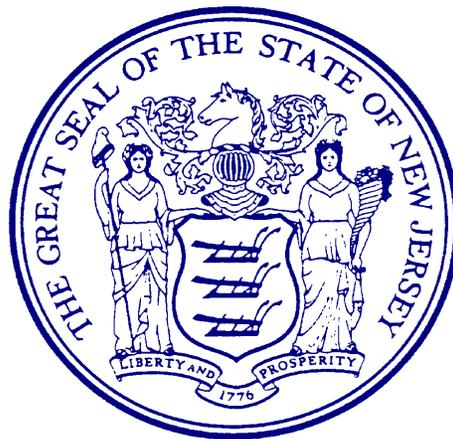


**DGMB CASINO, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

**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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$23,150	\$16,567
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$4,731 2022, \$4,422).....	2, 3, 10	7,393	13,147
4	Inventories	2	1,580	1,755
5	Other Current Assets.....	4	2,807	3,067
6	Total Current Assets.....		34,930	34,536
7	Investments, Advances, and Receivables.....	5	2,040	1,574
8	Property and Equipment - Gross.....	2, 6	222,432	214,872
9	Less: Accumulated Depreciation and Amortization.....	6	(90,704)	(83,057)
10	Property and Equipment - Net.....	6	131,728	131,815
11	Other Assets.....	2, 7	21,061	21,319
12	Total Assets.....		\$189,759	\$189,244
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$2,427	\$3,084
14	Notes Payable.....	8	7,500	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	3,000	3,000
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	2, 10, 11	15,291	18,016
19	Other Current Liabilities.....	2	3,285	4,963
20	Total Current Liabilities.....		31,503	29,063
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	0
22	External.....	8	51,608	54,170
23	Deferred Credits		3,986	3,791
24	Other Liabilities.....		17,555	17,869
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		104,652	104,893
27	Stockholders', Partners', or Proprietor's Equity.....		85,107	84,351
28	Total Liabilities and Equity.....		\$189,759	\$189,244

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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$80,839	\$87,038
2	Rooms.....		24,486	23,993
3	Food and Beverage.....		13,332	12,263
4	Other.....		5,640	5,341
5	Net Revenue.....		124,297	128,635
	Costs and Expenses:			
6	Casino.....	2	44,660	44,094
7	Rooms, Food and Beverage.....		25,426	22,965
8	General, Administrative and Other.....	2, 12	43,775	42,190
9	Total Costs and Expenses.....		113,861	109,249
10	Gross Operating Profit.....		10,436	19,386
11	Depreciation and Amortization.....	6	5,690	5,635
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	10	1,875	1,905
13	Other.....		0	0
14	Income (Loss) from Operations.....		2,871	11,846
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	10	0	0
16	Interest Expense - External.....	8	(4,394)	(1,844)
17	CRDA Related Income (Expense) - Net.....	5	(804)	(916)
18	Nonoperating Income (Expense) - Net.....	2	5,396	63
19	Total Other Income (Expenses).....		198	(2,697)
20	Income (Loss) Before Taxes		3,069	9,149
21	Provision (Credit) for Income Taxes.....	12	2	2
22	Net Income (Loss).....		\$3,067	\$9,147

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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$29,015	\$34,614
2	Rooms.....		11,010	11,317
3	Food and Beverage.....		5,404	5,136
4	Other.....		2,303	2,096
5	Net Revenue.....		47,732	53,163
	Costs and Expenses:			
6	Casino.....	2	16,160	16,444
7	Rooms, Food and Beverage.....		9,947	9,479
8	General, Administrative and Other.....	2, 13	14,375	14,615
9	Total Costs and Expenses.....		40,482	40,538
10	Gross Operating Profit.....		7,250	12,625
11	Depreciation and Amortization.....	6	1,946	1,966
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	10	625	625
13	Other.....		0	0
14	Income (Loss) from Operations.....		4,679	10,034
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	10	0	0
16	Interest Expense - External.....	8	(1,586)	(1,162)
17	CRDA Related Income (Expense) - Net.....	5	(599)	(438)
18	Nonoperating Income (Expense) - Net.....		177	14
19	Total Other Income (Expenses).....		(2,008)	(1,586)
20	Income (Loss) Before Taxes		2,671	8,448
21	Provision (Credit) for Income Taxes.....	12	0	0
22	Net Income (Loss).....		\$2,671	\$8,448

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, 2022
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(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, 2021.....		\$35,078	(\$15,426)	\$86,301	\$105,953
2	Net Income (Loss) - 2022.....			6,836		6,836
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Distribution, net				(30,749)	(30,749)
8						0
9						0
10	Balance, December 31, 2022.....		35,078	(8,590)	55,552	82,040
11	Net Income (Loss) - 2023.....			3,067		3,067
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	Special Capital Distribution, net					0
17						0
18						0
19	Balance, September 30, 2023.....		\$35,078	(\$5,523)	\$55,552	\$85,107

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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$3,067	\$9,147
30	Depreciation and Amortization of Property and Equipment...	2, 6	5,701	5,646
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.....		(5,135)	
36	(Gain) Loss on CRDA-Related Obligations.....	5	804	916
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks	2, 3	4,268	(746)
39	(Increase) Decrease in Inventories	2	197	(71)
40	(Increase) Decrease in Other Current Assets.....	4	(573)	(896)
41	(Increase) Decrease in Other Assets.....		191	(93)
42	Increase (Decrease) in Accounts Payable.....		(879)	750
43	Increase (Decrease) in Other Current Liabilities		606	239
44	Increase (Decrease) in Other Liabilities		(111)	(36)
45	Decrease in Due from Affiliate / Receivables		231	1,163
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$8,356	\$16,008

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....	2, 6	(\$6,364)	(\$8,384)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....	2, 6	(\$6,364)	(\$8,384)
	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.....		\$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.
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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$8,356	\$16,008
	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	(6,364)	(8,384)
5	Proceeds from Disposition of Property and Equipment.....		5,135	
6	CRDA Obligations	5	(1,429)	(1,439)
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		0	652
11				
12	Net Cash Provided (Used) By Investing Activities.....		(2,658)	(9,171)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt	8	7,500	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt	8	0	60,000
16	Costs of Issuing Debt.....		328	(1,785)
17	Payments to Settle Long-Term Debt.....	8	(2,250)	(32,000)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Net borrowings from (to) related party			0
22	Special Capital Contribution/(Distribution), net		0	(30,749)
23	Net Cash Provided (Used) By Financing Activities.....		5,578	(4,534)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		11,276	2,303
25	Cash and Cash Equivalents at Beginning of Period.....		11,874	14,264
26	Cash and Cash Equivalents at End of Period.....		\$23,150	\$16,567
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$4,065	\$1,439
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
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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	130,085	\$12,777	0	\$0
2	Food	127,171	4,107	235,532	4,104
3	Beverage	428,641	3,747	0	0
4	Travel	0	0	7,552	360
5	Bus Program Cash	1,664	118	0	0
6	Promotional Gaming Credits	454,517	20,610	0	0
7	Complimentary Cash Gifts	237	699	0	0
8	Entertainment	16,053	425	296	37
9	Retail & Non-Cash Gifts	0	0	30,529	3,536
10	Parking	0	0	71,347	713
11	Other	3,510	71	13,581	341
12	Total	1,161,878	\$42,554	358,837	\$9,091

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	51,915	\$5,460	0	\$0
2	Food	47,021	1,552	94,131	1,617
3	Beverage	156,986	1,403	0	0
4	Travel	0	0	2,454	137
5	Bus Program Cash	520	37	0	0
6	Promotional Gaming Credits	192,268	8,906	0	0
7	Complimentary Cash Gifts	112	348	0	0
8	Entertainment	11,560	232	162	20
9	Retail & Non-Cash Gifts	0	0	11,536	1,387
10	Parking	0	0	27,912	279
11	Other	1,360	28	5,526	19
12	Total	461,742	\$17,966	141,721	\$3,459

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

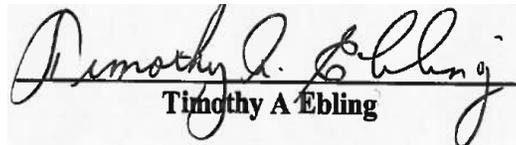
DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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.

11/15/2023

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 Concentrations of Credit Risk

Cash includes cash in the bank and cash on the casino floor. The Company maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At September 30, 2023, and 2022, the Company had approximately \$15.1 million and \$8.1 million, respectively, in excess of FDIC-insured 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. Cost is determined using the first-in, first-out (“FIFO”) method.

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

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 was recognized.

Intangible Assets

The Company's indefinite-lived intangible asset includes a trade name valued at \$3.3 million at September 30, 2023 and 2022, which is not subject to amortization but is tested for impairment annually, or more frequently upon the occurrence of an event or when circumstances indicate the amount associated with the trade name is greater than its fair value. A qualitative assessment of the indefinite-lived asset may be performed to determine whether it is necessary to perform the quantitative impairment test. The quantitative annual impairment test for the indefinite-lived intangible asset, if applicable, consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of the trade name is estimated using the relief from royalty method, a form of both the income approach and the market approach, which is a function of prospective revenue, the royalty rate that would hypothetically be charged by a licensor of an asset to an unrelated licensee, and a discount rate. No impairment was recognized.

Revenue Recognition

The company accounts for revenue recognition in accordance with the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), which provides a comprehensive revenue recognition model for all contracts with customers. The 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's revenue contracts with customers consist of gaming wagers, lodging, food and beverage, entertainment 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 obligation 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.

Lodging, food and beverage, entertainment and other revenue are recognized at the time the goods or services are provided, and are recorded net of any sales, use, and other applicable taxes that are collected by the company at the point of sale. Additionally, these items 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.

Right-of-Use Assets and Lease Liabilities

The Company adopted ASC 842 on January 1, 2022 using the prospective adoption approach, and therefore, comparative periods will continue to be reported under prior lease accounting guidance consistent with previously issued financial statements. We elected the package of practical expedients permitted under the transition guidance within ASC 842, which among other things, allows us to carry forward the historical lease identification, lease classification and treatment of initial direct costs for leases entered into prior to January 1, 2022. We also made an accounting policy election to not record short-term leases with an initial term of 12 months or less on the balance

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

sheet for all classes of underlying assets. We have also elected to not adopt the hindsight practical expedient for determining lease terms. Currently, the Company has operating leases in which the Company is the lessor and we expect such arrangements will be accounted for in the same manner. Our operating leases, in which we are the lessee, are recorded on the balance sheet as an ROU asset with a corresponding lease liability. The lease liability will be remeasured each reporting period with a corresponding change to the ROU asset. ROU assets and lease liabilities for operating leases totaled \$17.0 million and \$17.0 million, respectively, as of September 30, 2023 and can be found in Other Assets and Other Liabilities in the accompanying financial statements.

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, 2023 and 2022, the “Cash Back” liability was \$0.2 million and is included in other accrued expenses in the accompanying balance sheets.

Loyalty Credit Obligation

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 ability for customers to accumulate comps based on their past play, the Company has determined that the comps granted in conjunction with other earning activity represent a performance obligation. As a result, the transactions in which comps are earned, the Company allocates a portion of the transaction price to the comps that are earned based upon the relative standalone selling prices (“SSP”) of the goods and services involved. This allocation results in a portion of the transaction price being deferred and presented as a loyalty credit obligation on the accompanying balance sheets. Any amounts allocated to the obligation are recognized as revenue when the comps are redeemed in accordance with the specific recognition policy of the activity. The value of the comps is determined by the SSP of the comps expected to be redeemed for complimentary goods or services. The liability is reduced by comps not expected to be redeemed (breakage) and/or expired comps. The cost of comps redeemed for complimentary goods or services is recorded as an expense of the applicable department. At September 30, 2023 and 2022, the bankable complimentary liability was approximately \$2.3 million and \$2.6 million, respectively and is included in other accrued expenses on 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 \$2.3 million and \$2.1 million for the nine months ended September 30, 2023 and 2022, respectively. Advertising expenses are included in general, administrative, and other expenses in the accompanying statements of income.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Gaming Tax

The Company remits to the State of New Jersey a tax equal to 8% of gross gaming revenue. Gaming tax expense was \$8.4 million and \$8.9 million for the nine months ended September 30, 2023 and 2022, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

Other Income

The Company received \$5.1 million in insurance proceeds related to flood damage in the meeting convention space in December of 2022. The insurance proceeds are included in nonoperating income in the accompanying statements of income. Under the terms of the Company's loan agreement, the proceeds will be invested into capital items within the property.

Entities Under Common Control

Management has elected an accounting policy alternative such that, when certain conditions exist, management does not apply variable interest entity guidance for assessing whether it should consolidate legal entities under common control. The Company has adopted this standard as management believes the presentation of the Company-only financial information is more relevant to the users of the financial statements.

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 (see Note 11).

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 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, 2019 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.

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, 2022 report. Accordingly, the following disclosures have been omitted: certain Multiemployer Benefit Plans, certain Income Tax disclosures, and Leases.

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3. Receivables

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

	<u>2023</u>	<u>2022</u>
Gaming	\$ 7,462	\$ 7,205
Less: allowance for doubtful accounts	<u>(4,659)</u>	<u>(4,050)</u>
	2,803	3,155
Non-gaming:		
Hotel and related	801	1,239
Less: allowance for doubtful accounts	(72)	(372)
Tenant Receivable	634	472
Intercompany	2,273	7,413
Other	<u>954</u>	<u>1,240</u>
	4,590	9,992
Receivables, net	<u>\$ 7,393</u>	<u>\$ 13,147</u>

4. Other Current Assets

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

	<u>2023</u>	<u>2022</u>
Prepaid insurance	\$ 566	\$ 771
Prepaid casino license	494	514
Prepaid maintenance agreements	1,079	1,136
Prepaid sewer	258	215
Prepaid miscellaneous	138	106
Other prepaid expenses and current assets	<u>272</u>	<u>325</u>
	<u>\$ 2,807</u>	<u>\$ 3,067</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>2023</u>	<u>2022</u>
Deposits, net of valuation allowance for \$535 and \$268 at September 30, 2023 and 2022, respectively	1,073	536
CRDA Bonds, net of valuation allowance for \$6,180 and \$6,272 at September 30, 2023 and 2022, respectively	967	1,038
	<u>\$ 2,040</u>	<u>\$ 1,574</u>

The Company records expense to operations to reflect the estimated net realizable value of its CRDA investment. Such expenses to operations were \$0.8 million and \$0.9 million for the nine months ended September

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30, 2023 and 2022, 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 amounts 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 and amended by Senate Bill S4007 enacted in December 2021, which implements the PILOT. Beginning in calendar year 2017, casino property owners will fulfill their financial obligations to all local governments serving Atlantic City thereby exempting casino gaming properties from ad valorem property taxation by the City of Atlantic City. The PILOT will have an impact on, among other things, the disposition of future CRDA payments by reallocating the majority of casino investment alternative tax (IAT) receipts collected by the CRDA to Atlantic City for the purpose of paying debt service on municipal bonds issued prior to the effective date of the Bill until December 31, 2026. IAT revenues pledged for the payment of bonds issued by the CRDA, or any bonds issued to refund those bonds, or otherwise contractually obligated by the CRDA prior to the effective date of the bill, are excluded from the reallocation.

6. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 12,955	\$ 12,955
Hotels and other buildings	133,102	131,422
Furniture, fixtures and equipment	74,331	70,358
Construction in progress	<u>2,044</u>	<u>137</u>
	222,432	214,872
Less: accumulated depreciation	<u>(90,704)</u>	<u>(83,057)</u>
Net property and equipment	<u>\$ 131,728</u>	<u>\$ 131,815</u>

Depreciation expense was \$5.7 million and \$5.6 million for the nine months ended September 30, 2023 and 2022, 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, 2023 and 2022, respectively. The trade name is deemed to have an indefinite life.

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8. Debt

Notes payable consists of the following bank loans at September 30, 2023 and 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Notes payable	\$ 56,250	\$ 59,250
Less debt issuance costs	<u>(1,642)</u>	<u>(2,080)</u>
Notes payable less debt issuance costs	54,608	57,170
Less current maturities	<u>3,000</u>	<u>3,000</u>
	<u>\$ 51,608</u>	<u>\$ 54,170</u>

On December 21, 2017, the Company entered into a five-year \$60 million variable rate credit facility with Key Bank (“Key Bank 60”) consisting of a \$40 million term loan, a \$10 million line of credit and an option for an additional \$10 million term loan. The Company further amended the credit facility on March 11, 2021, which, among other things, added RDG as a co-borrower, updated certain covenants, and converted the term loan and line of credit into a combined \$36.25 million term loan. In addition, the \$10 million line of credit and option for an additional \$10 million term loan were terminated. The credit facility required the Company to receive approval for individual borrowings as well as comply with various covenants. The term loan had a first lien on all assets of the Company. Interest was 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.

On July 7, 2022, the Key Bank 60 credit facility was restructured as the Company and RDG as a co-borrower entered into a new five-year variable rate credit facility with Fifth Third Bank in the principal amount of \$60 million with a \$10 million revolving line of credit and an accordion feature allowing borrowings of an additional \$25 million. 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 and RDG. Interest is due monthly at the Secured Overnight Financing Rate (SOFR) plus 3.0% with quarterly principal payments and a balloon payment due July 7, 2027. The Company borrowed \$7.5 million on the revolving line of credit on May 18, 2023. The Company was in compliance with all covenants at September 30, 2023.

9. Entities Under Common Control

The Company and Resorts Digital Gaming, LLC (“RDG”), are under common control. RDG operates real money online gaming in New Jersey under an Internet Gaming Permit issued to the Company. The Company provides RDG 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 allocated approximately \$1.1 million and \$0.9 million in 2022 and 2021, respectively, as a result of this agreement with RDG. Amounts due from RDG totaled approximately \$2.3 million and \$7.4 million at September 30, 2023 and 2022, respectively, and are included in due from affiliate on the accompanying balance sheets. In addition, as discussed in Note 8, RDG is a co-borrower on the Company’s term loan.

10. Related Party Transactions

On January 1, 2017, Holding entered into the First Amendment to the Second Amended Restated Limited Liability Company Agreement which, among other things, converted the loans and related interest due of approximately \$113.2 million to the majority owner of Holding to a class of equity referred to as special capital contribution. Thereafter, the Company distributed approximately \$29.1 million to its majority owner in July 2022 as part of the restructuring of the credit facility. The difference between the amount converted to special capital contribution and the amount distributed to the majority owner will take precedent in any future capital distributions.

On October 1, 2012, the Company entered into an agreement with MGA whereby MGA would manage and operate Resorts Casino Hotel (the “Management Agreement”) for a minimum term of five years. MGA is compensated for its services under the Management Agreement with a base fee calculated as a percentage of net

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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 on January 1, 2020 and again on October 2, 2020. The amendments extended the minimum term to December 31, 2024 and reduced the base management fee. The Company recorded \$1.9 million and \$1.9 million for the nine months ended September 30, 2023 and 2022, respectively in base and incentive fees related to the Management Agreement. As of September 30, 2023 and 2022, there was \$0 million and \$0.2 million, respectively, of accrued incentive fees on the accompanying balance sheets.

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 RDG. The agreement was further amended with an effective date of January 1, 2021, which among other things, returned operations of the DraftKings Sports Book at Resorts to the Company and extended the term of the agreement through December 31, 2036. Revenue generated from these activities are recognized in Casino and Other Revenues in the accompanying financials. All expenses associated with the operations, including fees to utilize the DraftKings Sports Book platform, are recognized in Casino Expenses in the accompanying financials.

11. Other Accrued Expenses

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

	<u>2023</u>	<u>2022</u>
Payroll and related costs	\$ 9,224	\$ 8,414
Capital liability	376	2,008
Unredeemed incentives	2,495	2,734
Management Fees	0	239
Utilities	570	255
Guest claims	339	383
Regulatory and state taxes	732	1,211
Slot Ticket Liability	344	401
DraftKings sportsbook revenue share	11	1,019
Current Portion of Lease Liability for ROU Assets	290	295
Other	910	1,057
	<u>\$ 15,291</u>	<u>\$ 18,016</u>

12. Commitments and Contingencies

Litigation

There are other various claims and legal actions arising in the ordinary course of business. 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.

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As stated above in Note 5, on May 27, 2016, the New Jersey legislature enacted Senate Bill S1715, subsequently amended by Senate Bill S4007 in December 2021, 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 years 2021 and 2022.

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 million additionally per year if annual gross gaming revenues exceed certain thresholds. The Company made payments of \$1.0 million for each of the years ended December 31, 2022 and 2021. The agreement expired on May 31, 2023. The Company made payments of \$0.4 million in 2023.

13. Subsequent Events

The Company evaluated its financial statements for subsequent events through November 15, 2023, the date these financial statements were available to be issued.