

**RESORTS DIGITAL GAMING, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2018**

**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, 2018 AND 2017

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$21,394	\$7,948
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2018, \$628 ; 2017, \$492).....	3, 4	1,909	1,124
4	Inventories .....		0	0
5	Other Current Assets.....		661	50
6	Total Current Assets.....		23,964	9,122
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....		45	0
9	Less: Accumulated Depreciation and Amortization.....		(6)	0
10	Property and Equipment - Net.....		39	0
11	Other Assets.....			
12	Total Assets.....		\$24,003	\$9,122
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,115	\$3,008
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....			
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....		2,131	1,067
19	Other Current Liabilities.....	7	18,032	5,373
20	Total Current Liabilities.....		23,278	9,448
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....	3, 5	30,582	31,105
24	Other Liabilities.....	5	7,880	8,290
25	Commitments and Contingencies.....	8		
26	Total Liabilities.....		61,740	48,843
27	Stockholders', Partners', or Proprietor's Equity.....		(37,737)	(39,721)
28	Total Liabilities and Equity.....		\$24,003	\$9,122

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, 2018 AND 2017

(UNAUDITED)  
(IN THOUSANDS)

Amended 4/30/19

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....	3	\$29,333	\$24,732
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....	3, 8	801	12,143
5	Net Revenue.....		30,134	36,875
	Costs and Expenses:			
6	Casino.....	3	13,408	10,663
7	Rooms, Food and Beverage.....			
8	General, Administrative and Other.....	5, 8, 9	13,097	11,718
9	Total Costs and Expenses.....		26,505	22,381
10	Gross Operating Profit.....		3,629	14,494
11	Depreciation and Amortization.....		6	0
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	5	785	735
14	Income (Loss) from Operations.....		2,838	13,759
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....	6	(854)	(1,409)
18	Nonoperating Income (Expense) - Net.....	5	0	0
19	Total Other Income (Expenses).....		(854)	(1,409)
20	Income (Loss) Before Taxes .....		1,984	12,350
21	Provision (Credit) for Income Taxes.....	3	272	1,131
22	Net Income (Loss).....		\$1,712	\$11,219

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, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 4/30/19

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
	Revenue:			
1	Casino.....	3	\$8,028	\$6,075
2	Rooms.....			
3	Food and Beverage.....			
4	Other.....	3, 8	(335)	67
5	Net Revenue.....		7,693	6,142
	Costs and Expenses:			
6	Casino.....	3	3,155	2,573
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....	5, 8, 9	2,540	3,138
9	Total Costs and Expenses.....		5,695	5,711
10	Gross Operating Profit.....		1,998	431
11	Depreciation and Amortization.....		3	0
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	5	208	183
14	Income (Loss) from Operations.....		1,787	248
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....			
17	CRDA Related Income (Expense) - Net.....	6	(201)	(536)
18	Nonoperating Income (Expense) - Net.....	5	0	(2,550)
19	Total Other Income (Expenses).....		(201)	(3,086)
20	Income (Loss) Before Taxes .....		1,586	(2,838)
21	Provision (Credit) for Income Taxes.....	3	272	1,131
22	Net Income (Loss).....		\$1,314	(\$3,969)

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, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 4/30/19

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Special Equity Distribution (e)	Total Equity (Deficit) (f)
1	<b>Balance, December 31, 2016.....</b>		\$5,000	(\$2,971)	(\$45,100)	(\$43,071)
2	Net Income (Loss) - 2017.....			11,219		11,219
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....				(9,000)	(9,000)
6	Prior Period Adjustments.....					0
7	<u>Special Capital Contribution</u>				1,131	1,131
8						0
9						0
10	<b>Balance, December 31, 2017.....</b>		5,000	8,248	(52,969)	(39,721)
11	Net Income (Loss) - 2018.....			1,712		1,712
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	<u>Special Capital Contribution</u>				272	272
17						0
18						0
19	<b>Balance, December 31, 2018.....</b>		\$5,000	\$9,960	(\$52,697)	(\$37,737)

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, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 4/30/19

Line (a)	Description (b)	Notes	2018 (c)	2017 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$14,079	\$13,401
	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.....		(45)	0
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(588)	(723)
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.....		(633)	(723)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Net Proceeds/Payments related party .....		0	(9,000)
22	Increase in Interest Due from Affiliates .....		0	(1,600)
23	Net Cash Provided (Used) By Financing Activities.....		0	(10,600)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		13,446	2,078
25	Cash and Cash Equivalents at Beginning of Period.....		7,948	5,870
26	Cash and Cash Equivalents at End of Period.....		\$21,394	\$7,948
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			
28	Income Taxes.....			

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

# RESORTS DIGITAL GAMING, LLC

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 4/30/18

Line (a)	Description (b)	Notes	2018 (c)	(d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$1,712	\$11,219
30	Depreciation and Amortization of Property and Equipment.....		6	0
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.....		855	1,409
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(786)	(709)
39	(Increase) Decrease in Inventories .....			
40	(Increase) Decrease in Other Current Assets.....		(611)	(50)
41	(Increase) Decrease in Other Assets.....		0	0
42	Increase (Decrease) in Accounts Payable.....		107	1,043
43	Increase (Decrease) in Other Current Liabilities .....		13,456	1,132
44	Increase (Decrease) in Other Liabilities .....		(522)	(530)
45	Increase (Decrease) in Intercompany Payable .....		(410)	(1,244)
46	Non cash tax expense .....		272	1,131
47	Net Cash Provided (Used) By Operating Activities.....		\$14,079	\$13,401

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$45)	\$0
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$45)	\$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	\$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.

**RESORTS DIGITAL GAMING, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018  
(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	161,957	6,689		
12	Total	161,957	\$6,689	0	\$0

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

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	36,017	1,497		
12	Total	36,017	\$1,497	0	\$0

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



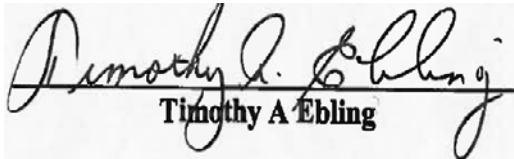
# RESORTS DIGITAL GAMING, LLC STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2018

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

4/30/2019

Date



Timothy A Ebling

Vice President, CFO

Title

9194-11

License Number

On Behalf of:

RESORTS DIGITAL GAMING, LLC  
Casino Licensee

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

**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 on August 12, 2015 by the State of New Jersey Casino Control Commission ("Commission") and, as an Internet Gaming Affiliate of DGMB Casino, LLC ("Resorts"), has been authorized by the State of New Jersey Division of Gaming Enforcement ("DGE") to operate real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-18-008) issued to Resorts. Resorts operates Resorts Casino Hotel located in Atlantic City, NJ.

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

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

**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(k), a unique New Jersey bank account is maintained to segregate internet gaming patron's funds on deposit, pending withdrawals and active bets. The balance in this account at December 31, 2018 and 2017 is \$17.2 and \$4.8 million, respectively. Unrestricted cash balance at December 31, 2018 is \$4.3 million.

**Receivables**

Receivables consist of amounts due from patrons and third party processors and online gaming platforms. As of December 31, there is \$1.9 million due from gaming platform providers. Accounts receivables are non-interest bearing and are initially recorded at cost.

**Allowance for Doubtful Accounts**

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

**Deferred Revenue**

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

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

**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.

**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 will expire if the customer does not earn points over a designated period from the time they were first earned. The points are recognized when issued and are recorded as a reduction in gaming revenue 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, 2018 and 2017 was \$5.1 million and \$4.5 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.

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

**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 2014-09, Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the

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

consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU is effective for fiscal years beginning after December 15, 2018, using one of two retrospective application methods. The Company has determined it will adopt this ASU on January 1, 2019 using the full retrospective method, which will require restatement of each prior reporting period to be presented. The Company does not believe that the implementation of this standard will have a material impact on the financial statements. Adjustments resulting from the implementation will primarily include reclassifications between casino revenue and promotional allowances, but should not materially change the reported amount of net revenues.

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

In November 2015, the FASB issued 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 adopted this ASU during the year ended December 31, 2017.

*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. Receivables**

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

	<u>2018</u>	<u>2017</u>
Gaming Related	\$ 639	\$ 530
Less reserve	(628)	(492)
Other Receivable	1,898	1,086
Receivables, net	<u>\$ 1,909</u>	<u>\$ 1,124</u>

**4. Related Party Transactions**

Resorts provides the Company with administrative services such as payroll, accounting, risk management, legal, treasury, and information systems in return for a fee pursuant to the Shared Services Agreement. This fee was \$785,000 and \$735,000 for the twelve months ended December 31, 2018 and 2017, respectively, and is included in general, administrative and other in the accompanying statements of operations. The Company owed an affiliate, DGMB Casino, LLC \$7.9 million and \$8.3 million as of December 31, 2018 and 2017, respectively, and is recorded as other liabilities on the accompanying balance sheets.

During 2015, agreements with TSG Interactive US Services Limited (formerly Rational Services Limited) (“Rational”) and NYX Digital Gaming (USA), LLC (formerly Sportech-NYX Gaming, LLC) (“NYX”) and Resorts, which is an “Affiliated Company” as that term is defined in each of the agreements, were assigned to the Company. Between 2013 and 2015, the Company received cash advances, which will be earned and recognized as revenue, based upon various events and conditions, over the next ten years.

Between 2013 and 2015, the Company transferred the aforementioned advances to an affiliate and were recorded as due from affiliates as of December 31, 2016, on the accompanying Statement of Changes in Members’ Deficit. Effective January 1, 2017, Holding entered into the First Amendment to the Second Amended and Restated Limited Liability Company Agreement, which, among other things, converted the balance due from affiliate to a class of equity referred to as special capital distribution.

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

**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 or the PILOT program.

**6. Other Current Liabilities**

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

	<u>2018</u>	<u>2017</u>
Patron Deposits	\$ 16,992	\$ 4,895
Other	1,040	478
	<u>\$ 18,032</u>	<u>\$ 5,373</u>

**7. Income Taxes**

The Company is subject to the State of New Jersey Income Tax and, as noted above, is not subject to federal income taxes. The Company is required to file a New Jersey consolidated return with other affiliates that conduct business with the casino. We calculate the provision for income taxes by using a "separate return" method. Under this method, we are assumed to file a separate return with the tax authority, thereby reporting our taxable income or loss and paying the applicable tax to or receiving the appropriate refund without our affiliates. Our current provision reflects the amount of tax payable or refundable based on a hypothetical, current-year separate return. We provide deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical separate return and assess the need for a valuation allowance based on our projected separate return results.

Components of income taxes for the years ended December 31, 2018 and 2017 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Current	\$ 272	\$ 1,131
Deferred	-	-
Income tax provision	<u>\$ 272</u>	<u>\$ 1,131</u>

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.

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

The Company's deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Total deferred tax assets	\$ 2,144	\$ 1,688
Valuation Allowance	<u>(2,144)</u>	<u>(1,688)</u>
Total deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

The significant component of the deferred tax assets deferred revenue.

Net deferred tax assets have been reduced by a valuation allowance of \$1.6 million and \$1.7 million at December 31, 2018 and 2017, respectively. After consideration of all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations, the Company believes certain net deferred tax assets are not likely to be utilized. In the event the Company determines it would be able to realize these net deferred tax assets in the future in an amount different from their recorded amount, the Company would make an adjustment to the valuation allowance, which would be recorded through the provision for income taxes.

The Company did not have any net operating loss carryforward as of December 31, 2018. 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, 2018 and 2017.

## 8. Commitments and Contingencies

### Litigation

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

### 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. As discussed in Note 5, Rational has made advance payments that are recorded as deferred credits 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. In September 2017, the agreement was modified that, among other things, settled a non-interest bearing note, accelerated certain guarantees, and increased future operational costs.

## 9. Leases

On November 15, 2017, the Company entered into a non-cancellable operating lease agreement with Bayport One, LLC c/o US Realty Management Company, LLC to rent office space for use in its business for a minimum of five years. Rental expense totaled \$60 and \$5 for the years ended December 31, 2018 and 2017, respectively, and is included in general, administrative & other of the accompanying statements of income.

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

**10. Subsequent Events**

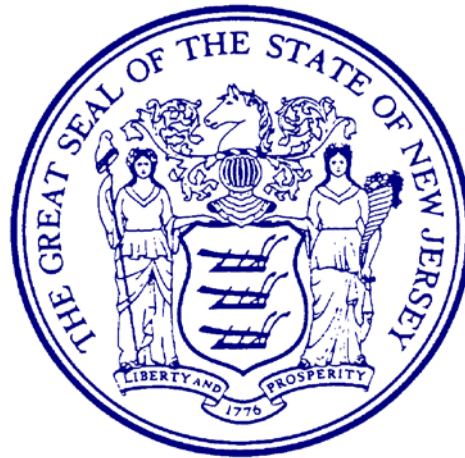
The Company completed its subsequent events review through April 1, 2019, the date on which the financial statements were available to be issued. No subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.

**Resorts Digital Gaming, LLC**

**ANNUAL FILINGS**

**FOR THE PERIOD DECEMBER 31, 2018**

**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, 2018

(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.....	639		
3	Total Patrons' Checks.....	639	\$628	\$11
4	Hotel Receivables.....	-	-	\$0
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	1,898		
8	Total Other Receivables.....	1,898		\$1,898
9	Totals (Form DGE-205).....	\$2,537	\$628	\$1,909

### 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, 2018

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games				
2	Slot Machines				
3	Administration				
4	Casino Accounting				
5	Simulcasting				
6	Other				
7	Total - Casino	0			\$0
8	ROOMS				0
9	FOOD AND BEVERAGE				0
10	GUEST ENTERTAINMENT				0
11	MARKETING				0
12	OPERATION AND MAINTENANCE				0
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office				0
14	Accounting and Auditing				0
15	Security				0
16	Other Administrative and General				0
	OTHER OPERATED DEPARTMENTS:				
17					0
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	0	\$0	\$0	\$0

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