PREMIER ENTERTAINMENT AC, LLC
d/b/a BALLY'S ATLANTIC CITY

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

PREMIER ENTERTAINMENT AC, LLC
BALANCE SHEETS

AS OF SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2	$10,967	$0
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, $2,466; 2020, $0)	2, 5	4,920	0
4	Inventories	2	2,375	0
5	Other Current Assets	6	4,699	0
6	Total Current Assets		22,961	0
7	Investments, Advances, and Receivables		21	0
8	Property and Equipment - Gross	2,7	58,824	0
9	Less: Accumulated Depreciation and Amortization	2,7	(2,086)	0
10	Property and Equipment - Net	2,7	56,738	0
11	Other Assets	8	9,846	0
12	Total Assets		$89,566	$0
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$4,456	$0
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	9	16,434	0
19	Other Current Liabilities	10	40,887	0
20	Total Current Liabilities		61,777	0
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External		0	0
23	Deferred Credits		11,554	0
24	Other Liabilities		0	0
25	Commitments and Contingencies		0	0
26	Total Liabilities		73,331	0
27	Stockholders', Partners', or Proprietor's Equity	3	16,235	0
28	Total Liabilities and Equity		$89,566	$0

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino		$59,036	$0
2	Rooms		25,706	0
3	Food and Beverage		17,658	0
4	Other		6,032	0
5	Net Revenue	2	108,432	0
	Costs and Expenses:			
6	Casino		45,073	0
7	Rooms, Food and Beverage		23,433	0
8	General, Administrative and Other		47,862	0
9	Total Costs and Expenses	2	116,368	0
10	Gross Operating Profit		(7,936)	0
11	Depreciation and Amortization	2,7	2,053	0
	Charges from Affiliates Other than Interest:			
12	Management Fees	4	7,052	0
13	Other		0	0
14	Income (Loss) from Operations		(17,041)	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net		0	0
18	Nonoperating Income (Expense) - Net		22	0
19	Total Other Income (Expenses)		22	0
20	Income (Loss) Before Taxes		(17,019)	0
21	Provision (Credit) for Income Taxes	2	(5,088)	0
22	Net Income (Loss)		($11,931)	$0

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino		$22,309	$0
2	Rooms		12,991	0
3	Food and Beverage		8,497	0
4	Other		3,074	0
5	Net Revenue	2	46,871	0
	Costs and Expenses:			
6	Casino		18,011	0
7	Rooms, Food and Beverage		9,947	0
8	General, Administrative and Other		16,875	0
9	Total Costs and Expenses	2	44,833	0
10	Gross Operating Profit		2,038	0
11	Depreciation and Amortization	2,7	827	0
	Charges from Affiliates Other than Interest:			
12	Management Fees	4	3,095	0
13	Other		0	0
14	Income (Loss) from Operations		(1,884)	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net		0	0
18	Nonoperating Income (Expense) - Net		8	0
19	Total Other Income (Expenses)		8	0
20	Income (Loss) Before Taxes		(1,876)	0
21	Provision (Credit) for Income Taxes	2	(565)	0
22	Net Income (Loss)		($1,311)	$0

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2019..........**		0	$0	0	$0	$0		$0	$0
2	Net Income (Loss) - 2019............								(3,502)	(3,502)
3	Contribution to Paid-in-Capital....	3					31,668			31,668
4	Dividends..................................									0
5	Prior Period Adjustments............									0
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2020..........**		0	0	0	0	31,668	0	(3,502)	28,166
11	Net Income (Loss)								(11,931)	(11,931)
12	Contribution to Paid-in-Capital....									0
13	Dividends..................................									0
14	Prior Period Adjustments............									0
15										0
16										0
17										0
18										0
19	**Balance, September 30, 2021 ....**		0	$0	0	$0	$31,668	$0	($15,433)	$16,235

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		($15,435)	$0
	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..........		(16,917)	0
5	Proceeds from Disposition of Property and Equipment..........		68	
6	CRDA Obligations			
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	....			
11	....			
12	Net Cash Provided (Used) By Investing Activities..........		(16,849)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt..........			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt..........			
17	Payments to Settle Long-Term Debt..........			
18	Cash Proceeds from Issuing Stock or Capital Contributions..........		0	0
19	Purchases of Treasury Stock..........			
20	Payments of Dividends or Capital Withdrawals..........			
21	Intercompany Loan	4, 10	29,829	
22	....			
23	Net Cash Provided (Used) By Financing Activities..........		29,829	0
24	Net Increase (Decrease) in Cash and Cash Equivalents..........		(2,455)	0
25	Cash and Cash Equivalents at Beginning of Period..........		13,422	
26	Cash and Cash Equivalents at End of Period..........		$10,967	$0

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		($11,931)	$0
30	Depreciation and Amortization of Property and Equipment...	7	1,919	
31	Amortization of Other Assets..	3, 8	134	
32	Amortization of Debt Discount or Premium..........................		0	
33	Deferred Income Taxes - Current		0	
34	Deferred Income Taxes - Noncurrent		(5,088)	
35	(Gain) Loss on Disposition of Property and Equipment.........		(22)	
36	(Gain) Loss on CRDA-Related Obligations...........................		0	
37	(Gain) Loss from Other Investment Activities.......................		0	
38	(Increase) Decrease in Receivables and Patrons' Checks		(2,556)	
39	(Increase) Decrease in Inventories		(1,428)	
40	(Increase) Decrease in Other Current Assets..........................		(2,725)	
41	(Increase) Decrease in Other Assets.......................................	3, 8	(351)	
42	Increase (Decrease) in Accounts Payable..............................		1,944	
43	Increase (Decrease) in Other Current Liabilities	10	4,699	
44	Increase (Decrease) in Other Liabilities		(30)	
45	....			
46	....			
47	Net Cash Provided (Used) By Operating Activities...................		($15,435)	$0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment...................................		($16,917)	
49	Less: Capital Lease Obligations Incurred..............................		0	
50	Cash Outflows for Property and Equipment..............................		($16,917)	$0
	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............................			
59	Consideration in Acquisition of Business Entities.................			
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.

PREMIER ENTERTAINMENT AC, LLC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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	299,144	$13,824		
2	Food	340,312	5,906		
3	Beverage	2,199,114	4,398		
4	Travel	0	0	550	55
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	317,827	12,780		
7	Complimentary Cash Gifts	17,152	4,068		
8	Entertainment	0	0	73	9
9	Retail & Non-Cash Gifts	46,345	926	0	0
10	Parking	0	0	196,628	589
11	Other	124,614	1,815	0	0
12	Total	3,344,508	$43,717	197,251	$653

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	133,070	$6,135	0	$0
2	Food	153,458	2,666	0	0
3	Beverage	975,531	1,951	0	0
4	Travel	0	0	256	26
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	139,753	5,590	0	0
7	Complimentary Cash Gifts	981	1,997	0	0
8	Entertainment	0	0	70	9
9	Retail & Non-Cash Gifts	23,074	461	0	0
10	Parking	0	0	79,166	237
11	Other	84,006	1,311	0	0
12	Total	1,509,873	$20,111	79,492	$272

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

PREMIER ENTERTAINMENT AC, LLC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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.

11/15/2021	
Date	Mimi Jennings-Benvenuti
	Vice President of Finance
	Title
	9749-11
	License Number

On Behalf of:

PREMIER ENTERTAINMENT AC, LLC
Casino Licensee

PREMIER ENTERTAINMENT AC, LLC (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION

The accompanying financial statements include the accounts of Premier Entertainment AC, LLC (the "Company") which operates Bally's Atlantic City ("the Property"), a casino hotel in Atlantic City, New Jersey. Twin River Management Group, Inc. ("TRMG") is a wholly owned subsidiary of Bally's Corporation ("Bally's"), formerly known as Twin River Worldwide Holdings, Inc., and is the parent company of Premier Entertainment AC, LLC. The Company was granted an interim casino license by the NJ Casino Control Commission on November 4, 2020, and plenary license approval was received on August 17, 2021.

On November 18, 2020 (the "Acquisition Date"), Bally's completed its acquisition of Bally's Atlantic City from Caesars Entertainment, Inc. ("Caesars") and Vici Properties, Inc. ("Vici"). Bally's acquired certain assets of Bally's Atlantic City and the property on which it operates, along with the license to build out a sportsbook and launch online sports and internet gaming.

In September 2020, TRMG entered into a Retail Sportsbook Services Agreement ("Sportsbook Agreement") with Betfair Interactive US LLC ("Betfair"). The Sportsbook Agreement grants Betfair a license to access and use a physical area for retail sports betting as well as locations throughout the property to host retail sportsbook betting kiosks. The terms of the Sportsbook Agreement allow for the retail sportsbook to be operated under the FanDuel brand of Betfair, but it shall also utilize the Bally's brand. The temporary retail sportsbook and betting kiosks commenced operation on December 22, 2020. The permanent retail sportsbook commenced operations on March 12. 2021. Sportsbook revenue and expense are reflected in Other Revenue and General, Administrative and Other expense, respectively, in the accompanying income statements.

TRMG entered into an Online Gaming Agreement with PointsBet New Jersey LLC ("PointsBet") in August 2020. This agreement licensed an online gaming skin to PointsBet as a third-party operator. The PointsBet-branded online casino skin commenced operation on July 23, 2021. Revenue and expense associated with the PointsBet skin are included in Casino Revenue and Casino Expense, respectively, in the accompanying income statements.

COVID-19 Pandemic

The novel coronavirus ("COVID-19") pandemic has caused significant disruption to the US and global economy as well as financial markets around the world and has impacted, and is likely to continue to impact, the Company's business in a material manner. Until May 28, 2021, the Property operated under reduced capacity and other restrictions and without all available amenities pursuant to state and local government requirements as a result of the unprecedented public health crisis. As a result, the Property generated less than pre-pandemic levels of revenue.

Per New Jersey Governor Phil Murphy's Executive Order 194, as of November 12, 2020 at 10pm, indoor dining and beverage service at our restaurants and bars that offer sit down food and beverage service was to conclude each night at 10pm and resume at 5am. Beverage service on the casino floor also concluded at 10pm each night until 5am. Additionally, customers were not permitted to be seated at any of our bars, however, table seating at bars and lounges continued to be permitted with the service of food and beverage to conclude each night by 10pm. Executive

Order 219, issued on February 3, 2021, rescinded the 10pm curfew as of February 5, 2021. In addition, the previous occupancy limit of 25% for the casino floor and food and beverage establishments was increased to 35% on February 5, 2021. Per Executive Order 230, occupancy limits were increased to 50% effective March 19, 2021. Additional Executive Orders implemented in May permitted limited bar seating and lifted indoor restaurant capacity restrictions, as long as six feet of distance between parties was maintained. Although not required, we continued to perform health screenings which included temperature checks and questions related to potential COVID-19 exposure for both customers and employees entering the building.

Governor Murphy issued Executive Order 242 on May 24, 2021, which lifted all remaining capacity restrictions and mask mandates effective May 28, 2021. Since this date, we have been able to utilize all slot machines and table game positions. In addition, we no longer perform health screenings upon entrance to the property.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value. The Company did not have any restricted cash balances at September 30, 2021.

Receivables

Receivables consist primarily of casino, hotel and other receivables, net of allowance for doubtful accounts. Receivables are typically noninterest bearing and are initially recorded at cost. An allowance for doubtful accounts is maintained to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, current economic and business conditions forecasts that affect the collectability, review of individual customer accounts, and any other known information. Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received.

Inventories

Inventories, which consist primarily of food, beverage, promotional items and operating supplies, are stated at the lower of average cost or market value.

Property and Equipment

As of September 30, 2021, property and equipment was recorded at fair value as of the Acquisition Date, with subsequent acquisitions of property and equipment recorded at cost. See Note 3-Preliminary Purchase Price Accounting.

Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method over the shorter of the estimated useful life of the asset or the related lease. Estimated useful lives are 3 to 40 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment.

Expenditures for renewals and betterments that extend the life or value of an asset are capitalized, expenditures for repairs and maintenance are charged to expense as incurred. The costs and related accumulated depreciation applicable to assets sold or disposed are removed from the balance sheet accounts and the resulting gains or losses are reflected in the statements of income.

Revenue Recognition

The Company accounts for revenue earned from contracts with customers under ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). The Company's generates revenue from gaming services, hotel room sales, food and beverage, and other transactions.

Gaming services contracts have two performance obligations for those customers earning incentives under the Company's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Company reasonably expects the effects on the consolidated 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 incentives earned under loyalty programs, the Company allocates an amount to the loyalty program contract liability based on the stand-alone selling price of the incentive earned for a hotel room stay, food and beverage or another amenity. The estimated standalone selling price of hotel rooms is determined based on observable prices. The standalone selling price of food and beverage, and other miscellaneous goods and services is determined based upon the actual retail prices charged to customers for those items. The performance obligations for the incentives earned under the loyalty programs are deferred and recognized as revenue when the customer redeems the incentive. The allocated revenue for gaming wagers is recognized when the wagers occur as all such wagers settle immediately.

Hotel revenue is recognized at the time of occupancy, which is when the customer obtains control through occupancy of the room. Advance deposits for hotel rooms are recorded as liabilities until revenue recognition criteria are met.

Food and beverage revenue are recognized at the time the goods are sold from Company-operated outlets.

All other revenues are recognized at the time the goods are sold or the service is provided.

Leases

The Company determines if a contract is or contains a lease at the contract inception date or the date in which a modification of an existing contract occurs. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (i) the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (ii) the right to direct the use of the identified asset.

The Company has elected to account for lease and non-lease components as a single component for all classes of underlying assets. Additionally, the Company elected to not recognize short-term leases (defined as leases that are less than 12 months and do not contain purchase options), or leases below a minimum capitalization threshold of $250,000 within the balance sheets.

The Company recognizes a lease liability for the present value of lease payments at the lease commencement date using its incremental borrowing rate commensurate with the lease term based on information available at the commencement date unless the rate implicit in the lease is readily determinable.

Certain of the Company's leases may include renewal options and escalation clauses; renewal options are included in the calculation of the lease liabilities and right of use assets when the Company determines it is reasonably certain to exercise the options. Variable expenses generally represent the Company's share of the landlord's operating expenses and CPI increases. The Company does not have any leases which met the criteria for recognition on the balance sheet or any leases classified as financing leases. Rent expense associated with the Company's long and short-term leases and their associated variable expenses are reported in total costs and expenses within the statements of income.

Intangible Assets Other Than Goodwill

Intangible assets other than goodwill consist of rated player relationships and hotel and conference pre-bookings which were obtained through the acquisition. See Note 3-Preliminary Purchase Price Accounting.

Long-lived Assets

The Company reviews its long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is still under development, the analysis includes the remaining construction costs. Cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of an asset may not be recoverable, the potential impairment is measured based on a fair value discounted cash flow model.

Self-Insurance Reserves

The Company is self-insured for employee medical insurance coverage up to an individual stop loss of $100,000. Self-insurance liabilities are estimated based on the Company's claims experience using actuarial methods to estimate the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not yet reported. The Company's self-insurance reserves are included in other accrued expenses in the accompanying balance sheets.

Player Loyalty Program

The Company offers a loyalty program whereby participating customers can accumulate points for wagering that can be redeemed for credits for free play on slot machines, as well as discounted goods and services such as rooms, food and beverages and retail merchandise. Points earned, less estimated breakage, are recorded as a reduction of casino revenues at the standalone selling price of the points when earned based upon the retail value of the benefits, historical redemption rates and estimated breakage and recognized as departmental revenue based on where such points are redeemed upon fulfillment of the performance obligation. The loyalty program liability represents a deferral of revenue until redemption occurs, which is typically less than one year.

Complimentaries

As part of our normal business operation, the Company offers discretionary complimentaries to customers outside of the player loyalty program. The retail value of complimentary hotel rooms, food and beverage and other services provided to customers is recognized as a reduction to the revenues for the department which issued the complimentary and a credit to the revenue for the department redeemed. Complimentaries provided by third parties at the discretion and under the control of the Company are recorded as an expense when incurred.

Gaming Tax

The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of land based gross gaming revenue, as defined. In addition, we remit monthly to the NJ Division of Taxation a tax equal to eight and a half percent of sportsbook gross gaming revenue, as defined and a tax equal to fifteen percent of internet gross gaming revenue, as defined.

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Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses are included in general, administrative and other expenses in the statements of income and were $796 for the nine months ended September 30, 2021.

Income Taxes

The Company files as part of a Federal consolidated tax return. The Company's income tax provision is prepared in accordance with ASC 740, *Income Taxes.* Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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. A valuation allowance is required when it is "more likely than not" that all or a portion of the deterred taxes will not be realized. The financial statements reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all the relevant facts.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General.* This amendment improves disclosures over defined benefit plans and is effective for interim and annual periods ending after December 15, 2020, with early adoption allowed. The Company's adoption of this ASU in the first quarter of 2021 did not have a material impact on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes.* This amendment serves to simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, *Income Taxes.* The amendment also improves the consistent application of ASC Topic 740 by clarifying and amending existing guidelines. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted. The Company's adoption of this ASU in the first quarter of 2021 did not have a material impact on its financial statements.

NOTE 3 – PRELIMINARY PURCHASE PRICE ACCOUNTING

On November 18, 2020, Bally's completed its acquisition of Bally's Atlantic City from Caesars and Vici. In connection with the Bally's Atlantic City acquisition, Bally's paid cash of approximately $24,700 at closing, or $16,100, net of cash acquired, excluding transaction costs.

In connection with the approval of the Company's interim gaming license in the state of New Jersey, Bally's committed to the New Jersey Casino Control Commission to spend $90,000 in capital expenditures over a span of five years to refurbish and upgrade the property's facilities and expand its amenities. In connection with this commitment, Bally's reached an agreement with

Caesars, whereby Caesars would reimburse Bally's for $30,000 of the capital expenditure commitment by December 31, 2021. This commitment from Caesars to Bally's was accounted for as a contingent consideration asset under ASC 805 and was recognized at its present value as of the acquisition date, which was determined to be $27,700, as it represents consideration due back from the seller in connection with a business combination, and is included in Prepaid expenses and other assets in Bally's consolidated balance sheets at the parent company level. This contingent consideration asset resulted in an adjusted purchase price of approximately $(900).

All expenses incurred for transaction costs related to Bally's Atlantic City during the year ended December 31, 2020 were recorded at the parent company level.

Bally's accounted for the acquisition of Bally's Atlantic City as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with FASB Codification Topic 805, *Business Combinations ("ASC 805")*. Under this method of accounting, the purchase price has been allocated to Bally's Atlantic City's assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date.

The identifiable intangible assets recorded in connection with the closing of the Bally's Atlantic City acquisition based on preliminary valuations include rated player relationships of $890 and hotel and conference pre-bookings of $230, which are being amortized on a straight-line basis over estimated useful lives of approximately 8 years and 3 years, respectively. Bally's determined that the value of an intangible asset related to gaming licenses was de minimus, primarily due to the previously mentioned capital expenditure commitment required to obtain the license. The preliminary fair value of the identifiable intangible assets acquired was determined by using a cost approach and an income approach for the rater player relationships and pre-bookings, respectively.

The following table summarizes the consideration paid and the preliminary fair values of the assets acquired and liabilities assumed in connection with the acquisition of Bally's Atlantic City on November 18, 2020. Due to the fact that the transaction only recently closed, the purchase price allocation is preliminary and will be finalized when valuations are complete and final assessments of the fair value of other acquired assets and assumed liabilities are completed. There can be no assurance that such finalizations will not result in material changes from the preliminary purchase price allocations. The Company's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date), as the Company finalizes the valuations of certain tangible and intangible asset acquired and liabilities assumed.

(All dollar amounts in thousands)

	Preliminary as of November 18, 2020
Cash	$8,651
Accounts receivable	1,122
Inventory	721
Prepaid expenses and other current assets	1,402
Property and equipment	40,898
Intangible assets	1,120
Accounts payable	(3,131)
Accrued and other current liabilities	(7,983)
Deferred income tax liabilities	(11,132)
Net assets acquired	31,668
Bargain purchase price	(32,595)
Total purchase price	$(927)

Based on the preliminary purchase price allocation, the fair value of the assets acquired, and liabilities assumed exceed the purchase price consideration and therefore, a bargain purchase gain of $32,595 was recorded at the parent company level during the period ended December 31, 2020. Bally's believes that it was able to acquire the net assets of Bally's Atlantic City for less than fair value as a result of a capital expenditure requirement imposed on the Company by the New Jersey Casino Control Commission, which would have been imposed on the seller had they not divested the property.

NOTE 4 – RELATED PARTY TRANSACTIONS

Cash Activity with Affiliates

From time to time, the Company will transfer cash in excess of its operating and regulatory needs to the parent company. Cash transfers from the Company's parent are also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. These are generally recorded as intercompany receivables and payables on the Company's books and no interest is charged on transfers made to or from the Company.

Administrative and Other

TRMG, the corporate services division of Bally's Corporation, provides certain corporate and administrative services provided by corporate personnel. These services may include, but are not limited to, management support for operations, marketing, human resources, accounting and finance, insurance and other administrative services. The Company was charged $7,052 for these services for the nine months ended September 30, 2021. This fee is included in charges from affiliates in the accompanying statements of income.

(All dollar amounts in thousands)

Employee Benefit Plans

Bally's Corporation has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering non-union employees and certain union employees. Under the plan, participating employees may defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. The employer contribution expense for this plan was $422 for the nine months ended September 30, 2021.

Multiemployer Defined Benefit Plans

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 contributions and charges for these plans were $812 for the nine months ended September 30, 2021.

NOTE 5 – RECEIVABLES AND PATRONS' CHECKS

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

	2021
Casino Receivable (Net of allowance for doubtful accounts $2,398 in 2021)	$2,769
Other (Net of allowance for doubtful accounts of $68 in 2021)	2,151
	$4,920

NOTE 6- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of September 30 consist of the following:

	2021
Prepaid Insurance	$2,739
Prepaid Gaming License Fees	646
Prepaid Utilities	210
Prepaid Marketing	244
Other	860
	$4,699

(All dollar amounts in thousands)

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

	2021
Land	$16,640
Buildings and Improvements	28,889
Furniture, Fixtures and Equipment	7,540
Construction in progress	5,755
	58,824
Less accumulated depreciation	(2,086)
	$56,738

Depreciation expense related to property and equipment was $1,919 for the period ended September 30, 2021.

NOTE 8- OTHER ASSETS

Other assets as of September 30 consist of the following:

	2021
Rated player relationships (less accumulated amortization of $93 in 2021)	$797
Pre-bookings (less accumulated amortization of $64 in 2021)	166
Deferred tax asset	8,487
Other	396
	$9,846

NOTE 9- OTHER ACCRUED EXPENSES

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

	2021
Accrued payroll, taxes and benefits	$5,057
Accrued utilities	2,009
Accrued player points liability	2,046
Accrued gaming expense	1,788
Accrued gaming and sales tax	1,154
Accrued sportsbook future liability and unpaid tickets	486
Accrued IT contracts	809
Accrued marketing	669
Accrued regulatory fees	657
Accrued insurance	397
Other	1,362
	$16,434

(All dollar amounts in thousands)

NOTE 10 - OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

	2021
Due to TRMG	$26,119
Due to UTGR	10,251
Due to Caesars	2,510
Unredeemed chip liability	1,768
Other	239
	$40,887

UTGR is a wholly owned subsidiary of TRMG and operates the Twin River Casino Hotel in Rhode Island. The amounts owed to UTGR represent accounts payable transactions paid on the Company's behalf.

NOTE 11 – LITIGATION, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

City of Atlantic City Real Property Tax and Payment in Lieu of Taxes (PILOT)

Beginning with calendar year 2017, each casino licensee makes quarterly payments in lieu of real estate taxes ("PILOT") to the City of Atlantic City. The Company is responsible for the payments based on its share as referenced in the PILOT agreement and will be subject to lien provisions if the payments are not made. The Company expensed $4,001 for the nine months ended September 30, 2021.

Atlantic City Alliance

Beginning with 2017, the PILOT program agreement also provided for the abolishment of the Atlantic City Alliance and redirected funds to the State of NJ for Atlantic City fiscal relief. The AC industry is required to provide $15,000 in 2017, $10,000 in 2018 and $5,000 from 2019 thru 2023 to a Separate State Fund for marketing initiatives aimed at growing tourism in Atlantic City. The Company expensed $138 for the for the nine months ended September 30, 2021.

Litigation

The Company is involved in 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.

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential disclosure through November 15, 2021, the date the Company's financial statements were available to be issued, and there are no other subsequent events to be reported.