

**DGMB CASINO, LLC**  
**QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2017**  
Amended 5/7/2018

**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 DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 7, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$11,668	\$13,538
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, \$ 1,180; 2016, \$1,190).....	3, 4	14,197	8,700
4	Inventories .....		1,621	1,400
5	Other Current Assets.....	5	1,848	2,008
6	Total Current Assets.....		29,334	25,646
7	Investments, Advances, and Receivables.....	6	560	2,027
8	Property and Equipment - Gross.....	3, 7	170,908	154,330
9	Less: Accumulated Depreciation and Amortization.....		(43,427)	(35,407)
10	Property and Equipment - Net.....		127,481	118,923
11	Other Assets.....	8	3,820	3,859
12	Total Assets.....		\$161,195	\$150,455
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,214	\$7,604
14	Notes Payable.....	9	0	572
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....	10	0	70,463
16	External.....	9	4,783	1,658
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	11	12,460	16,943
19	Other Current Liabilities.....		2,364	35,266
20	Total Current Liabilities.....		26,821	132,506
	Long-Term Debt:			
21	Due to Affiliates.....	10	0	0
22	External.....	9	34,131	9,327
23	Deferred Credits .....		2,790	3,020
24	Other Liabilities.....		692	708
25	Commitments and Contingencies.....	14		
26	Total Liabilities.....		64,434	145,561
27	Stockholders', Partners', or Proprietor's Equity.....	10	96,761	4,894
28	Total Liabilities and Equity.....		\$161,195	\$150,455

\* 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.

# DGMB CASINO, LLC

## STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 7, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....	3	\$188,005	\$171,150
2	Rooms.....		25,617	23,187
3	Food and Beverage.....		17,402	16,620
4	Other.....		8,958	9,252
5	Total Revenue.....		239,982	220,209
6	Less: Promotional Allowances.....	3	63,311	55,750
7	Net Revenue.....		176,671	164,459
	Costs and Expenses:			
8	Casino.....		89,717	82,213
9	Rooms, Food and Beverage.....		11,806	12,094
10	General, Administrative and Other.....		51,983	51,404
11	Total Costs and Expenses.....		153,506	145,711
12	Gross Operating Profit.....		23,165	18,748
13	Depreciation and Amortization.....	7	9,557	8,895
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	10	3,730	3,223
15	Other.....			
16	Income (Loss) from Operations.....		9,878	6,630
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	0	(9,799)
18	Interest Expense - External.....	9	(1,398)	(623)
19	CRDA Related Income (Expense) - Net.....	6	(1,383)	(793)
20	Nonoperating Income (Expense) - Net.....		607	1,539
21	Total Other Income (Expenses).....		(2,174)	(9,676)
22	Income (Loss) Before Taxes .....		7,704	(3,046)
23	Provision (Credit) for Income Taxes.....	12	(71)	(81)
24	Net Income (Loss).....		\$7,775	(\$2,965)

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 DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 7, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino.....	3	\$43,267	\$40,353
2	Rooms.....		5,749	5,325
3	Food and Beverage.....		4,306	3,873
4	Other.....		1,870	2,148
5	Total Revenue.....		55,192	51,699
6	Less: Promotional Allowances.....	3	14,885	13,384
7	Net Revenue.....		40,307	38,315
	Costs and Expenses:			
8	Casino.....		22,028	20,313
9	Rooms, Food and Beverage.....		2,643	3,044
10	General, Administrative and Other.....		12,778	12,651
11	Total Costs and Expenses.....		37,449	36,008
12	Gross Operating Profit.....		2,858	2,307
13	Depreciation and Amortization.....	7	2,500	2,150
	Charges from Affiliates Other than Interest:			
14	Management Fees.....	10	630	822
15	Other.....			
16	Income (Loss) from Operations.....		(272)	(665)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	7,532	(2,522)
18	Interest Expense - External.....	9	(625)	(163)
19	CRDA Related Income (Expense) - Net.....	6	(627)	63
20	Nonoperating Income (Expense) - Net.....		(406)	(240)
21	Total Other Income (Expenses).....		5,874	(2,862)
22	Income (Loss) Before Taxes .....		5,602	(3,527)
23	Provision (Credit) for Income Taxes.....	12	(73)	(83)
24	Net Income (Loss).....		\$5,675	(\$3,444)

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 TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Special Capital Contribution (e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2015.....</b>		\$35,078	(\$27,219)	\$0	\$7,859
2	Net Income (Loss) - 2016.....			(2,965)		(2,965)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	<b>Balance, December 31, 2016.....</b>		35,078	(30,184)	0	4,894
11	Net Income (Loss) - 2017.....			7,775		7,775
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Partner Special Contribution, net				84,092	84,092
17	_____					0
18	_____					0
19	<b>Balance, December 31, 2017.....</b>		\$35,078	(\$22,409)	\$84,092	\$96,761

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 TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 7, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$18,253	\$17,806
	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.....		(18,527)	(21,157)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(2,348)	(2,576)
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 .....		2,465	1,027
11				
12	Net Cash Provided (Used) By Investing Activities.....		(18,410)	(22,706)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		(20,122)	(1,760)
15	Proceeds from Long-Term Debt .....		48,000	12,000
16	Costs of Issuing Debt.....		(522)	(565)
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.....		(29,069)	0
21	Net Proceeds/Payments related party .....		0	(167)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(1,713)	9,508
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(1,870)	4,608
25	Cash and Cash Equivalents at Beginning of Period.....		13,538	8,930
26	Cash and Cash Equivalents at End of Period.....		\$11,668	\$13,538
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$594	\$383
28	Income Taxes.....		\$2	\$2

\* 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.

# DGMB CASINO, LLC

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended May 7, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 * (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$7,775	(\$2,965)
30	Depreciation and Amortization of Property and Equipment...		9,572	8,910
31	Amortization of Other Assets.....		(15)	(15)
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....		(230)	(149)
35	(Gain) Loss on Disposition of Property and Equipment.....		397	388
36	(Gain) Loss on CRDA-Related Obligations.....		1,383	793
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		2,793	(3,192)
39	(Increase) Decrease in Inventories .....		(221)	210
40	(Increase) Decrease in Other Current Assets.....		160	241
41	(Increase) Decrease in Other Assets.....		39	15
42	Increase (Decrease) in Accounts Payable.....		(390)	240
43	Increase (Decrease) in Other Current Liabilities .....		(4,246)	13,330
44	Increase (Decrease) in Other Liabilities .....			
45	(Increase) Decrease in due from affiliates .....		1,236	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$18,253	\$17,806

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$18,527)	(\$21,157)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$18,527)	(\$21,157)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

\* Prior year restated to conform with current year presentation

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

**DGMB CASINO, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017  
(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	201,035	\$14,185	0	\$0
2	Food	163,115	\$5,762	493,706	8,426
3	Beverage	899,493	\$5,845	0	0
4	Travel	0	\$0	17,041	1,081
5	Bus Program Cash	5,381	\$700	0	0
6	Promotional Gaming Credits	782,374	\$29,973	0	0
7	Complimentary Cash Gifts	91,195	\$4,819	0	0
8	Entertainment	18,175	\$1,690	619	78
9	Retail & Non-Cash Gifts	0	\$0	53,936	6,202
10	Parking	0	\$0	0	0
11	Other	24,006	\$337	118,395	2,960
12	Total	2,184,774	\$63,311	683,697	\$18,747

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	47,122	\$3,481	0	\$0
2	Food	34,229	\$1,571	114,567	1,850
3	Beverage	213,869	\$1,390	0	0
4	Travel	0	\$0	5,088	281
5	Bus Program Cash	1,090	\$150	0	0
6	Promotional Gaming Credits	166,923	\$6,621	0	0
7	Complimentary Cash Gifts	21,824	\$1,146	0	0
8	Entertainment	3,755	\$478	288	36
9	Retail & Non-Cash Gifts	0	\$0	14,550	1,673
10	Parking	0	\$0	0	0
11	Other	3,400	\$48	27,791	695
12	Total	492,212	\$14,885	162,284	\$4,535

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



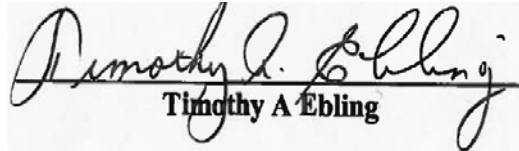
**DGMB CASINO, LLC**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2017

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.

5/7/2018

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Timothy A Ebling

Vice President, CFO

\_\_\_\_\_  
Title

9194-11

\_\_\_\_\_  
License Number

On Behalf of:

DGMB CASINO, LLC

\_\_\_\_\_  
Casino Licensee

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

**1. Basis of Presentation**

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 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 wholly owned 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.

**2. Management’s Plans Related to Liquidity and Capital Needs**

The Company operates in an extremely competitive market with competitive pressures not only from casinos in Atlantic City, New Jersey but also from those in the surrounding states of Pennsylvania, New York, Maryland, Delaware, and Connecticut. The Atlantic City market had four casino hotels close in 2014 and one casino close in 2016 reducing the number of operating casinos to seven. This decrease in competition has enabled the Company to garner more than its fair share of the market. The market has shown signs of stabilizing with revenue of \$2.4 billion in 2017 and 2016. Hard Rock Casino plans to open their brand on the boardwalk in 2018 at the location of the former Taj Mahal property. The Company has a property management agreement with an established gaming company, Mohegan Sun. The benefits of this agreement have resulted in increased revenues and operating efficiencies and the Company expects that these benefits will continue.

In the past, affiliates of the majority owner of Holding have funded the cash flow needs of DGMB. Holding entered into the First Amendment to the Second Amended and Restated Limited Liability Company Agreement which, among other things, converted loans and related interest payable to a class of equity referred to as special capital contributions. This agreement was executed in December, 2017 with an effective date of January 1, 2017 and is reflected in the accompanying financial statements.

The Company has been issued an Internet Gaming Permit (NJIGP-18-008) by the State of New Jersey Division of Gaming Enforcement (DGE) which is utilized by an affiliate, casino licensee Resorts Digital Gaming, LLC.

**3. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents –**

Cash and cash equivalents include cash in the bank and cash on the casino floor, which are all unrestricted. As of December 31, 2017, amounts held in financial institutions were in excess of FDIC insurance limits

**Receivables**

Receivables consist primarily of casino, hotel, intercompany and other receivables. 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.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

**Inventories**

Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or net realizable 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:

<b>Asset Class</b>	<b>Useful Life</b>
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. No impairment of land, buildings, and equipment has been recognized.

**Intangible Assets**

Intangible assets, included in other assets in the accompany balance sheets, includes trade name. 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

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

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 December 31, 2017 and 2016, the "Cash Back" liability was \$56,000 and \$144,000, respectively and is included in other accrued expenses in the accompanying balance sheets.

**Bankable Complimentaries**

The Company customer loyalty program 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 December 31, 2017 and 2016, the bankable complimentary liability was \$1.7 million and \$1.6 million, respectively and is included in other accrued expenses in the accompanying balance sheets.

**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 \$1.0 million and \$0.9 million for the three months ended December 31, 2017 and 2016, respectively, and \$4.5 million and \$4.3 million for the twelve months ended December 31, 2017 and 2016, respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

**Gaming Tax**

The Company remits to the State of New Jersey a tax equal to 8% of gross gaming revenue. Gaming tax expense for the three months ended December 31, 2017 and 2016 were \$3.1 million and \$2.9 million, respectively, and for the twelve months ended December 31, 2017 and 2016 were \$13.5 million and \$12.4 million. 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 \$2.0 million and \$2.0 million for the three months ended December 31, 2017 and 2016, respectively, and \$8.0 million and \$7.8 million for the twelve months ended December 31, 2017 and 2016, respectively, and were included in total costs and expenses in the accompanying consolidated 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 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

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

Company recognizes interest and penalties accrued related to unrecognized tax benefits in the provision for income taxes.

**Use of Estimates**

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

**4. Receivables**

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

	<u>2017</u>	<u>2016</u>
Gaming	\$ 3,947	\$ 4,427
Less: allowance for doubtful accounts	(1,002)	(1,079)
	<u>2,945</u>	<u>3,348</u>
Non-gaming:		
Hotel and related	986	1,018
Less: allowance for doubtful accounts	(178)	(111)
EDA Fund Receivable	478	1,979
Tenant Receivable	941	894
Other	9,025	1,572
	<u>11,252</u>	<u>5,352</u>
Receivables, net	<u>\$ 14,197</u>	<u>\$ 8,700</u>

**5. Other Current Assets**

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

	<u>2017</u>	<u>2016</u>
Prepaid insurance	\$ 443	\$ 322
Prepaid casino license	379	390
Prepaid maintenance agreements	569	611
Prepaid sewer	97	95
Prepaid miscellaneous	200	79
Other prepaid expenses and current assets	160	511
	<u>\$ 1,848</u>	<u>\$ 2,008</u>

**6. 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

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

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 December 31, (in thousands):

	<u>2017</u>	<u>2016</u>
Deposits — net of valuation allowance for \$958 and \$665, respectively	\$ 78	\$ 1,379
CRDA Bonds — net of valuation allowance for \$7,850 and \$7,850, respectively	482	648
	<u>\$ 560</u>	<u>\$ 2,027</u>

The Company records income (expense) to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were \$(627,000) and \$63,000 for the three months ended December 31, 2017 and 2016, respectively, and \$(1,383,000) and \$(793,000) for the twelve months ended December 31, 2017 and 2016, respectively. CRDA expense is included in other income (expense) in the accompanying statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. If 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 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.

On May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implements a Payment in Lieu of Taxes Program (“the PILOT”). Beginning calendar year 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 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. As a result of the PILOT, any CRDA contributions not previously committed by the CRDA will be expensed.

In October, 2014, the Company applied to CRDA for financial assistance in the form of a direct investment grant in the amount of \$9.4 million for the construction of an approximately 12,533 square foot meeting space expansion project (“Meeting Space Component”) with an estimated budget of \$4.7 million and renovation of 310 bathrooms (“Hotel Room Component”), also with an estimated budget of \$4.7 million, which application was approved by CRDA in December, 2014. In or about March, 2015 the Company requested modification to the project to allow the Company to forgo proceeding with the Hotel Room Component unless future Investment Alternative Tax revenues are available to the Company to fund the Hotel Room Component as contemplated by the original application. The Meeting Space Component was completed and the Hotel Room Component is in progress with an expected completion date in the second quarter of 2018.

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**7. Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Land	\$ 11,643	\$ 11,643
Hotels and other buildings	104,843	91,070
Furniture, fixtures and equipment	51,794	47,388
Construction in progress	2,628	4,229
	<u>170,908</u>	<u>154,330</u>
Less: accumulated depreciation	<u>(43,427)</u>	<u>(35,407)</u>
Net property and equipment	<u>\$ 126,481</u>	<u>\$ 118,923</u>

Depreciation expense for the three months ended December 31, 2017 and 2016 was \$2.5 million and \$2.2 million respectively, and for the twelve months ended December 31, 2017 and 2016 was \$9.6 million and \$8.9 million, respectively.

**8. Intangible Assets**

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at \$3.3 million at December 31, 2017 and 2016, respectively. The trade name is deemed to have an indefinite life.

**9. Debt**

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. This loan was paid in full on April 22, 2016 with proceeds of the Key Bank loan described below.

In April 2013, the Company entered into a \$2 million Revolver with an initial maturity date of April 30, 2014. The Revolver had been extended to April 30, 2016 under the same terms and conditions. The line of credit expired on April 30, 2016 and was not renewed.

In October 2014, the Company entered into a \$2.5 million three year Promissory Note with the EDA Grant as collateral maturing on November 1, 2017. Principal payments are tied to the amount received from the grant and are no less than \$785,000 annually beginning August 31, 2015. The Promissory Note accrues interest at a rate of 4.25% plus LIBOR as defined. In addition to the grant collateral, the Promissory Note is guaranteed by certain affiliates of Holding. The loan was paid off on the November 1 maturity date. The amount outstanding at December 31, 2017 and 2016 is \$0 and \$572,000, respectively.

On April 22, 2016, the Company entered into a three-year variable rate credit facility with Key Bank in the principal loan amount of \$12 million with an accordion feature allowing borrowings of an additional \$8 million, ("Original Key Loan") which was accessed in March 2017 for a total borrowing of \$20 million. On December 21, 2017 the Original Key Loan was paid off as the Company entered into a new five year variable rate \$60 million credit facility with Key Bank ("Key Bank 60") consisting of a \$40 million term loan, an option for an additional \$10 million term loan and a \$10 million line of credit. The credit facility has various covenants with which the Company is in compliance. The term loan has a first lien on all assets of the Company and is guaranteed by certain affiliates of Holding. Interest is due monthly at LIBOR plus 2.75% with quarterly principal payments and a balloon payment due December 21, 2022. Monthly interest and quarterly principal payments have been made as required. The amount outstanding at December 31, 2017 is \$40 million.

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**NOTES TO FINANCIAL STATEMENTS**  
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**10. Related Party Transactions**

Holding entered into the First Amendment to the Second Amended and Restated Limited Liability Company Agreement effective January 1, 2017 that, among other things, converted the loans and related interest due to the majority owner of Holding to a class of equity referred to as special capital contribution. The difference between the amount converted to special capital contribution and the amount distributed to the majority owner will take precedent in any future capital distributions.

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 of net revenues and paid on a monthly basis. The Management Agreement also allows for an incentive fee paid annually based on annual EBITDA results as defined in the Management Agreement. The Management Agreement was amended effective October 14, 2015, which, among other things, extended the minimum term to December 31, 2019. The Company recorded \$630,000 and \$822,000, for the three months ended December 31, 2017 and 2016, respectively, and \$3.7 million and \$3.2 million for the twelve months ended December 31, 2017 and 2016, respectively in base and incentive fees related to the Management Agreement. As of December 31, 2017 and 2016, there was \$2.0 million and \$1.5 million respectively, of accrued incentive fees on the accompanying balance sheets.

An affiliate of the Company with the same ownership, Resorts Digital Gaming, LLC, operates real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-18-008) issued to the Company. The Company provides Resorts Digital Gaming, LLC with administrative services such as payroll, accounting, risk management, legal, treasury, and information systems in return for a fee pursuant to a Shared Services Agreement. 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 the Company were assigned to Resorts Digital Gaming, LLC, which qualifies as an "Affiliated Company" as that term is defined in each of the agreements and the Company has executed all documents required to effectuate the assignment in 2015.

**11. Other Accrued Expenses**

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

	<u>2017</u>	<u>2016</u>
Payroll and related costs	\$ 5,126	\$ 8,256
Capital liability	595	1,399
Unredeemed incentives	1,778	1,784
Management Fees	2,290	1,989
Property taxes	-	78
Utilities	335	409
Guest claims	307	381
Regulatory and state taxes	729	1,692
Other	1,300	955
	<u>\$ 12,460</u>	<u>\$ 16,943</u>

**12. Income Taxes**

The Company is subject to the State of New Jersey Income Tax and, as noted above, is not subject to federal income taxes. The Company is required to file a New Jersey consolidated return with other affiliates that conduct business with the casino. We calculate the provision for income taxes by using a "separate return" method. Under this method, we are assumed to file a separate return with the tax authority, thereby reporting our taxable income or loss and paying the applicable tax to or receiving the appropriate refund without our affiliates. Our current provision is the amount of tax payable or refundable on the basis of 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 on the basis of our projected separate return results.



**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
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Significant components of income taxes for the years ended December 31 were as follows (in thousands):

	<b>2017</b>	<b>2016</b>
Current	\$ 2	\$ 2
Deferred	(73)	(83)
Income tax provision (benefit)	\$ (71)	\$ (81)

The differences between income taxes expected at the New Jersey statutory income tax rate of 9 percent and the reported income tax (benefit) expense is the Company's valuation allowance.

**13. Leases**

**Operating Leases —**

The Company leases real estate and equipment for use in its business through operating leases. Future minimum rental commitments for non-cancelable leases, including renewal options and capital leases, as of December 31, 2017, are as follows (in thousands):

<b>Year ending, December 31,</b>	<b>Operating Lease Obligations</b>
2018	\$ 330
2019	330
2020	330
2021	330
2022	330
Thereafter	12,433
Total minimum lease payments	\$ 14,083

**14. Commitments and Contingencies**

**Litigation**

There are other 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 will not have a material effect on the Company's financial position or results of operations.

**Commitments**

All the Atlantic City casino properties ("AC Industry") and the CRDA were required by law to enter 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 expired on December 31, 2016. The agreement provided that in exchange for funding the ACA would create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5.0 million as of December 31, 2011 and was required to continue to pay \$30.0 million annually for the term of the agreement. Each payment was allocated to the AC Industry based on each casino's prorated share of gross gaming revenues from the preceding period. In November 2014, the ACA board voted unanimously to request the state legislature to disband the ACA in light of then pending legislation to divert the Industry's combined \$30.0 million yearly ACA contributions to fund a portion of the city's budget in addition to the PILOT payments required of casino licensees.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited) amended 5/7/2018**

As stated above in Note 6, on May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implemented the PILOT program. The legislation permits CRDA to cancel the agreement with casino licensees removing the obligation to fund the functions that were previously supported by their contributions to the ACA and diverts the funding for calendar years 2015 to 2023 to payments under the PILOT program. The Company was responsible for its pro-rata share of \$15 million in 2017.

The Company pays a guaranteed minimum payment per year to Margaritaville of Atlantic City, LLC, a subsidiary of Margaritaville Enterprises, LLC, an owner, operator and licensor of multiple Margaritaville restaurants in the United States. In addition, the Company is subject to increase royalty fees if annual gross gaming revenues, as defined, exceed certain thresholds.

**15. Subsequent Events**

The Company completed its subsequent events review through April 30, 2018 the date on which the financial statements were issued. No subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.

**DGMB CASINO, LLC**

**ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Amended 5/7/2018**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# DGMB CASINO, LLC

## ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2017

(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.....	\$2,613		
2	Returned Patrons' Checks.....	1,334		
3	Total Patrons' Checks.....	3,947	\$1,002	\$2,945
4	Hotel Receivables.....	2,066	178	\$1,888
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	8,290		
7	Other Accounts and Notes Receivables.....	1,074		
8	Total Other Receivables.....	9,364		\$9,364
9	Totals (Form DGE-205).....	\$15,377	\$1,180	\$14,197

### UNDEPOSITED PATRONS' CHECKS ACTIVITY

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$2,983
11	Counter Checks Issued.....	81,128
12	Checks Redeemed Prior to Deposit.....	(63,750)
13	Checks Collected Through Deposits.....	(15,936)
14	Checks Transferred to Returned Checks.....	(1,334)
15	Other Adjustments.....	(478)
16	Ending Balance.....	\$2,613
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$377
19	Provision as a Percent of Counter Checks Issued.....	0.5%

**DGMB CASINO, LLC**  
**ANNUAL EMPLOYMENT AND PAYROLL REPORT \***

AT DECEMBER 31, 2017

(\$ 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	510			
2	Slot Machines	48			
3	Administration	9			
4	Casino Accounting	82			
5	Simulcasting	0			
6	Other	10			
7	Total - Casino	659	\$11,944		\$11,944
8	ROOMS	220	4,829		4,829
9	FOOD AND BEVERAGE	461	8,132		8,132
10	GUEST ENTERTAINMENT	129	1,234		1,234
11	MARKETING	135	5,077		5,077
12	OPERATION AND MAINTENANCE	188	4,134		4,134
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	14	2,833		2,833
14	Accounting and Auditing	44	1,621		1,621
15	Security	148	4,358		4,358
16	Other Administrative and General	42	4,432		4,432
	OTHER OPERATED DEPARTMENTS:				
17					0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,040	\$48,594	\$0	\$48,594

\* Includes employees of Resorts Digital Gaming, LLC