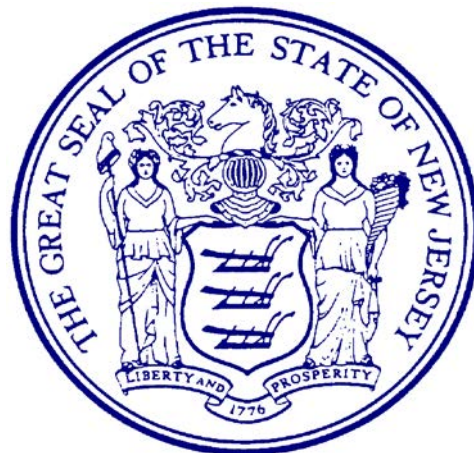


**DGMB CASINO, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

**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 SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$18,610	\$17,404
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, \$2,300; 2018, \$1,468).....	2, 3	\$17,159	15,387
4	Inventories .....	2	\$1,485	1,791
5	Other Current Assets.....	4	3,052	2,316
6	Total Current Assets.....		40,306	36,898
7	Investments, Advances, and Receivables.....	5	1,540	1,504
8	Property and Equipment - Gross.....	2, 6	194,476	179,794
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(59,786)	(50,729)
10	Property and Equipment - Net.....	2, 6	134,690	129,065
11	Other Assets.....	2, 7	3,993	3,838
12	Total Assets.....		\$180,529	\$171,305
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$4,339	\$6,381
14	Notes Payable.....	8	8,000	3,000
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	8	4,705	4,728
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	10	13,693	14,197
19	Other Current Liabilities.....		5,798	2,499
20	Total Current Liabilities.....		36,535	30,805
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....	8	25,712	30,450
23	Deferred Credits .....		3,931	2,790
24	Other Liabilities.....		665	681
25	Commitments and Contingencies.....	11		
26	Total Liabilities.....		66,843	64,726
27	Stockholders', Partners', or Proprietor's Equity.....		113,686	106,579
28	Total Liabilities and Equity.....		\$180,529	\$171,305

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....	2	\$90,072	\$90,798
2	Rooms.....	2	20,933	20,612
3	Food and Beverage.....	2	14,482	14,101
4	Other.....	2	5,821	6,904
5	Net Revenue.....		131,308	132,415
	Costs and Expenses:			
6	Casino.....	2	62,852	63,180
7	Rooms, Food and Beverage.....		10,396	9,877
8	General, Administrative and Other.....	2	40,324	39,434
9	Total Costs and Expenses.....		113,572	112,491
10	Gross Operating Profit.....		17,736	19,924
11	Depreciation and Amortization.....	6	6,773	7,291
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	2,115	2,222
13	Other.....			
14	Income (Loss) from Operations.....		8,848	10,411
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....	8	(1,850)	(1,619)
17	CRDA Related Income (Expense) - Net.....	5	(811)	(580)
18	Nonoperating Income (Expense) - Net.....		104	4,396
19	Total Other Income (Expenses).....		(2,557)	2,197
20	Income (Loss) Before Taxes .....		6,291	12,608
21	Provision (Credit) for Income Taxes.....		2	542
22	Net Income (Loss).....		\$6,289	\$12,066

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 SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino.....	2	\$33,421	\$32,559
2	Rooms.....	2	8,459	8,462
3	Food and Beverage.....	2	5,515	5,380
4	Other.....	2	2,187	2,551
5	Net Revenue.....		49,582	48,952
	Costs and Expenses:			
6	Casino.....	2	22,033	22,367
7	Rooms, Food and Beverage.....		4,249	3,621
8	General, Administrative and Other.....	2	13,959	13,777
9	Total Costs and Expenses.....		40,241	39,765
10	Gross Operating Profit.....		9,341	9,187
11	Depreciation and Amortization.....	6	2,258	2,247
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	745	778
13	Other.....			
14	Income (Loss) from Operations.....		6,338	6,162
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....	8	(626)	(567)
17	CRDA Related Income (Expense) - Net.....	5	(298)	(215)
18	Nonoperating Income (Expense) - Net.....		65	4,293
19	Total Other Income (Expenses).....		(859)	3,511
20	Income (Loss) Before Taxes .....		5,479	9,673
21	Provision (Credit) for Income Taxes.....		0	540
22	Net Income (Loss).....		\$5,479	\$9,133

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, 2018  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Special Capital Contribution (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2017.....		\$35,078	(\$22,409)	\$84,092	\$96,761
2	Net Income (Loss) - 2018.....			12,784		12,784
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Distribution, net				(2,248)	(2,248)
8						0
9						0
10	Balance, December 31, 2018.....		35,078	(9,625)	81,844	107,297
11	Net Income (Loss) - 2019.....			6,289		6,289
12	Capital Contributions.....				100	100
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance, September 30, 2019.....		\$35,078	(\$3,336)	\$81,944	\$113,686

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 2/18/20

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$10,015	\$19,032
	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.....	2, 6	(6,474)	(8,886)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....	5	(1,639)	(1,642)
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 .....		1,252	216
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(6,861)	(10,312)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....	8	5,000	3,000
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....		179	14
17	Payments to Settle Long-Term Debt.....	8	(3,750)	(3,750)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		100	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Net borrowings from (to) related party .....			
22	Special Capital Distribution, net .....		0	(2,248)
23	Net Cash Provided (Used) By Financing Activities.....		1,529	(2,984)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		4,683	5,736
25	Cash and Cash Equivalents at Beginning of Period.....		13,927	11,668
26	Cash and Cash Equivalents at End of Period.....		\$18,610	\$17,404
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,499	\$1,398
28	Income Taxes.....		\$2	\$2

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)

(\$ IN THOUSANDS)

Amended 2/18/20

Line (a)	Description (b)	Notes	2019 (c)	2018 * (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$6,289	\$12,066
30	Depreciation and Amortization of Property and Equipment...	2, 6	6,784	7,302
31	Amortization of Other Assets.....		(11)	(11)
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....			
36	(Gain) Loss on CRDA-Related Obligations.....	5	811	580
37	(Gain) Loss from Other Investment Activities.....			0
38	(Increase) Decrease in Receivables and Patrons' Checks .....	2, 3	(1,509)	(983)
39	(Increase) Decrease in Inventories .....	2	54	(170)
40	(Increase) Decrease in Other Current Assets.....	4	(301)	(468)
41	(Increase) Decrease in Other Assets.....		(169)	(18)
42	Increase (Decrease) in Accounts Payable.....		(4,405)	(832)
43	Increase (Decrease) in Other Current Liabilities .....		2,059	1,773
44	Increase (Decrease) in Other Liabilities .....		0	0
45	Increase (Decrease) in Due from Affiliates .....		413	(207)
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$10,015	\$19,032

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....	2, 6	(\$6,474)	(\$8,886)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....	2, 6	(\$6,474)	(\$8,886)
	<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.....		\$100	
58	Less: Issuances to Settle Long-Term Debt.....			
59	Consideration in Acquisition of Business Entities.....			
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$100	\$0

\* Prior year amounts have been restated to conform with current year presentation.

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

Valid comparisons cannot be made without using information contained in the notes.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
(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	148,394	\$10,577	0	\$0
2	Food	213,815	4,800	297,427	4,979
3	Beverage	646,444	4,198	0	0
4	Travel	0	0	12,615	782
5	Bus Program Cash	4,288	457	0	0
6	Promotional Gaming Credits	531,725	20,717	0	0
7	Complimentary Cash Gifts	93,886	4,464	0	0
8	Entertainment	6,143	848	447	56
9	Retail & Non-Cash Gifts	0	0	35,877	4,126
10	Parking	0	0	187,673	829
11	Other	6,224	87	27,033	675
12	Total	1,650,919	\$46,148	561,072	\$11,447

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	56,820	\$3,918	0	\$0
2	Food	78,561	1,750	106,206	1,851
3	Beverage	222,576	1,444	0	0
4	Travel	0	0	3,554	238
5	Bus Program Cash	1,544	183	0	0
6	Promotional Gaming Credits	203,132	7,996	0	0
7	Complimentary Cash Gifts	31,511	1,464	0	0
8	Entertainment	2,011	408	228	29
9	Retail & Non-Cash Gifts	0	0	12,664	1,456
10	Parking	0	0	66,839	302
11	Other	2,266	32	9,656	241
12	Total	598,421	\$17,195	199,147	\$4,117

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



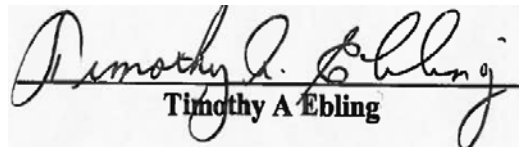
**DGMB CASINO, LLC**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

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.

1/17/2020

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)**  
**(\$ in Thousands)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Division of Gaming Enforcement (“DGE”) and include the accounts of 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Cash and Cash Equivalents** – Cash and cash equivalents include cash in the bank and cash on the casino floor. As of September 30, 2019, amounts held in financial institutions were in excess of FDIC insurance limits.

**Receivables** - Receivables consist primarily of casino, hotel, related party, 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.

**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

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

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, or equipment has been recognized.

**Intangible Assets** - Intangible assets, included in other assets in the accompanying balance sheets, includes a 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 reduction in revenue 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 casino expenses in the statements of income. Such amounts are expensed on the date the award can be utilized by the customer.

**Cashback Liability** - The Company provides incentives to its casino customers, based on levels of gaming activity, through its "Cash Back" marketing program. The incentives are in the form of points, which may be redeemed for wagers on slot machines. The Company estimates a liability for outstanding "Cash Back" incentives (those incentives which have been earned, but not redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The ultimate redemption amount resulting from this marketing program could vary from the estimated liability based on actual redemption activity. The amount is recorded as a reduction in revenue in the statements of income. At September 30, 2019 and 2018, the "Cash Back" liability was \$171 and \$171, 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 September 30, 2019 and 2018, the bankable complimentary liability was \$1,463 and \$1,800, respectively, and is included in other accrued expenses in the accompanying balance sheets.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

**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 \$3,332 and \$3,419 for the nine months ended September 30, 2019 and 2018, 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 was \$9,761 and \$9,871 for the nine months ended September 30, 2019 and 2018, 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 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.

**Seasonal Factors** - The Company's operations are subject to seasonal factors. Therefore, the results of operations of the nine months ended September 30 are not necessarily indicative of the results of operations for the full year.

**Omitted Disclosures** - In accordance with the DGE Financial Reporting guidelines, the Company has elected not to include certain disclosures that were made in the December 31, 2018 report. Accordingly, the following disclosures have been omitted: certain Multiemployer Benefit Plans, certain Income Tax disclosures, and Leases.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

**NOTE 3 - RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of September 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Gaming	\$ 6,252	\$ 3,836
Less: allowance for doubtful accounts	(2,138)	(1,225)
	<u>4,114</u>	<u>2,611</u>
Non-gaming:		
Hotel and related	1,194	1,991
Less: allowance for doubtful accounts	(162)	(243)
EDA Fund Receivable	509	467
Tenant Receivable	559	427
Intercompany	7,467	8,496
Other	3,478	1,638
	<u>13,045</u>	<u>12,776</u>
Receivables, net	<u>\$ 17,159</u>	<u>\$ 15,387</u>

**NOTE 4 – OTHER CURRENT ASSETS**

Other current assets as of September 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Prepaid insurance	\$ 550	\$ 501
Prepaid casino license	539	561
Prepaid maintenance agreements	562	417
Prepaid sewer	237	238
Prepaid miscellaneous	297	117
Other prepaid expenses and current assets	867	482
	<u>\$ 3,052</u>	<u>\$ 2,316</u>

**NOTE 5 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY**

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 or effective 2016, be used to fund the PILOT. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

CRDA related assets as of September 30 were as follows:

	2019	2018
Deposits, net of valuation allowance for \$154 and \$1,353 at September 30, 2019 and 2018, respectively	\$ 309	\$ 1,023
CRDA Bonds, net of valuation allowance for \$6,443 and \$7,850 at September 30, 2019 and 2018, respectively	1,231	481
	\$ 1,540	\$ 1,504

The Company records expenses to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were \$811 and \$580 for the nine months ended September 30, 2019 and 2018, respectively. CRDA expense is included in other income (expenses) in the accompanying statements of income.

The funds on deposit are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to reflect their future value to the Company. Once CRDA Bonds are issued, they are recorded at a discount to approximate fair value. 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.

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

On May 27, 2016, the New Jersey legislature enacted Senate Bill S1715, which implemented a Payment in Lieu of Taxes Program (“the PILOT”). Commencing in 2017, this bill states that for a period of ten (10) years, each Atlantic City casino property owner 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 has an impact on, among other things, the disposition of future CRDA payments by reallocating the majority of casino investment alternative tax (IAT) receipts collected by the CRDA to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the Bill until December 31, 2026. IAT revenues 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 \$9,400 for the construction of an approximately 12,533 square foot meeting space expansion project (“Meeting Space Component”) with an estimated budget of \$4,700 and renovation of 300 bathrooms (“Hotel Room Component”), also with an estimated budget of \$4,700, which application was approved by CRDA in December, 2014. In or about June, 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 in August 2015 and the Hotel Room Component was completed in April 2018.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment, net as of September 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 12,856	\$ 11,739
Hotels and other buildings	120,551	110,818
Furniture, fixtures and equipment	52,905	52,633
Construction in progress	8,164	4,604
	<u>194,476</u>	<u>179,794</u>
Less: accumulated depreciation	(59,786)	(50,729)
Net property and equipment	<u>\$ 134,690</u>	<u>\$ 129,065</u>

Depreciation expense was \$6,773 and \$7,291 for the nine months ended September 30, 2019 and 2018, respectively. Depreciation expense is included in depreciation and amortization in the accompanying statements of income.

**NOTE 7 – OTHER ASSETS**

Other assets as of September 30 consisted of the following:

Loan Fees and Costs	\$ 544	\$ 538
Trade Name Value	3,300	3,300
Other	149	0
	<u>\$ 3,993</u>	<u>\$ 3,838</u>

The trade name is deemed to have an indefinite life.

**NOTE 8 – DEBT**

On April 22, 2016, the Company entered into a three-year variable rate credit facility with Key Bank in the principal loan amount of \$12,000 with an accordion feature allowing borrowings of an additional \$8,000 on (“Original Key Loan”) which was accessed in June 2017 for a total borrowing of \$20,000. On December 21, 2017 the Original Key Loan was paid off as the Company entered into a new five-year \$60,000 variable rate credit facility with Key Bank (“Key Bank 60”) consisting of a \$40,000 term loan, a \$10,000 line of credit and an option for an additional \$10,000 term loan. The credit facility requires the Company to receive approval for individual borrowings, as well as comply with various covenants. The term loan has a first lien on all assets of the Company. Interest is due monthly at LIBOR plus 2.75% (rate is variable between a range of 2.25% - 2.75% depending on a quarterly ratio test) with quarterly principal payments of \$1,250 and a balloon payment due December 21, 2022. Monthly interest and quarterly principal payments have been made as required. As of September 30, 2019, there was \$31,250 outstanding on the term loan and \$8,000 outstanding on the line of credit. The Company was in compliance with or received waivers for all covenants at September 30, 2019.

**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

**NOTE 9 – 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 to a class of equity referred to as special capital contribution.

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 \$2,115 and \$2,222 for the nine months ended September 30, 2019 and 2018, respectively in base and incentive fees related to the Management Agreement. As of September 30, 2019 and 2018, there was \$2,312 and \$2,935, 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. The Company was owed by an affiliate, Resorts Digital Gaming, LLC \$7,467 and \$8,496 at September 30, 2019 and 2018, respectively, and is recorded as receivables on the accompanying balance sheets.

Agreements with Rational Services Limited (“Rational”) and 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 and the Company has executed all documents required in to effectuate the assignment in 2015. On November 9, 2018, the Company entered into a sports book agreement with Crown NJ Gaming, Inc., a Delaware corporation, d/b/a DraftKings (“DraftKings”), whereby the Company licensed said third party to operate a retail sports book at Resorts Casino Hotel, known as “DraftKings Sports Book at Resorts” utilizing the Sports Wagering License of affiliate Resorts Digital Gaming, LLC.

**NOTE 10 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of September 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Payroll and related costs	\$ 6,528	\$ 6,134
Capital liability	31	210
Unredeemed incentives	1,634	1,951
Management Fees	2,312	2,935
Property Taxes	0	537
Utilities	423	469
Guest claims	222	258
Regulatory and state taxes	1,509	401
Other	1,034	1,302
	<u>\$ 13,693</u>	<u>\$ 14,197</u>



**DGMB CASINO, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(\$ in Thousands)**

**NOTE 11 – 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** - As stated above in Note 5, 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 diverted the future payments to the PILOT program which were an industry combined \$10,000 for calendar year 2018 and \$5,000 for calendar year 2019.

The Company pays a guaranteed minimum payment of \$1,000 per year for a trademark sub-license fee to Margaritaville of Atlantic City, LLC, ("Margaritaville") a subsidiary of Margaritaville Enterprises, LLC, an owner, operator and licensor of multiple Margaritaville restaurants in the United States. In addition, the Company may pay up to \$2,000 additional per year if annual gross revenues exceed certain thresholds.

**NOTE 12 – SUBSEQUENT EVENTS**

The Company completed its subsequent events review through November 15, 2019 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.