 2013, the interest rate was 4%. The Company has estimated that the carrying amounts of \$1.8 million and \$2.5 million approximate the fair value of the debt at March 31, 2014 and 2013, respectively.

In April 2013, the Company entered into a \$2 million Revolver with an initial maturity date of April 30, 2014. The Revolver was extended to April 30, 2015 under the same terms and conditions. Any outstanding amounts on the Revolver accrue interest at a rate of the greater of 5% or LIBOR plus 4%. There is a fee of .35% on the amount of unused funds. The Revolver is guaranteed by certain affiliates of Holding. There were no amounts outstanding or repaid as of March 31, 2014.

9. Related Party Transactions

In accordance with amended gaming license conditions, the Company is required to maintain total cash balances sufficient to meet its operational needs, which are to be supported, in part, by the Revolver. As noted above, in the event the Revolver is not sufficient to meet the Company's operational needs, is terminated or otherwise matures, the conditions require the majority owner of Holding to identify an alternative source of funds, acceptable to DGE, sufficient to meet the Company's operational needs.

The initial terms of the Unlimited Line of Credit were that the amounts borrowed carry no interest charge and require that if the Company is financially able, and if the cash levels of the Company exceed a certain level, payment will be made to

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reduce the amount outstanding. On October 1, 2012, under an amendment to the operating agreement of Holding, the terms of the Unlimited Line of Credit were changed to allow interest to accrue at 10% per annum and compound annually on the unpaid principal balance. In October 2013 the DGE modified the conditions of licensure to require that DGMB maintain sufficient cash balances to meet its operational needs and that this requirement be supported by the Revolver. Due to the licensing condition modification, the Unlimited Line of Credit expired on December 31, 2013 and was not renewed. However affiliates of the majority owner of Holding continue to fund the cash flow needs of DGMB and as of March 31, 2014 and 2013, the amount owed to affiliates of the majority owner of Holding was \$70 million and \$41.3 million, respectively and included in Due to Affiliates on the accompanying balance sheets. The amount of interest expense incurred was \$1.8 Million and \$862,000 for the three months ended March 31, 2014 and 2013, respectively.

In addition, affiliates of the majority owner of Holding had provided to the Company a source of funds for capital improvements under a \$10 million Capital Funding Agreement. Effective October 1, 2012, the Capital Funding Agreement was amended to provide for the accrual of interest at a rate of 10% per annum. The maturity date of the agreement was December 31, 2013 and the funding mechanism of this agreement expired however, the amounts outstanding will remain outstanding until paid under the original terms. The terms of the Capital Funding Agreement are that repayment will be made to the extent funds are available after all day-to-day operating expenses and maintenance expenditures have been made. At March 31, 2014 and 2013, approximately \$7.2 million was outstanding under the Capital Funding Agreement and included in Due to Affiliates on the accompanying balance sheets. The amount of interest expense incurred was \$196,000 and \$178,000 for the three months ended March 31, 2014 and 2013, respectively.

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 (1%) of net revenues and paid on a monthly basis. The Management Agreement also allows for an incentive fee based on annual EBITDA results as defined in the Management Agreement. For the three months ended March 31, 2014 and 2013, the Company recorded \$284,000 and \$252,000, respectively, in base fees related to the Management Agreement. No amount was recorded or paid for incentive fees based on results.

10. Other Accrued Expenses

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

	<u>2014</u>	<u>2013</u>
Payroll and related costs	\$ 5,056	\$ 5,047
Capital Liability	559	1,629
Unredeemed incentives	915	1,125
Property Taxes	497	601
Utilities	393	441
Guest Claims	339	356
Other	2,104	1,492
	<u>\$ 9,863</u>	<u>\$ 10,691</u>

11. Commitments and Contingencies

Litigation

There are other various claims and legal actions arising in the ordinary course of business. 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 and the CRDA entered 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 expires on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the Atlantic City casino industry. As part of the agreement, the Atlantic City casino industry provided an initial deposit of \$5.0 million as of December 31, 2011 and will continue to pay \$30.0 million annually for the term of the agreement. Each payment will be allocated to the AC Industry based on each casino's prorated share of gross gaming

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revenues from the preceding period. The Company paid \$355,000 and \$314,000 for the three months ended March 31, 2014 and 2013 respectively.

In June 2013, the Company entered into a binding term sheet (the "Term Sheet") with Rational Services Limited ("Rational"). The Term Sheet, which is subject to approval by the DGE, allows, under the Company's license, for Rational to provide the operation of and marketing strategy for online gaming in New Jersey. Rational made an initial payment to the Company in the amount of \$5.1 million to fund the startup of the operation, pending the issue of a license from the DGE. This funding is included in other liabilities on the balance sheet as of March 31, 2014.

In December 2013, Rational's application for a casino service industry enterprise license was placed in a suspended status for a period of two years by the DGE. The Company considers this action a refusal by the DGE to issue a license to Rational and, among other things, precludes Rational from extending the Term Sheet, pursuant to the terms of the Term Sheet. Rational disagrees with this position and is of the view that its suspended status has no effect on its right to extend the Term Sheet.

On April 29, 2014, the Company entered into an agreement with Rational (the "Agreement") which essentially embodied all of the terms contained in the Term Sheet previously entered into by the Parties. None of the classifications of amounts previously paid by Rational to the Company changed as a result of execution of the Agreement.