DGMB CASINO, LLC

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	3	$19,747	$15,331
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2016, $ 1,167; 2015, $1,276)	4	8,034	4,655
4	Inventories	3	1,495	1,435
5	Other Current Assets	5	4,716	2,701
6	Total Current Assets		33,992	24,122
7	Investments, Advances, and Receivables	3,6	1,450	1,454
8	Property and Equipment - Gross	3	150,814	132,042
9	Less: Accumulated Depreciation and Amortization		(34,035)	(25,362)
10	Property and Equipment - Net	7	116,779	106,680
11	Other Assets	3,8	3,881	3,411
12	Total Assets		$156,102	$135,667
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$6,691	$7,250
14	Notes Payable	9	1,881	1,485
	Current Portion of Long-Term Debt:			
15	Due to Affiliates	10	72,201	74,226
16	External			
17	Income Taxes Payable and Accrued			
18	Other Accrued Expenses	11	20,620	17,402
19	Other Current Liabilities		32,594	20,210
20	Total Current Liabilities		133,987	120,573
	Long-Term Debt:			
21	Due to Affiliates			0
22	External	9	9,896	572
23	Deferred Credits	3	3,169	2,707
24	Other Liabilities		712	726
25	Commitments and Contingencies	12		0
26	Total Liabilities		147,764	124,578
27	Stockholders', Partners', or Proprietor's Equity		8,338	11,089
28	Total Liabilities and Equity		$156,102	$135,667

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, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino		$130,797	$121,152
2	Rooms		17,862	17,580
3	Food and Beverage		12,747	12,158
4	Other		7,104	6,647
5	Total Revenue		168,510	157,537
6	Less: Promotional Allowances	3	42,366	39,115
7	Net Revenue	3	126,144	118,422
	Costs and Expenses:			
8	Casino	3	61,900	57,432
9	Rooms, Food and Beverage	3	9,050	8,839
10	General, Administrative and Other		38,753	38,777
11	Total Costs and Expenses		109,703	105,048
12	Gross Operating Profit		16,441	13,374
13	Depreciation and Amortization	7	6,745	5,776
	Charges from Affiliates Other than Interest:			
14	Management Fees	10	2,401	1,680
15	Other			
16	Income (Loss) from Operations		7,295	5,918
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	(7,277)	(6,889)
18	Interest Expense - External	9	(460)	(249)
19	CRDA Related Income (Expense) - Net	6	(856)	531
20	Nonoperating Income (Expense) - Net	3	1,779	952
21	Total Other Income (Expenses)		(6,814)	(5,655)
22	Income (Loss) Before Taxes		481	263
23	Provision (Credit) for Income Taxes	3	2	2
24	Net Income (Loss)		$479	$261

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, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	Revenue:			
1	Casino		$51,656	$49,070
2	Rooms		7,823	7,132
3	Food and Beverage		5,183	4,837
4	Other		2,671	2,273
5	Total Revenue		67,333	63,312
6	Less: Promotional Allowances	3	16,951	15,709
7	Net Revenue	3	50,382	47,603
	Costs and Expenses:			
8	Casino	3	22,398	22,136
9	Rooms, Food and Beverage	3	3,692	3,029
10	General, Administrative and Other		13,550	13,581
11	Total Costs and Expenses		39,640	38,746
12	Gross Operating Profit		10,742	8,857
13	Depreciation and Amortization	7	2,342	2,009
	Charges from Affiliates Other than Interest:			
14	Management Fees	10	884	982
15	Other			
16	Income (Loss) from Operations		7,516	5,866
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	(2,482)	(2,325)
18	Interest Expense - External	9	(262)	(61)
19	CRDA Related Income (Expense) - Net	6	(218)	500
20	Nonoperating Income (Expense) - Net	3	513	451
21	Total Other Income (Expenses)		(2,449)	(1,435)
22	Income (Loss) Before Taxes		5,067	4,431
23	Provision (Credit) for Income Taxes	3	0	0
24	Net Income (Loss)		$5,067	$4,431

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, 2015
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2014..........**		$35,078	($24,450)		$10,628
2	Net Income (Loss) - 2015..........			(2,769)		(2,769)
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7						0
8						0
9						0
10	**Balance, December 31, 2015..........**		35,078	(27,219)	0	7,859
11	Net Income (Loss) - 2016..........			479		479
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........					0
15	Prior Period Adjustments..........					0
16						0
17						0
18						0
19	**Balance, September 30, 2016.........**		$35,078	($26,740)	$0	$8,338

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, 2016 AND 2015

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$14,516	$15,644
	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........		(14,269)	(8,971)
5	Proceeds from Disposition of Property and Equipment........			
6	CRDA Obligations		(1,694)	(1,349)
7	Other Investments, Loans and Advances made........			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities........		0	0
10	CRDA Reimbursement		1,027	6,355
11	....			
12	Net Cash Provided (Used) By Investing Activities........		(14,936)	(3,965)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt........		(1,610)	(1,638)
15	Proceeds from Long-Term Debt		12,000	0
16	Costs of Issuing Debt........		(495)	0
17	Payments to Settle Long-Term Debt........		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock........			
20	Payments of Dividends or Capital Withdrawals........			
21	Net Proceeds/Payments related party		1,342	(4,359)
22	Advance from Vendor			
23	Net Cash Provided (Used) By Financing Activities........		11,237	(5,997)
24	Net Increase (Decrease) in Cash and Cash Equivalents........		10,817	5,682
25	Cash and Cash Equivalents at Beginning of Period........		8,930	9,649
26	Cash and Cash Equivalents at End of Period........		$19,747	$15,331

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)........		$277	$97
28	Income Taxes........		$2	$2

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

DGMB CASINO, LLC
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)........		$479	$261
30	Depreciation and Amortization of Property and Equipment...		6,757	5,787
31	Amortization of Other Assets........		(12)	(11)
32	Amortization of Debt Discount or Premium........			
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment........			
36	(Gain) Loss on CRDA-Related Obligations........		856	(528)
37	(Gain) Loss from Other Investment Activities........		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(2,526)	1,591
39	(Increase) Decrease in Inventories		115	40
40	(Increase) Decrease in Other Current Assets........		(2,466)	(1,077)
41	(Increase) Decrease in Other Assets........		(7)	14
42	Increase (Decrease) in Accounts Payable........		(673)	1,317
43	Increase (Decrease) in Other Current Liabilities		11,993	8,250
44	Increase (Decrease) in Other Liabilities		0	0
45	....			
46	....			
47	Net Cash Provided (Used) By Operating Activities........		$14,516	$15,644

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2016 (c)	2015 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment........		($14,269)	($8,971)
49	Less: Capital Lease Obligations Incurred........			
50	Cash Outflows for Property and Equipment........		($14,269)	($8,971)
	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
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	142,066	$9,558	0	$0
2	Food	128,095	4,158	356,694	5,934
3	Beverage	624,646	4,060	0	0
4	Travel	0	0	10,543	734
5	Bus Program Cash	4,294	542	0	0
6	Promotional Gaming Credits	566,562	19,967	0	0
7	Complimentary Cash Gifts	57,782	2,596	0	0
8	Entertainment	17,223	1,232	624	78
9	Retail & Non-Cash Gifts	0	0	37,876	4,356
10	Parking	0	0	0	0
11	Other	18,054	253	62,137	1,553
12	Total	1,558,722	$42,366	467,874	$12,655

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	57,827	$3,847	0	$0
2	Food	58,705	1,652	138,268	2,333
3	Beverage	241,551	1,570	0	0
4	Travel	0	0	3,471	245
5	Bus Program Cash	1,782	219	0	0
6	Promotional Gaming Credits	221,524	7,978	0	0
7	Complimentary Cash Gifts	18,586	1,121	0	0
8	Entertainment	5,958	475	477	60
9	Retail & Non-Cash Gifts	0	0	14,294	1,644
10	Parking	0	0	0	0
11	Other	6,422	89	20,430	511
12	Total	612,355	$16,951	176,940	$4,793

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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 <u>N.J.S.A.</u> 5:12-84a(1)-(5) during the quarter.

11/15/2016
Date

Timothy A Ebling

VP, Chief Financial Officer
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 regulation of the New Jersey Division of Gaming Enforcement 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 owned 100% 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. Management's Plans Related to Liquidity and Capital Needs

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed below, the Company operates in a very competitive market and has incurred operating losses in the past. The Company has relied on financing from affiliates of the majority owner of Holding to meet its cash flow requirements since commencing operations in 2010. As described below, the majority owner can terminate funding the Company's cash flow requirements within 60 days of making such notice. The Company does not have adequate financing sources available should funding by affiliates of the majority owner of Holding be terminated. The Company's financial position has made significant gains since 2015. The Company continues to make significant improvements to the physical plant. However, these improvements must continue in order to erase any concerns over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company operates in an extremely competitive market with competitive pressures not only from casinos in Atlantic City, New Jersey but also from those in the surrounding states of Maryland, Delaware, Pennsylvania, New York and Connecticut The Atlantic City market had four casino hotels close in 2014 and one casino close in 2016 reducing the number of operating casinos to seven. This decrease in competition has enabled the Company to garner more than its fair share of the market. The Company has a property management agreement with an established gaming company, Mohegan Sun. The benefits of this agreement have resulted in increased revenues and operating efficiencies and the Company expects that these benefits will continue. No assurance can be given as to whether the Company will generate sufficient future cash flows to sustain operations.

In October 2013, the New Jersey Division of Gaming Enforcement ("the DGE") modified the conditions of licensure to permit DGMB to support the requirement that it maintain sufficient cash balances to meet its operations needs with a $2.0 million revolving line of credit with a bank ("the Revolver"). In the event the Revolver is not sufficient to meet the Company's operational needs, is terminated or otherwise matures, the conditions require the majority owner of Holding to identify an alternative source of funds, acceptable to the DGE, sufficient to meet the Company's operational needs. The Company has notified the DGE that the Revolver has not been renewed upon its expiration on April 30, 2016 and the DGE has acknowledged that the notice is adequate to show compliance with the condition.

Affiliates of the majority owner of Holding have funded the cash flow needs of DGMB and as of September 30, 2016 and 2015, the net amount owed to affiliates of the majority owner of Holding was $72.2 million and $74.2 million, respectively and presented as due to affiliates on the accompanying balance sheets. Amounts funded from the majority owner are subject to the accrual of interest at a rate of 10% per annum. As of September 30, 2016 and 2015, there is $30.6 million and $21.0 million respectively of accrued interest payable reflected on the accompanying balance sheets. Due to the licensing condition modification in October 2013, the Unlimited Line of Credit was not renewed and expired on December 31, 2013. However, affiliates of the majority owner of Holding have continued to fund the cash flow needs of the Company under the terms of the Unlimited Line of Credit. Amounts due under the Unlimited Line of Credit continue to accrue interest at 10% per annum.

The Company has been issued an Internet Gaming Permit (NJIGP-13-008) by the State of New Jersey Division of Gaming Enforcement (DGE) which is utilized by an affiliate, Resorts Digital Gaming, LLC.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents –

Cash and cash equivalents include cash in the bank and cash on the casino floor, which are all unrestricted. As of September 30, 2016, amounts held in financial institutions were in excess of FDIC insurance limits

Receivables

Receivables consist primarily of casino, hotel and other receivables. Accounts receivables are typically 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 market value.

Property and Equipment

Property and Equipment have been recorded at their estimated fair values and useful lives based on the application of purchase accounting in 2010. Additions to land, building, and equipment since the date of acquisition are stated at cost.

The Company capitalizes the costs of improvements that extend the life of the asset and expenses maintenance and repair costs as incurred. Gains or losses on the dispositions of land, buildings or equipment are included in the determination of income.

Depreciation and amortization is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

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

The Company reviews the carrying value of property and equipment for impairment whenever events and changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If undiscounted expected future cash flows were less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. No impairment of land, buildings, and equipment has been recognized.

Intangible Assets

Intangible assets, included in other assets in the accompany balance sheets, includes trade name. The trade name is considered an indefinite-lived intangible asset, is not subject to amortization, but instead is subject to an annual impairment test using the relief-from-royalty method. We perform assessments for impairment of trade name more frequently if impairment indicators exist. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference. No impairment of intangible assets has been recognized.

Revenue Recognition

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Jackpots are recognized at the time they are won by customers. Accommodations, food and beverage and other revenues are recognized when services are performed.

Cash discounts based upon a negotiated amount with each customer are recognized as a promotional allowance on the date the related revenues are recorded. The Company offers other incentive programs. These are gifts and other promotional items, the type and distribution of which is determined by management. Since these awards are not cash awards, the Company records them as gaming expenses in the statements of income. Such amounts are expensed on the date the award can be utilized by the customer.

Cashback Liability

The Company provides incentives to its casino customers, based on levels of gaming activity, through its "Cash Back" marketing program. The incentives are in the form of points, which may be redeemed for wagers on slot machines. The Company estimates a liability for outstanding "Cash Back" incentives (those incentives which have been earned, but not redeemed by the customer), adjusted for an estimated redemption factor based on historical results. The ultimate redemption amount resulting from this marketing program could vary from the estimated liability based on actual redemption activity. The amount is recorded as a promotional allowance in the statements of income. At September 30, 2016 and 2015, the "Cash Back" liability was $144,000 and $145,000, respectively and is included in other accrued expenses in the accompanying balance sheets.

Bankable Complimentaries

The Company customer loyalty program, Resorts Star Club, offers incentives to gaming customers at Resorts. Under the program, customers are able to accumulate, or bank, comp dollars over time that they may redeem at their discretion under the terms of the program. The comp dollars balance will be forfeited if the customer does not use their player card and earn points over a designated period from the time they were first earned. Because of the customer's ability to bank the comp dollars, the Company accrues the expense of the comp dollars as they are earned, after consideration of estimated breakage for points that will not be redeemed. The estimated cost to provide comp dollars is included in casino expense on the Company's statements of income. To arrive at the estimated cost associated with comp dollars, estimates and assumptions are made regarding the marginal costs of the benefits provided, breakage rates and the mix of goods and services for which comp dollars will be redeemed. At September 30, 2016 and 2015, the bankable complimentary liability was $1.7 million and $1.6 million, respectively and is included in other accrued expenses in the accompanying balance sheets.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. The carrying amount of the note payable approximates fair value as the interest rate is variable and the Company's credit worthiness has not changed since issuing such note.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were $1.3 million and $1.2 million for the three months ended September 30, 2016 and 2015, respectively, and $3.3 million and $3.0 million for the nine months ended September 30, 2016 and 2015, respectively. Advertising expenses are included in general, administrative and other expenses in the accompanying statements of income.

Gaming Tax

The Company remits to the State of New Jersey a tax equal to 8% of gross gaming revenue. Gaming tax expense for the three months ended September 30, 2016 and 2015 were $3.7 million and $3.5 million, respectively, and for the nine months ended September 30, 2016 and 2015 were $9.4 million and $8.7 million, respectively. Gaming tax is included in casino expenses in the accompanying statements of income.

Multiemployer Benefit Plans

Certain employees of the Company are covered by union sponsored, collectively bargained, health and welfare plans. The contributions for these plans totaled $2.0 million and $1.9 million for the three months ended September 30, 2016 and 2015, respectively, and $5.7 million and $5.5 million for the nine months ended September 30, 2016 and 2015, respectively, and were included in total costs and expenses in the accompanying consolidated statements of income.

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Under the Collective Bargaining Agreement (CBA) entered into with UNITE HERE Local 54 (Local 54), the Company began contributing as a new employer to the UNITE HERE National Retirement Fund (NRF) effective July 1, 2012. Under Section 4210 of ERISA, the Company is entitled to contribute to the NRF under the “free look” rule, permitting it to withdraw from the NRF any time prior to December 31, 2016 without incurring any withdrawal liability, provided that certain conditions are met.

The Company has withdrawn from the NRF effective September 30, 2014 and has received confirmation that all conditions have been met to entitle it to a “free look” without any withdrawal liability. There is no additional liability to which the Company is exposed since its contributions in 2014 were less than 2% of the total contributions made by all employers participating in the NRF.

The CBA entered into between Local 54 and the Atlantic City casino industry expired on September 14, 2014. The Company and other Atlantic City casino operators entered into an extension agreement with the Union (“Extension Agreement”) extending the CBA through March 14, 2015. A Second Contract Extension Agreement extended the CBA to February 29, 2016 and, further provides that, upon its expiration, the CBA shall continue in full force and effect subject to all terms and conditions of the Extension Agreements until either the Employer or the Union provides 15 days written notice of its intent to terminate the CBA.

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.

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.

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, 2015 report. Accordingly, the following disclosures have been omitted: Management's Plans Related to Liquidity and Capital Needs, certain Multiemployer Benefit Plans, Recent Accounting Pronouncements, certain Income Tax disclosures, and Leases.

4. Receivables

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

	2016	2015
Gaming	$ 3,780	$ 3,347
Less: allowance for doubtful accounts	(989)	(1,133)
	2,791	2,214
Non-gaming:		
Hotel and related	1,203	574
Less: allowance for doubtful accounts	(178)	(143)
EDA Fund Receivable	1,899	812
Tenant Receivable	882	420
Other	1,437	777
	5,243	2,440
Receivables, net	$ 8,034	$ 4,655

5. Other Current Assets

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

	2016	2015
Prepaid insurance	$ 569	$ 1,120
Prepaid casino license	585	594
Prepaid maintenance agreements	440	358
Prepaid sewer	237	230
Prepaid miscellaneous	2,467	144
Other prepaid expenses and current assets	418	255
	$ 4,716	$ 2,701

6. 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 in exchange for credits against future CRDA investment obligations. 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):

	2016	2015
Deposits — net of valuation allowance for $643 and $543, respectively	$ 886	$ 897
CRDA Bonds — net of valuation allowance for $7,934 and $8,020, respectively	564	557
	$ 1,450	$ 1,454

The Company records (expense)/income to operations to reflect the estimated net realizable value of its CRDA investment. Such (expense)/income to operations were ($218,000) and $500,000 for the three months ended September 30, 2016 and 2015, respectively, and ($856,000) and $531,000 for the nine months ended September 30, 2016 and 2015, respectively. CRDA (expense)/income is included in other income (expense) in the accompanying statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued, 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. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, their fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value.

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

In October, 2014, the Company applied to CRDA for financial assistance in the form of a direct investment grant in the amount of $9.4 million for the construction of an approximately 12,533 square foot meeting space expansion project ("Meeting Space Component") with an estimated budget of $4.7 million and renovation of 310 bathrooms ("Hotel Room Component"), also with an estimated budget of $4.7 million, which application was approved by CRDA in December, 2014. In or about March, 2015 the Company requested modification to the project to allow the Company to forgo proceeding with the Hotel Room Component unless future Investment Alternative Tax revenues are available to the Company to fund the Hotel Room Component as contemplated by the original application. The Hotel Room Component is in progress.

On or about March 23, 2015, CRDA approved the Company's request for modification permitting it to proceed with the Meeting Space Component. The Meeting Space Component transformed the buffet space into eleven new meeting breakout rooms and supporting space. This renovation provides the Company with a more competitive meeting and convention space program and is intended to grow the Atlantic City meeting and convention market. The project was completed in August 2015.

On May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implements a Payment in Lieu of Taxes Program ("the PILOT"). Beginning calendar year 2017, casino property owners will fulfill their financial obligations to all local governments serving Atlantic City thereby exempting casino gaming properties from ad valorem property taxation by the City of Atlantic City. The PILOT will have an impact on, among other things, the disposition of future CRDA payments by reallocating 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.

7. Property and Equipment

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

	2016	2015
Land	$ 11,643	$ 14,449
Hotels and other buildings	89,923	75,901
Furniture, fixtures and equipment	48,132	39,388
Construction in progress	1,116	2,304
	150,814	132,042
Less: accumulated depreciation	(34,035)	(25,362)
Net property and equipment	$ 116,779	$ 106,680

Depreciation expense for the three months ended September 30, 2016 and 2015 was $2.4 million and $2.0 million respectively, and for the nine months ended September 30, 2016 and 2015 was $6.8 million and $5.8 million, respectively.

8. Intangible Assets

Intangible assets, included in other assets in the accompanying balance sheets, includes a trade name valued at $3.3 million at September 30, 2016 and 2015, respectively. The trade name is deemed to have an indefinite life.

9. Note Payable

In August 2011, the Company obtained a loan for $3.5 million to fund the purchase of heating ventilation and air-conditioning equipment, all of which are secured by the purchased equipment. An entity controlled by the Company's principal shareholder provided guarantees on the note payable. The payment terms of the note are 60 months spread ratably for the principle balance, plus interest on the outstanding principal balance at LIBOR plus 300 basis points. At no time will the interest rate fall below 400 basis points. This loan was paid in full on April 22, 2016 with proceeds of the Key Bank loan described below.

In April 2013, the Company entered into a $2 million Revolver with an initial maturity date of April 30, 2014. The Revolver has been extended to April 30, 2016 under the same terms and conditions. Any outstanding amounts on the Revolver accrue interest at a rate of the greater of 5% or LIBOR plus 4%. There is a fee of .35% on the amount of unused funds. The Revolver was guaranteed by certain affiliates of Holding. The line of credit expired on April 30, 2016 and was not renewed.

In October 2014, the Company entered into a $2.5 million three year Promissory Note with the EDA Grant as collateral maturing on November 1, 2017. Principal payments are tied to the amount received from the grant and are no less than $785,000 annually beginning August 31, 2015. In September 2015 the Company received $1.1 million and paid down the loan. The Promissory Note accrues interest at a rate of 4.25% plus LIBOR as defined. In addition to the grant collateral, the Promissory Note is guaranteed by certain affiliates of Holding. The minimum principal payment of $785,000 was made in August. The amount outstanding at September 30, 2016 and 2015 is $572,000 and $1.4 million, respectively.

On April 22, 2016, the Company entered into a three-year $20.0 million variable rate credit facility with Key Bank. 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 is guaranteed by certain affiliates of Holding. Interest is due monthly at LIBOR plus 2.75% with quarterly principal payments and a balloon payment due April 21, 2019. Monthly interest and quarterly principal payments have been made as required. As of September 30, 2016 there was $11.2 million outstanding.

10. Related Party Transactions

In accordance with the gaming license conditions, the Company is required to maintain cash balances, which included the funds available under the Revolver, or alternative sources of funds acceptable to the DGE, sufficient to meet its operational needs. As noted above, in the event the Revolver is not sufficient to meet the Company's operational needs, is terminated or otherwise matures, the conditions require the majority owner of Holding to identify an alternative source of funds, acceptable to DGE, sufficient to meet the Company's operational needs. The Company notified the DGE that the Revolver expired on April 30, 2016 and the DGE has acknowledged that the notice is adequate to show compliance with the condition.

The net amount owed to affiliates of the majority owner of Holding was $72.2 million and $74.2 million, respectively and included in due to affiliates on the accompanying balance sheets. The amount of interest expense incurred was $2.5 million and $2.3 million for the three months ended September 30, 2016 and 2015, respectively, and $7.3 million and $6.9 million for the nine months ended September 30, 2016 and 2015, respectively. In addition, as part of the management agreement with Mohegan Sun, the amounts funded from the majority owner are subject to the accrual of interest at a rate of 10% per annum. Due to the licensing condition modification in October 2013, The Unlimited Line of Credit was not renewed and expired on December 31, 2013. However, affiliates of the majority owner of Holding have continued to fund the cash flow needs of the Company under the terms of the Unlimited Line of Credit. Amounts due under the Unlimited Line of Credit continue to accrue interest at 10% per annum.

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 based on annual EBITDA results as defined in the Management Agreement. The Management Agreement was amended effective October 14, 2015, which, among other things, extended the minimum term to December 31, 2019. The Company recorded $884,000 and $982,000, for the three months ended September 30, 2016 and 2015, respectively, and $2.4 million and $1.7 million, for the nine months ended September 30, 2016 and 2015, respectively in base and incentive fees related to the Management Agreement. As of September 30, 2016 and 2015, there was $2.5 million and $38,000 respectively, of accrued incentive fees on the accompanying balance sheets.

11. Other Accrued Expenses

Components of other accrued expenses were as follows at September 30, 2016 (in thousands):

	2016	2015
Payroll and related costs	$ 8,184	$ 6,480
Capital liability	2,203	3,768
Unredeemed incentives	1,823	1,708
Management Fees	2,810	603
Property taxes	2,209	2,352
Utilities	489	487
Guest claims	390	400
Regulatory and state taxes	1,498	1,515
Other	1,014	89
	$ 20,620	$ 17,402

12. Commitments and Contingencies

Litigation

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

Commitments

All the Atlantic City casino properties ("AC Industry") and the CRDA entered 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 expires on December 31, 2016. The agreement provides that in exchange for funding, the ACA will 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 will continue to pay $30.0 million annually for the term of the agreement. Each payment will be 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 proposed PILOT payments required of casino licensees.

As stated above in Note 6, on May 27, 2016, the New Jersey legislature enacted Senate Bill S1715 which implemented the PILOT program. The legislation permits CRDA to cancel the agreement with casino licensees removing the obligation to fund the functions that were previously supported by their contributions to the ACA and diverts the $30 million for calendar year 2015 which has already been paid to, but not spent by, ACA and $30 million that would have been due to ACA for calendar year 2016 to payments under the PILOT program.

In 2012, the Company entered into a Licensing and Lease Agreement with 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. Margaritaville restaurants are affiliated with the famed singer Jimmy Buffet and are themed with Key West and Tropical motif and lifestyles depicted in the music of Mr. Buffet. The agreement called for the Company to construct a Margaritaville themed Café, Landshark Bar and Grill, 5 O'clock Somewhere Bar, along with a Margaritaville themed section of the existing gaming floor all within the existing Resorts property which were completed and opened during 2013. In 2014, the Margaritaville restaurants assigned substantially all of their restaurant leases nationwide to International Meal Company ("IMC"). Accordingly, Margaritaville of Atlantic City, LLC assigned its Lease Agreement with the Company to IMCMV Atlantic City, LLC, a subsidiary of IMC, on July 31, 2014. The License Agreement was not affected by the assignment of the Lease Agreement.

An affiliate of the Company with the same ownership, Resorts Digital Gaming, LLC, operates real money online gaming in New Jersey under the Internet Gaming Permit (NJIGP-15-008) issued to the Company. The Company provides Resorts Digital Gaming, LLC with administrative services such as payroll, accounting, risk management, legal, treasury, information systems, and office space in return for a monthly fee pursuant to a Shared Services Agreement. Agreements with Rational Services Limited ("Rational") and Sportech-NYX Gaming, LLC ("NYX") and the Company were assigned to Resorts Digital Gaming, LLC, which qualifies as an "Affiliated Company" as that is a defined term and the Company has executed all documents required in to effectuate the assignment in 2015.

13. Subsequent Events

The Company completed its subsequent events review through November 15, 2016, the date on which the financial statements were issued. On October 31, 2016 the DGE eliminated all remaining financial conditions from the Company's initial licensure. On November 1, 2016 the Company funded its share of the 2016 ACA obligation. No other subsequent events have been identified that are required to be accounted for or disclosed in the financial statements.