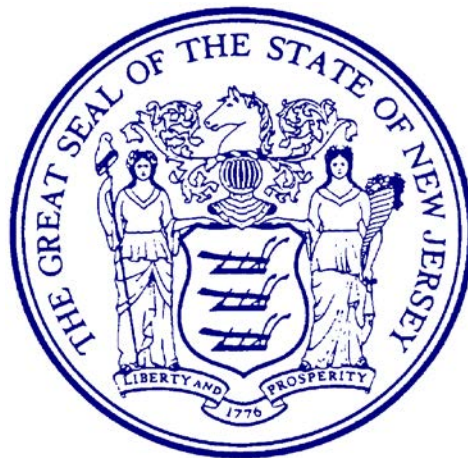


**DGMB CASINO, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

**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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$13,279	\$18,610
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$3,398; 2019, \$2,300).....	2, 3, 9	15,204	17,159
4	Inventories	2	1,785	1,485
5	Other Current Assets.....	4	1,506	3,052
6	Total Current Assets.....		31,774	40,306
7	Investments, Advances, and Receivables.....	5	1,328	1,540
8	Property and Equipment - Gross.....	2, 6	199,036	194,476
9	Less: Accumulated Depreciation and Amortization.....	6	(68,576)	(59,786)
10	Property and Equipment - Net.....	6	130,460	134,690
11	Other Assets.....	2, 7	3,822	3,993
12	Total Assets.....		\$167,384	\$180,529
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$4,120	\$4,339
14	Notes Payable.....	8	10,000	8,000
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	5,000	5,000
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	2, 9, 10	17,393	15,751
19	Other Current Liabilities.....	2	4,513	5,798
20	Total Current Liabilities.....	2	41,026	38,888
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	0
22	External.....	8	21,905	25,417
23	Deferred Credits		3,931	3,931
24	Other Liabilities.....		1,466	665
25	Commitments and Contingencies.....	11	0	0
26	Total Liabilities.....	2	68,328	68,901
27	Stockholders', Partners', or Proprietor's Equity.....	2	99,056	111,628
28	Total Liabilities and Equity.....		\$167,384	\$180,529

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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$48,009	\$90,072
2	Rooms.....		10,952	20,933
3	Food and Beverage.....		6,044	14,482
4	Other.....		2,707	5,821
5	Net Revenue.....		67,712	131,308
	Costs and Expenses:			
6	Casino.....	2	29,798	48,073 *
7	Rooms, Food and Beverage.....	2	13,137	24,594 *
8	General, Administrative and Other.....	2	33,101	40,905 *
9	Total Costs and Expenses.....		76,036	113,572
10	Gross Operating Profit.....		(8,324)	17,736
11	Depreciation and Amortization.....	6	6,441	6,773
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	9	976	2,115
13	Other.....		0	0
14	Income (Loss) from Operations.....		(15,741)	8,848
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	9	0	0
16	Interest Expense - External.....	8	(1,363)	(1,850)
17	CRDA Related Income (Expense) - Net.....	5	(140)	(811)
18	Nonoperating Income (Expense) - Net.....		49	104
19	Total Other Income (Expenses).....		(1,454)	(2,557)
20	Income (Loss) Before Taxes		(17,195)	6,291
21	Provision (Credit) for Income Taxes.....		2	2
22	Net Income (Loss).....		(\$17,197)	\$6,289

* 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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$27,918	\$33,421
2	Rooms.....	2	6,650	8,459
3	Food and Beverage.....	2	2,655	5,515
4	Other.....	2	1,303	2,187
5	Net Revenue.....		38,526	49,582
	Costs and Expenses:			
6	Casino.....	2	12,842	16,959
7	Rooms, Food and Beverage.....		5,686	9,059
8	General, Administrative and Other.....	2	12,214	14,223
9	Total Costs and Expenses.....		30,742	40,241
10	Gross Operating Profit.....		7,784	9,341
11	Depreciation and Amortization.....	6	2,625	2,258
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	8	274	745
13	Other.....		0	0
14	Income (Loss) from Operations.....		4,885	6,338
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....	8	(427)	(626)
17	CRDA Related Income (Expense) - Net.....	5	(230)	(298)
18	Nonoperating Income (Expense) - Net.....		15	65
19	Total Other Income (Expenses).....		(642)	(859)
20	Income (Loss) Before Taxes		4,243	5,479
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$4,243	\$5,479

* 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
STATEMENTS OF CHANGES IN PARTNERS',
PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(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, 2018.....	* 2	\$35,078	(\$11,683)	\$81,844	\$105,239
2	Net Income (Loss) - 2019.....			2,675		2,675
3	Capital Contributions.....				3,220	3,220
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Distribution, net				(540)	(540)
8	Contribution Due from Member				(620)	(620)
9						0
10	Balance, December 31, 2019.....		35,078	(9,008)	83,904	109,974
11	Net Income (Loss) - 2020.....			(17,197)		(17,197)
12	Capital Contributions.....				5,659	5,659
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Special Capital Distribution, net					0
17	Contribution Paid by Member				620	620
18						0
19	Balance, September 30, 2020.....		\$35,078	(\$26,205)	\$90,183	\$99,056

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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$6,802)	\$10,015
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....	2, 6	(3,487)	(6,474)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations	5	(634)	(1,639)
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		812	1,252
11			
12	Net Cash Provided (Used) By Investing Activities.....		(3,309)	(6,861)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt	8	2,000	5,000
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....		178	179
17	Payments to Settle Long-Term Debt.....	8	(2,500)	(3,750)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		5,659	100
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Net borrowings from (to) related party		620	0
22			
23	Net Cash Provided (Used) By Financing Activities.....		5,957	1,529
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(4,154)	4,683
25	Cash and Cash Equivalents at Beginning of Period.....		17,433	13,927
26	Cash and Cash Equivalents at End of Period.....		\$13,279	\$18,610
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$1,171	\$1,499
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, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$17,197)	\$6,289
30	Depreciation and Amortization of Property and Equipment...	2, 6	6,452	6,784
31	Amortization of Other Assets.....		(11)	(11)
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.....	5	140	811
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks	2, 3	1,020	(1,509)
39	(Increase) Decrease in Inventories	2	(32)	54
40	(Increase) Decrease in Other Current Assets.....	4	744	(301)
41	(Increase) Decrease in Other Assets.....		8	(169)
42	Increase (Decrease) in Accounts Payable.....		(585)	(4,405)
43	Increase (Decrease) in Other Current Liabilities		866	2,059
44	Increase (Decrease) in Other Liabilities		815	0 *
45	Decrease in Due from Affiliate / Receivables		978	413 *
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$6,802)	\$10,015

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....	2, 6	(\$3,487)	(\$6,474)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....	2, 6	(\$3,487)	(\$6,474)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$5,659	\$100
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.....		\$5,659	\$100

* 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, 2020
(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	81,408	\$5,994	0	\$0
2	Food	94,697	2,357	146,466	2,183
3	Beverage	206,483	1,524	0	0
4	Travel	0	0	5,202	361
5	Bus Program Cash	588	89	0	0
6	Promotional Gaming Credits	217,275	10,539	0	0
7	Complimentary Cash Gifts	53,269	2,611	0	0
8	Entertainment	1,821	191	257	32
9	Retail & Non-Cash Gifts		0	19,099	2,177
10	Parking	0	0	105,773	475
11	Other	4,436	67	18,900	529
12	Total	659,977	\$23,372	295,697	\$5,757

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	46,218	\$3,190	0	\$0
2	Food	37,632	963	70,002	896
3	Beverage	47,656	425	0	0
4	Travel	0	0	1,398	130
5	Bus Program Cash	93	7	0	0
6	Promotional Gaming Credits	81,499	4,864	0	0
7	Complimentary Cash Gifts	30,402	1,487	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	0	0	9,621	1,080
10	Parking	0	0	57,804	260
11	Other	1,413	22	7,124	201
12	Total	244,913	\$10,958	145,949	\$2,567

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

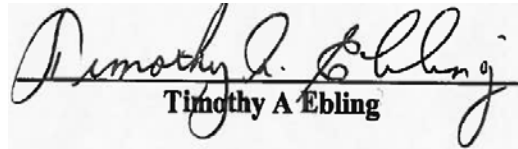
DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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.

11/16/2020

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)

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. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash in the bank and cash on the casino floor. As of September 30, 2020, 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:

Asset Class	Useful Life
Building and improvements	35-40 years
Furniture, fixtures, and equipment	3-7 years

The Company reviews the carrying value of property and equipment for impairment whenever events and changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If undiscounted expected future cash flows were less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 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

As of January 1, 2019, the Company adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company has adopted Topic 606 using the full retrospective approach and adjusted all prior periods presented.

The Company's revenue contracts with customers consist of gaming wagers, restaurant and beverage, retail, and other transactions. The transaction price for a gaming wager contract is the difference between gaming wins and losses, not the total amount wagered. Gaming wager contracts involve two performance obligations for those customers earning points under the Company's players' club and a single performance obligation for customers who don't participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis because such wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with loyalty points earned, the Company allocates an amount to the loyalty credit liability based on the stand-alone selling price of the points earned. An amount is allocated to the gaming wager performance obligation using the residual approach because the stand-alone price for wagers is highly variable and no set established price exists for such wagers. The allocated revenue for gaming wagers is recognized when the wagers occur because all such wagers settle immediately.

Restaurant revenue, beverage revenue, retail revenue, and other revenue include: (i) the actual amounts paid for such services (less any amounts allocated to unperformed performance obligations, such as players' club points as described below); (ii) the value of players' club points redeemed for such services; and (iii) the portion of the transaction price allocated to complimentary goods or services provided in conjunction with other revenue-generated activities.

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, 2020 and 2019, the "Cash Back" liability was \$0.2 million 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

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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, 2020 and 2019, the bankable complimentary liability was \$2.8 million and \$3.5 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 \$1.7 million and \$3.3 million for the nine months ended September 30, 2020 and 2019, 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 \$5.2 million and \$9.8 million for the nine months ended September 30, 2020 and 2019, 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.

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

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02 “Leases” which replaces the existing guidance in ASC 840 “Leases”. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020. This standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use (“ROU”) asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Company is currently assessing the impact the adoption of this standard will have on its financial statements and footnote disclosures.

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, 2019 report. Accordingly, the following disclosures have been omitted: certain Multiemployer Benefit Plans, certain Income Tax disclosures, and Leases.

3. Receivables

Components of receivables were as follows at September 30, (in thousands):

	<u>2020</u>	<u>2019</u>
Gaming	\$ 7,316	\$ 6,252
Less: allowance for doubtful accounts	<u>(2,979)</u>	<u>(2,138)</u>
	4,337	4,114
Non-gaming:		
Hotel and related	876	1,194
Less: allowance for doubtful accounts	(419)	(162)
EDA Fund Receivable	0	509
Tenant Receivable	452	559
Intercompany	8,081	7,467
Other	<u>1,877</u>	<u>3,478</u>
	10,867	13,045
Receivables, net	<u>\$ 15,204</u>	<u>\$ 17,159</u>

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4. Other Current Assets

Components of other current assets were as follows at September 30, (in thousands):

	<u>2020</u>	<u>2019</u>
Prepaid insurance	\$ 75	\$ 550
Prepaid casino license	733	539
Prepaid maintenance agreements	372	562
Prepaid sewer	103	237
Prepaid miscellaneous	140	297
Other prepaid expenses and current assets	83	867
Other prepaid expenses and current assets	<u>\$ 1,506</u>	<u>\$ 3,052</u>

5. Investments, Advances and Receivables

The New Jersey Casino Control Act provides, among other things, for an assessment of licensee equal to 1.25% of the Company's gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestments Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, direct investments in approved CRDA projects may be donated to the CRDA or effective 2017, be used to fund the Payment in Lieu of Taxes Program ("the PILOT"). 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 September 30, (in thousands):

	<u>2020</u>	<u>2019</u>
Deposits, net of valuation allowance for \$95 and \$154 at September 30, 2020 and 2019, respectively	190	309
CRDA Bonds, net of valuation allowance for \$6,443 and \$6,443 at September 30, 2020 and 2019, respectively	1,138	1,231
	<u>\$ 1,328</u>	<u>\$ 1,540</u>

The Company records expense to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were \$0.1 million and \$0.8 million for the nine months ended September 30, 2020 and 2019, 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 implements 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

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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 in August 2015 and the Hotel Room Component was completed in April 2018.

6. Property and Equipment

Components of property and equipment, net were as follows at September 30, (in thousands):

	<u>2020</u>	<u>2019</u>
Land	\$ 12,950	\$ 12,856
Hotels and other buildings	124,992	120,551
Furniture, fixtures and equipment	58,970	52,905
Construction in progress	<u>2,124</u>	<u>8,164</u>
	199,036	194,476
Less: accumulated depreciation	<u>(68,576)</u>	<u>(59,786)</u>
Net property and equipment	<u>\$ 130,460</u>	<u>\$ 134,690</u>

Depreciation expense was \$6.4 million and \$6.8 million for the nine months ended September 30, 2020 and 2019, respectively. Depreciation expense is included in depreciation and amortization in the accompanying statements of income.

7. Intangible Assets

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at \$3.3 million on September 30, 2020 and 2019, respectively. The trade name is deemed to have an indefinite life.

8. Debt

On December 21, 2017 the Company entered into a five- year \$60.0 million variable rate credit facility with Key Bank (“Key Bank 60”) consisting of a \$40 million term loan, a \$10.0 million line of credit and an option for an additional \$10.0 million 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 2.50% (rate is variable between a range of 2.25% - 2.75% depending on a quarterly ratio test) with quarterly principal payments of \$1.25 million and a balloon payment due December 21, 2022. In March 2020, the Company amended their credit facility with Key Bank, which deferred their scheduled 1st quarter 2020 principal payment to be payable with the balloon payment due December 21, 2022. In June 2020, the company amended the credit facility further with Key Bank which among other terms deferred their scheduled 2nd quarter principal payment to be payable September 30, 2020. All other monthly interest payments have been made as required. As of September 30, 2020, there was \$27.5 million outstanding on the term loan and \$10.0 million outstanding on the line of credit. The Company is currently working with Key Bank on the status and terms of the outstanding loans.

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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 January 1, 2020, which, among other things, extended the minimum term to December 31, 2024. The Company recorded \$1.0 million and \$2.1 million for the nine months ended September 30, 2020 and 2019, respectively in base and incentive fees related to the Management Agreement. As of September 30, 2020 and 2019, there was \$2.8 million and \$2.3 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 an Internet Gaming Permit 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 Services US 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 is a defined term in each of the agreements and the Company has executed all documents required in to effectuate the assignment in 2015.

In addition, 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.

Amounts due from Resorts Digital Gaming, LLC totaled \$8.1 million and \$7.5 million at September 30, 2020 and 2019, respectively, and are included in due from affiliate on the accompanying balance sheets.

10. Other Accrued Expenses

Components of other accrued expenses were as follows at September 30, (in thousands):

	<u>2020</u>	<u>2019</u>
Payroll and related costs	\$ 8,379	\$ 6,528
Capital liability	77	31
Unredeemed incentives	2,952	3,692
Management Fees	2,759	2,312
PILOT liability	193	0
Utilities	718	423
Guest claims	450	222
Regulatory and state taxes	895	1,509
Other	970	1,034
	<u>\$ 17,393</u>	<u>\$ 15,751</u>

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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

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.

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 \$5 million for calendar year 2019 and \$5 million for calendar year 2020.

The Company pays a guaranteed minimum payment of \$1.0 million per year 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 \$2.0 million additional per year if annual gross revenues exceed certain thresholds.

12. Subsequent Events

The Company completed its subsequent events review through November 16th, 2020, the date on which the financial statements were issued. Subsequent to quarter-end, the global markets have continued to be impacted by the effects of the world-wide coronavirus pandemic. The Company is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Company's financial position is not known.