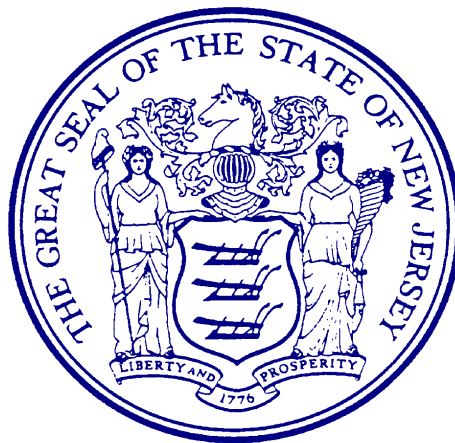


DGMB CASINO, LLC
QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2024

**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, 2024 AND 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2024 (c)	2023 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$97,430	\$23,150
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2024, \$4,939 2023, \$4,731).....	2, 3, 10	23,328	7,393
4	Inventories	2	1,576	1,580
5	Other Current Assets.....	4	3,036	2,807
6	Total Current Assets.....		125,370	34,930
7	Investments, Advances, and Receivables.....	5	971	2,040
8	Property and Equipment - Gross.....	2, 6	228,216	222,432
9	Less: Accumulated Depreciation and Amortization.....	6	(99,233)	(90,704)
10	Property and Equipment - Net.....	6	128,983	131,728
11	Other Assets.....	2, 7	20,766	21,061
12	Total Assets.....		\$276,090	\$189,759
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$2,792	\$2,427
14	Notes Payable.....	8	7,500	7,500
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	3,440	3,000
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	2, 10, 11	27,899	15,291
19	Other Current Liabilities.....	2	76,815	3,285
20	Total Current Liabilities.....		118,446	31,503
	Long-Term Debt:			
21	Due to Affiliates.....	9		
22	External.....	8	38,757	51,608
23	Deferred Credits		2,893	3,986
24	Other Liabilities.....		34,040	17,555
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		194,136	104,652
27	Stockholders', Partners', or Proprietor's Equity.....		81,954	85,107
28	Total Liabilities and Equity.....		\$276,090	\$189,759

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, 2024 AND 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2024 (c)	2023 (d)
	Revenue:			
1	Casino.....	2	\$77,883	\$80,839
2	Rooms.....	2	23,550	24,486
3	Food and Beverage.....	2	12,989	13,332
4	Other.....	2	6,339	5,640
5	Net Revenue.....		120,761	124,297
	Costs and Expenses:			
6	Casino.....	2	44,872	44,660
7	Rooms, Food and Beverage.....		26,108	25,426
8	General, Administrative and Other.....	2, 12	44,538	43,775
9	Total Costs and Expenses.....		115,518	113,861
10	Gross Operating Profit.....		5,243	10,436
11	Depreciation and Amortization.....	6	6,483	5,690
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	10	1,875	1,875
13	Other.....		0	0
14	Income (Loss) from Operations.....		(3,115)	2,871
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	10		
16	Interest Expense - External.....	8	(4,403)	(4,394)
17	CRDA Related Income (Expense) - Net.....	5	(1,507)	(804)
18	Nonoperating Income (Expense) - Net.....	2, 12	4,714	5,396
19	Total Other Income (Expenses).....		(1,196)	198
20	Income (Loss) Before Taxes		(4,311)	3,069
21	Provision (Credit) for Income Taxes.....	12	4	2
22	Net Income (Loss).....		(\$4,315)	\$3,067

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, 2024 AND 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2024 (c)	2023 (d)
	Revenue:			
1	Casino.....	2	\$28,659	\$29,015
2	Rooms.....	2	10,097	11,010
3	Food and Beverage.....	2	4,941	5,404
4	Other.....	2	2,719	2,303
5	Net Revenue.....		46,416	47,732
	Costs and Expenses:			
6	Casino.....	2	15,741	16,160
7	Rooms, Food and Beverage.....		9,849	9,947
8	General, Administrative and Other.....	2, 13	15,938	14,375
9	Total Costs and Expenses.....		41,528	40,482
10	Gross Operating Profit.....		4,888	7,250
11	Depreciation and Amortization.....	6	2,272	1,946
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	10	625	625
13	Other.....		0	0
14	Income (Loss) from Operations.....		1,991	4,679
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....	10	0	0
16	Interest Expense - External.....	8	(1,380)	(1,586)
17	CRDA Related Income (Expense) - Net.....	5	(577)	(599)
18	Nonoperating Income (Expense) - Net.....	2, 12	1,573	177
19	Total Other Income (Expenses).....		(384)	(2,008)
20	Income (Loss) Before Taxes		1,607	2,671
21	Provision (Credit) for Income Taxes.....	12	0	
22	Net Income (Loss).....		\$1,607	\$2,671

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, 2023
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2024

(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, 2022.....		\$35,078	(\$8,590)	\$55,552	\$82,040
2	Net Income (Loss) - 2023.....			(287)		(287)
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	Special Capital Distribution, net					0
8						0
9						0
10	Balance, December 31, 2023.....		35,078	(8,877)	55,552	81,753
11	Net Income (Loss) - 2024.....			(4,315)		(4,315)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....			(675)		(675)
15	Prior Period Adjustments.....					0
16	Special Capital Distribution, net					0
17	Adj Related to Sale of RDG	1		5,191		5,191
18						0
19	Balance, September 30, 2024.....		\$35,078	(\$8,676)	\$55,552	\$81,954

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, 2024 AND 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2024 (c)	2023 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$80,414	\$8,356
	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	(4,122)	(6,364)
5	Proceeds from Disposition of Property and Equipment.....		2,997	5,135
6	CRDA Obligations	5	(1,446)	(1,429)
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		110	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(2,461)	(2,658)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt	8	0	7,500
14	Payments to Settle Short-Term Debt.....		(330)	0
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			328
17	Payments to Settle Long-Term Debt.....	8	(13,066)	(2,250)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		(675)	0
21	Net borrowings from (to) related party			
22	Adjustment Related to Sale of RDG by Holding	1	5,191	
23	Net Cash Provided (Used) By Financing Activities.....		(8,880)	5,578
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		69,073	11,276
25	Cash and Cash Equivalents at Beginning of Period.....		28,357	11,874
26	Cash and Cash Equivalents at End of Period.....		\$97,430	\$23,150
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$3,904	\$4,065
28	Income Taxes.....		\$4	\$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, 2024 AND 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2024 (c)	2023 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$4,315)	\$3,067
30	Depreciation and Amortization of Property and Equipment...	2, 6	6,493	5,701
31	Amortization of Other Assets.....		(10)	(11)
32	Amortization of Debt Discount or Premium.....		329	0
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....		(2,997)	(5,135)
36	(Gain) Loss on CRDA-Related Obligations.....	5	1,507	804
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks	2, 3	(17,187)	4,268
39	(Increase) Decrease in Inventories	2	152	197
40	(Increase) Decrease in Other Current Assets.....	4	(751)	(573)
41	(Increase) Decrease in Other Assets.....		187	191
42	Increase (Decrease) in Accounts Payable.....		(120)	(879)
43	Increase (Decrease) in Other Current Liabilities		85,859	606
44	Increase (Decrease) in Other Liabilities		16,684	(111)
45	Decrease in Due from Affiliate / Receivables		(5,417)	231
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$80,414	\$8,356

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....	2, 6	(\$4,122)	(\$6,364)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....	2, 6	(\$4,122)	(\$6,364)
	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
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

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(UNAUDITED)
(\$ IN THOUSANDS)

Amended 11/25/2024

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	128,039	\$12,860	0	\$0
2	Food	125,630	3,990	250,032	4,195
3	Beverage	440,628	3,881	0	0
4	Travel	0	0	7,566	392
5	Bus Program Cash	1,665	118	0	0
6	Promotional Gaming Credits	466,946	21,145	0	0
7	Complimentary Cash Gifts	126	775	0	0
8	Entertainment	9,069	329	137	17
9	Retail & Non-Cash Gifts	0	0	31,528	3,624
10	Parking	0	0	83,645	836
11	Other	3,676	74	16,610	722
12	Total	1,175,779	\$43,172	389,518	\$9,786

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	51,049	\$5,347	0	\$0
2	Food	43,157	1,360	90,848	1,496
3	Beverage	175,663	1,542	0	0
4	Travel	0	0	2,337	135
5	Bus Program Cash	417	29	0	0
6	Promotional Gaming Credits	162,068	7,672	0	0
7	Complimentary Cash Gifts	41	336	0	0
8	Entertainment	4,558	156	62	8
9	Retail & Non-Cash Gifts	0	0	10,042	1,223
10	Parking	0	0	30,381	303
11	Other	1,177	24	5,793	214
12	Total	438,130	\$16,466	139,463	\$3,379

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

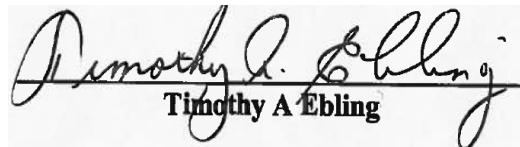
DGMB CASINO, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2024

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.

11/15/2024

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.

On September 1, 2024, Holding sold 100% of its membership interest in Resorts Digital Gaming, LLC (“RDG”), one of its wholly owned subsidiaries to an unrelated third party. In addition, the company entered into a market access license agreement to allow RDG to operate their online and mobile gaming and sports betting operations. In connection with the sale, Holding contributed \$10.5 million to the Company to pay down the term loan, and to release RDG as a co-borrower of the credit facility. Pursuant to the sale of RDG, certain assets and liabilities were transferred to the Company, and intercompany balances between RDG and the company totaling \$5.3 million were eliminated. This resulted in a net adjustment to equity of \$5.2 million. The Company now holds certain internet and sports wagering agreements previously held by RDG. As the licensee, the Company is required to remit the gaming revenue related taxes for the online gaming operations, as such the accompanying balance sheet beginning in September 2024 reflects the receivables from the online gaming operations and related payables to the taxing authority.

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, 2024, and 2023, the Company had approximately \$89.4 million and \$15.1 million, respectively, in excess of FDIC-insured limits.

Restricted Cash

Pursuant to NJAC 13:69O-1.3(k), a unique New Jersey bank account is maintained to segregate internet gaming patron’s funds on deposit, pending withdrawals, and active bets. Other amounts included in restricted cash represent funds required to be set aside by a Minimum Balance Threshold contractual agreement relating to the Company’s letters of credit.

Reconciliation of Cash and Restricted Cash – The following table provides a reconciliation of cash and cash equivalents and restricted cash reported on the balance sheets that sum to the total of the same amounts shown on the statements of cash flows at September 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Cash	\$ 22,843	\$ 23,150
Restricted Cash – Internet Gaming	67,101	0
Restricted Cash – Letters of Credit	7,486	0
Total Cash and Restricted Cash	<u>\$ 97,430</u>	<u>\$ 23,150</u>

Receivables

Trade Receivables and Allowance for Credit Losses

Receivables consist primarily of casino, hotel, online gaming operations, and other receivables. Receivables are typically noninterest bearing and are initially recorded at cost. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company’s previous loss history, the customer’s current ability to pay its obligation to the Company, and condition of the general economy and the industry as a whole.

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at September 30, 2024 and 2023 because the composition of the trade receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at September 30, 2024 and 2023 totaled approximately \$4.9 million and \$4.7 million, respectively.

Deferred Revenue - In connection with the sale of RDG by Holding, the company assumed a deferred revenue liability consisting of amounts advanced from a third party and will be recognized as revenue based upon various events and conditions through March 2026. The company had approximately \$16.7 million and \$0 million recorded as deferred revenue at September 30, 2024 and 2023, respectively.

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

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 for the nine months ended September 30, 2024 and 2023.

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 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 \$16.7 million and \$17.1 million, respectively, as of September 30, 2024. ROU assets and lease liabilities for operating leases totaled \$17.0 million and

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

\$17.2 million, respectively, as of September 30, 2023 and can be found in Other Assets and Other Liabilities in the accompanying financial statements.

Intangible Assets

The Company's indefinite-lived intangible asset includes a trade name valued at \$3.3 million at both September 30, 2024 and 2023, 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 for the nine months ended September 30, 2024 and 2023.

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.

Revenue generated from internet and sports wagering activities are recognized in Other Revenues in the accompanying financials. Under these agreements, the Company is paid a fixed percentage of the operator's net gaming revenue, as defined, with some contractual annual minimums and maximums. All expenses associated with the third-party operations under the Company's license are recognized under selling, general, and administrative within the accompanying financials. For the nine months ended September 30, 2024 and 2023, we recognized revenue of \$0.3 million and \$0 million, respectively.

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

DGMB CASINO, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

redemption activity. The amount is recorded as a reduction in revenue in the statements of income. At September 30, 2024 and 2023, 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’s 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, 2024 and 2023, the bankable complimentary liability was approximately \$2.5 million and \$2.3 million, respectively, and is included in other accrued expenses on the accompanying balance sheets.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$2.3 million for each of the nine months ended September 30, 2024 and 2023. 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 \$8.4 million for each of the nine months ended September 30, 2024 and 2023, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

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.

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.

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Adoption of New Accounting Standard

On January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision useful information about the expected losses on financial instruments.

The Company adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Company's balance sheets, statements of operations, statements of members' deficit, or statements of cash flows.

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, 2024 and 2023 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, 2023 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>2024</u>	<u>2023</u>
Gaming	\$ 7,496	\$ 7,462
Less: allowance for doubtful accounts	(4,911)	(4,659)
	<u>2,585</u>	<u>2,803</u>
Non-gaming:		
Hotel and related	339	801
Less: allowance for doubtful accounts	(28)	(72)
Tenant receivable	308	634
Intercompany	0	2,273
Regulatory and state taxes for online gaming operations	13,860	0
Other receivables from online gaming operations	3,820	552
Other	<u>2,444</u>	<u>402</u>
	<u>20,743</u>	<u>4,590</u>
Receivables, net	<u>\$ 23,328</u>	<u>\$ 7,393</u>

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4. Other Current Assets

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

	<u>2024</u>	<u>2023</u>
Prepaid insurance	\$ 787	\$ 566
Prepaid casino license	503	494
Prepaid maintenance agreements	761	1,079
Prepaid sewer	255	258
Prepaid miscellaneous	373	138
Other prepaid expenses and current assets	357	272
	<u>\$ 3,036</u>	<u>\$ 2,807</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>2024</u>	<u>2023</u>
Deposits, net of valuation allowance for \$39 and \$535 at September 30, 2024 and 2023, respectively	77	1,073
CRDA Bonds, net of valuation allowance for \$6,143 and \$6,180 at September 30, 2024 and 2023, respectively	894	967
	<u>\$ 971</u>	<u>\$ 2,040</u>

The Company records charges/(credits) to operations to reflect the estimated net realizable value of its CRDA investment. Such charges/(credits) to operations were approximately \$1.5 million and \$0.8 million for the nine months ended September 30, 2024 and 2023, respectively. The CRDA charges/(credits) 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

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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>2024</u>	<u>2023</u>
Land	\$ 12,956	\$ 12,955
Hotels and other buildings	133,787	133,102
Furniture, fixtures and equipment	80,553	74,331
Construction in progress	<u>920</u>	<u>2,044</u>
	228,216	222,432
Less: accumulated depreciation	<u>(99,233)</u>	<u>(90,704)</u>
Property and equipment, net	<u>\$ 128,983</u>	<u>\$ 131,728</u>

Depreciation expense was \$6.5 million and \$5.7 million for the nine months ended September 30, 2024 and 2023, 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 both September 30, 2024 and 2023, respectively. The trade name is deemed to have an indefinite life.

8. Debt

Notes payable consists of the following bank loans at September 30, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Fifth Third – notes payable	\$ 42,750	\$ 56,250
Fifth Third – line of credit	7,500	7,500
Gaming equipment - finance agreements	651	0
Less debt issuance costs	<u>(1,204)</u>	<u>(1,642)</u>
	49,697	62,108
Notes payable less debt issuance costs	49,697	62,108
Less current maturities	<u>3,440</u>	<u>3,000</u>
	<u>\$ 46,257</u>	<u>\$ 59,108</u>

On July 7, 2022, the Company's 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. On September 1, 2024, Fifth Third Bank released RDG as a co-borrower in exchange for a principal payment of \$10.5 million. The credit facility requires the Company to receive approval for individual borrowings as well as comply with various covenants. The credit facility has a first lien on all assets of the Company. Interest is due monthly at the Secured Overnight Financing Rate 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. In connection with the termination of the MGA management agreement and the sale of RDG by Holding, the Company is in discussion with the bank concerning the covenants under the agreement.

The Company's management enters into finance agreements with unrelated parties to purchase various types of gaming equipment. The contract terms range from 24 to 36 months. Interest is charged at rates between 1.5% and 5.82%.

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9. Entities Under Common Control

The Company and RDG were under common control prior to September 1, 2024. RDG operated real money online gaming in New Jersey under an Internet Gaming Permit issued to the Company. The Company provided 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 was allocated approximately \$0.9 million for the nine months ended both September 30, 2024 and 2023 as a result of this agreement with RDG. In connection with the sale of RDG by Holding, intercompany balances of \$5.3 were eliminated. Amounts due from RDG totaled approximately \$2.3 million at September 30, 2023, and is included in due to and due from affiliates on the accompanying balance sheets.

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. The difference between the amount converted to special capital contribution and the amount distributed to the majority owner will take precedent in any future capital distributions.

On October 1, 2012, the Company entered into an agreement with MGA whereby MGA would manage and operate Resorts Casino Hotel (the "Management Agreement") for a minimum term of five years. MGA is compensated for its services under the Management Agreement with a base fee calculated as a percentage of net revenues and paid on a monthly basis. The Management Agreement also allows for an incentive fee paid annually based on annual EBITDA results as defined in the Management Agreement. The Management Agreement was amended 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 approximately \$2.5 million for both the years ended December 31, 2023 and 2022, respectively, in base and incentive fees related to the Management Agreement. As of September 30, 2024 and 2023, there was \$0.2 million and \$0 respectively, of accrued incentive fees included in accrued expenses and other current liabilities on the accompanying balance sheets. On February 26, 2024, the Company announced they would not seek to renew the management agreement once the minimum term expires on December 31, 2024.

11. Other Accrued Expenses

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

	2024	2023
Payroll and related costs	\$ 8,986	\$ 9,224
Capital liability	0	376
Unredeemed incentives	2,700	2,495
Management Fees	209	0
Utilities	567	570
Guest claims	362	339
Regulatory and state taxes for DGMB	776	732
Regulatory and state taxes for online gaming operations	13,119	0
Slot Ticket Liability	176	344
Current Portion of Lease Liability for ROU Assets	296	290
Other	708	921
	<u>\$ 27,899</u>	<u>\$ 15,291</u>

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12. Internet Gaming and Sports Wagering

We hold a license for both internet gaming and sports wagering and operate a retail sports wagering lounge. In addition, we have entered into several skin agreements with various online casino operators under which we provide the skin operator access to an available internet gaming and/or sports wagering license in the state of New Jersey.

No.	Skin Operator	Skin	Commencement	Internet Gaming/Sports wagering
1	DK Crown Holdings Inc.	draftkings.com	August 2018	Both
2	Penn Interactive Ventures, LLC	espnbet.com	August 2021	Casino Only
3	Penn Sports Interactive, LLC	espnbet.com	September 2024	Sportsbook Only
4	TSG Interactive US	pokerstarsnj.com	March 2016	Casino Only
5	Boyd Interactive Gaming, Inc.	resortscasino.com	February 2015	Casino Only
6	Boyd Interactive Gaming, Inc.	mohegansuncasino.com	July 2015	Casino Only

Prior to September 2024, we operated under an affiliate license through Resorts Digital Gaming, LLC.

13. 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.

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 year 2023.

The Company paid 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 a payment of \$0.4 million for the nine months ended September 30, 2023. The agreement expired on May 31, 2023; therefore, the 2023 guaranteed minimum payment was prorated for the partial year.

Insurance Claim – Flood

In December 2022, the Company experienced losses from frozen pipes at the Casino property from extreme cold conditions over several days. For the year ended December 31, 2023, the Company recognized approximately \$5.1 million of advanced insurance proceeds. The insurance claim proceeds are included as a component of nonoperating

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income on the statements of operations. In January 2024, the Company received approximately \$2.5 million of additional insurance proceeds related to this claim.

Insurance Claim – Fire

In November 2023, the Company experienced losses from a fire on the boardwalk facing entrance of the Casino. The Company has finalized the claim with the insurers. As of the date of this report, the Company recognized approximately \$2.0 million of insurance proceeds. Proceeds of approximately \$0.5 million were received on March 6, 2024, and \$1.5 million was recorded as receivable per the claim settlement and is included in nonoperating income on the accompanying statements of income.

14. Subsequent Events

The Company evaluated its financial statements for subsequent events through November 15, 2024, the date these financial statements were available to be issued.