

**Resorts Digital Gaming, LLC**

**QUARTERLY REPORT**

*Amended 5/10/2017*

**FOR THE QUARTER ENDED DECEMBER 31, 2016**

**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, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$5,870	\$1,916
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016 \$222 ; 2015, \$36).....	2	414	56
4	Inventories .....		0	0
5	Other Current Assets.....		0	0
6	Total Current Assets.....		6,284	1,972
7	Investments, Advances, and Receivables.....		658	169
8	Property and Equipment - Gross.....		0	0
9	Less: Accumulated Depreciation and Amortization.....		0	0
10	Property and Equipment - Net.....		0	0
11	Other Assets.....		0	0
12	Total Assets.....		\$6,942	\$2,141
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,965	\$898
14	Notes Payable.....		400	400
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....		966	433
19	Other Current Liabilities.....	6	4,313	240
20	Total Current Liabilities.....		7,644	1,971
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....		1,200	1,600
23	Deferred Credits .....	7,3	31,635	32,000
24	Other Liabilities.....	3	9,534	8,275
25	Commitments and Contingencies.....	7		
26	Total Liabilities.....		50,013	43,846
27	Stockholders', Partners', or Proprietor's Equity.....		(43,071)	(41,705)
28	Total Liabilities and Equity.....		\$6,942	\$2,141

\* Prior year 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 TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
	Revenue:			
1	Casino.....	2	\$19,900	\$6,784
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		1,145	938
5	Total Revenue.....		21,045	7,722
6	Less: Promotional Allowances.....		5,352	2,973
7	Net Revenue.....		15,693	4,749
	Costs and Expenses:			
8	Casino.....	2	7,137	2,722
9	Rooms, Food and Beverage.....		0	0
10	General, Administrative and Other.....	3	9,922	8,568
11	Total Costs and Expenses.....		17,059	11,290
12	Gross Operating Profit.....		(1,366)	(6,541)
13	Depreciation and Amortization.....		0	0
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(1,366)	(6,541)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		0	0
19	CRDA Related Income (Expense) - Net.....		0	0
20	Nonoperating Income (Expense) - Net.....		3,400	3,200
21	Total Other Income (Expenses).....		3,400	3,200
22	Income (Loss) Before Taxes .....		2,034	(3,341)
23	Provision (Credit) for Income Taxes.....	4	0	0
24	Net Income (Loss).....		\$2,034	(\$3,341)

\* Prior year 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 DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
	Revenue:			
1	Casino.....	2	\$5,308	\$3,403
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....		770	638
5	Total Revenue.....		6,078	4,041
6	Less: Promotional Allowances.....		1,517	1,203
7	Net Revenue.....		4,561	2,838
	Costs and Expenses:			
8	Casino.....	2	2,342	(3,933)
9	Rooms, Food and Beverage.....			
10	General, Administrative and Other.....	3	2,756	8,387
11	Total Costs and Expenses.....		5,098	4,454
12	Gross Operating Profit.....		(537)	(1,616)
13	Depreciation and Amortization.....			
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....			
16	Income (Loss) from Operations.....		(537)	(1,616)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....			
19	CRDA Related Income (Expense) - Net.....			
20	Nonoperating Income (Expense) - Net.....		850	912
21	Total Other Income (Expenses).....		850	912
22	Income (Loss) Before Taxes .....		313	(704)
23	Provision (Credit) for Income Taxes.....	4	0	0
24	Net Income (Loss).....		\$313	(\$704)

\* Prior year restated to conform with current year presentation

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, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Due from Affiliates (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2014.....		\$0	(\$1,664)		(\$1,664)
2	Net Income (Loss) - 2015.....			(3,341)		(3,341)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Members' Contribution		5,000			5,000
8	Due from Affiliates				(41,700)	(41,700)
9						0
10	Balance, December 31, 2015.....		5,000	(5,005)	(41,700)	(41,705)
11	Net Income (Loss) - 2016.....			2,034		2,034
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Due from Affiliates				(3,400)	(3,400)
17						0
18						0
19	Balance, December 31, 2016.....		\$5,000	(\$2,971)	(\$45,100)	(\$43,071)

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, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$8,243	\$4,785
	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	0
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(489)	(169)
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.....		(489)	(169)
	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	5,000
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Net Proceeds/Payments related party .....		(3,400)	(7,700)
22	Advance from Vendor .....		(400)	0
23	Net Cash Provided (Used) By Financing Activities.....		(3,800)	(2,700)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		3,954	1,916
25	Cash and Cash Equivalents at Beginning of Period.....		1,916	0
26	Cash and Cash Equivalents at End of Period.....		\$5,870	\$1,916
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$0

\* Prior year 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 CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 5/10/2017

Line (a)	Description (b)	Notes	2016 (c)	2015 * (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$2,034	(\$3,341)
30	Depreciation and Amortization of Property and Equipment.....			
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.....			
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(358)	(56)
39	(Increase) Decrease in Inventories .....			
40	(Increase) Decrease in Other Current Assets.....			0
41	(Increase) Decrease in Other Assets.....			
42	Increase (Decrease) in Accounts Payable.....		1,067	898
43	Increase (Decrease) in Other Current Liabilities .....		4,606	673
44	Increase (Decrease) in Other Liabilities .....		894	6,611
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$8,243	\$4,785

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$5,000
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	\$5,000

\* Prior restated to conform with current year presentation

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

**Resorts Digital Gaming, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016  
(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	108,278	5,352		
12	Total	108,278	\$5,352	0	\$0

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

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	30,690	1,517		
12	Total	30,690	\$1,517	0	\$0

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



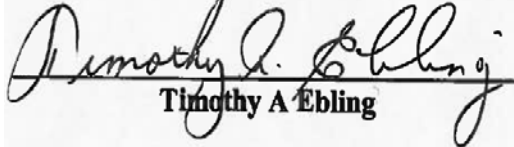
**Resorts Digital Gaming, LLC**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2016

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.

3/31/2017

Date



**Timothy A Ebling**

Vice President, CFO

Title

9194-11

License Number

On Behalf of:

Resorts Digital Gaming, LLC

Casino Licensee

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

**1. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the rules and regulation of the New Jersey Division of Gaming Enforcement and include the accounts of Resorts Digital Gaming, LLC (the "Company"), a New Jersey limited liability company that was formed on June 27, 2014. The Company is owned 100% by DGMB Casino Holding, LLC ("Holding"), a Delaware limited liability company, through a 99.5% direct ownership and a 0.5 % indirect ownership through DGMB Casino SPE Corp. ("SPE"), a Delaware corporation, which is the managing member of the Company. MGA Gaming NJ, LLC (MGA), a New Jersey limited liability company, is a non-managing member of Holding and 10% owner.

The Company holds a casino license issued by the State of New Jersey Casino Control Commission ("Commission") and, as an Internet Gaming Affiliate of DGMB Casino, LLC ("Resorts"), has been authorized by the State of New Jersey Division of Gaming Enforcement ("DGE") to operate real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-13-008) issued to Resorts. Resorts operates Resorts Casino Hotel located in Atlantic City, NJ.

The Company has agreements with two providers of online gaming platforms who advanced funds for future revenues (see Note 7). Those advances were transferred to a related party and are included in due from affiliates on the balance sheet.

The Company operates the ResortsCasino.Com and MoheganSunCasino.Com websites which were approved by the DGE to offer legal online gaming in 2015. In addition PokerStarsNJ.Com was approved by the DGE to offer legal online gaming in March 2016 and operates under the Company's internet gaming permit.

**2. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on account and cash on hand. Amounts held in financial institutions are in excess of FDIC insurance limits.

Pursuant to NJAC 13:69O-1.3(j), 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, 2016 is \$4,611,000. Unrestricted cash balance at December 31, 2016 is \$1,784,000.

**Receivables**

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

**Allowance for Doubtful Accounts**

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

**Deferred Revenue**

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

**Revenue Recognition**

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

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

**Loyalty Program**

The Company customer loyalty program offers incentives to customers. Under the program, customers are able to accumulate points over time that they may redeem at their discretion under the terms of the program. The points expire if the customer does not earn points over a specified period from the time they were first earned. The points are recognized when issued and are recorded as a promotional allowance in the statements of income.

**Gaming Tax**

The Company remits monthly to the State of New Jersey a tax equal to 15% of gross internet gaming revenue, as defined. Gaming tax expense for the twelve months ended December 31, 2016 and 2015 was \$2.9 million and \$1.0 million, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

**Income Taxes**

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

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

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

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

**Use of Estimates**

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

**Recent Accounting Pronouncements**

*Accounting Standards Update 2014-15, Going Concern*

In August 2014, the FASB issued amended accounting guidance that defines management’s responsibility to evaluate a company’s ability to continue as a going concern and to provide related footnote disclosure. The amendments are effective for annual reporting periods ending after December 15, 2016. The Company has adopted this guidance during the year ended December 31, 2016.

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

*Accounting Standards Update 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date*

In August 2015, the FASB issued ASU 2015-14, which defers the implementation of ASU 2014-09, *Revenue from Contracts with Customers* for one year from the initial effective date. The initial effective date of ASU 2014-09 was for annual reporting periods beginning after December 15, 2018, and early adoption was not permitted. ASU 2015-14 extends the effective date to annual reporting periods beginning after December 15, 2019, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In 2016, the FASB also issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The effective date of these ASUs is the same as ASU 2014-09. The Company is evaluating the impact of the adoption of this guidance on the financial statements and footnote disclosures.

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

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17 which requires that deferred tax liabilities and assets be presented in the balance sheet as noncurrent. The ASU is effective for financial statements issued for annual periods and interim periods within those annual periods beginning after December 15, 2016 and early adoption is permitted. The Company is evaluating the impact of the adoption of this guidance on the financial statements and footnote disclosures.

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

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

**3. Related Party Transactions**

Resorts, which is also owned 100% by Holding through a 99.5% direct ownership and a 0.5% indirect ownership SPE, provides the Company with administrative services such as payroll, accounting, risk management, legal, treasury, and information systems in return for a fee pursuant to the Shared Services Agreement. This fee of \$575,000 in 2016 is included in general, administrative and other in the accompanying statements of operations.

Agreements with Rational Services Limited ("Rational") and Sportech-NYX Gaming, LLC ("NYX") and Resorts, which qualifies as an "Affiliated Company" as that is a defined term, were assigned to the Company and the Company has executed all documents required to effectuate the assignments in 2015. The assignment resulted in the recording of deferred revenue in the amount of \$27.0 million in 2015 by the Company. The deferred revenue, which resulted from a cash advance, will be earned and recognized as revenue, based upon various events and conditions, over the next ten years. No additional advances are anticipated in the near future.

These funds were transferred by the Company to an affiliate and the amounts due from the affiliates are unsecured and do not have specified repayment provisions. Accordingly, the amount, along with related accrued interest that has not been paid, has been presented as Due from affiliates as a component of member's deficit.

An additional \$5 million was contributed to the Company during 2015 by its members to fund operations.

The Company is accruing interest income on the funds advanced and subsequently transferred to an affiliate at the rate of 10% per annum.

**4. 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

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

receiving the appropriate refund without our affiliates. Our current provision reflects the amount of tax payable or refundable based on a hypothetical, current-year separate return. We provide deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical separate return and assess the need for a valuation allowance based on our projected separate return results.

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

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

	<u>2016</u>	<u>2015</u>
Total deferred tax assets	\$ 1,794	\$ 1,978
Valuation allowance	<u>(1,794)</u>	<u>(1,978)</u>
Total deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

The significant component of the net deferred tax assets is deferred revenue.

Net deferred tax assets have been reduced by a valuation allowance of \$1.8 million and \$2.0 million at December 31, 2016 and 2015, 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 gross amount of the New Jersey State net operating loss carryforward as of December 31, 2016, was \$811,000, which will expire in 2035, if not utilized by the Company. 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, 2016 and 2015.

**5. Casino Reinvestment Development Authority**

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

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

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

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

**6. Other Current Liabilities**

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

	<u>2016</u>	<u>2015</u>
Patron deposits	\$ 4,086	\$ 240
Other	227	-
	<u>\$ 4,313</u>	<u>\$ 240</u>

**7. Commitments and Contingencies**

**Litigation**

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

**Commitments**

The Company has an agreement with Rational to provide the operation of and marketing strategy for online gaming in New Jersey for peer to peer poker and casino games. Rational has made advance payments that in 2015 amounted to \$5 million and are recorded as deferred revenue on the accompanying balance sheets.

The Company has an agreement with NYX to serve as its platform provider and casino games content developer for the ResortsCasino.Com and MoheganSunCasino.Com online gaming sites. NYX has made advance payments that in 2015 amounted to \$2 million are recorded as due to vendor on the accompanying balance sheets.

**8. Subsequent Events**

The Company completed its subsequent events review through May 10, 2017, the date on which the amended financial statements were available to be issued. No subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.

**Resorts Digital Gaming, LLC**

**ANNUAL FILINGS**

**FOR THE PERIOD DECEMBER 31, 2016**

**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, 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

### ACCOUNTS RECEIVABLE BALANCES

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.....	277		
3	Total Patrons' Checks.....	277	\$222	\$55
4	Hotel Receivables.....	-	-	\$0
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	35,566		
7	Other Accounts and Notes Receivables.....	359		
8	Total Other Receivables.....	35,925		\$35,925
9	Totals (Form DGE-205).....	\$36,202	\$222	\$35,980

### UNDEPOSITED PATRONS' CHECKS ACTIVITY

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, 2016

(\$ 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	0			
2	Slot Machines	0			
3	Administration	0			
4	Casino Accounting	0			
5	Simulcasting	0			
6	Other	4			
7	Total - Casino	4	\$133		\$133
8	ROOMS	0	0		0
9	FOOD AND BEVERAGE	0	0		0
10	GUEST ENTERTAINMENT	0	0		0
11	MARKETING	9	549		549
12	OPERATION AND MAINTENANCE	0	0		0
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	0	0		0
14	Accounting and Auditing	3	204		204
15	Security	0	0		0
16	Other Administrative and General	0	0		0
	OTHER OPERATED DEPARTMENTS:				
17					0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	16	\$886	\$0	\$886

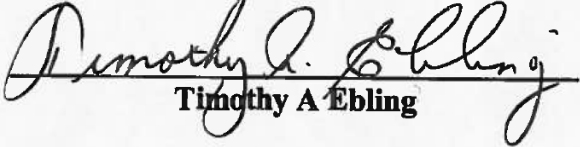
**Resorts Digital Gaming, LLC**  
**ANNUAL FILINGS STATEMENT OF**  
**CONFORMITY, ACCURACY AND COMPLIANCE**

FOR THE PERIOD DECEMBER 31, 2016

1. Under penalties provided by law, I declare that I have examined the Annual Filings (DGE-340, DGE-350, DGE-370 and DGE-380), and to the best of my knowledge and belief, all the information contained on those forms has been prepared in conformity with the Division's Annual Filings Instructions and Uniform Chart of Accounts, and the information contained on those forms is accurate.

3/31/2017

Date



**Timothy A Ebling**

VP, Chief Financial Officer 9194-11

Title (License Number)

On Behalf of:

Resorts Digital Gaming, LLC

Casino Licensee