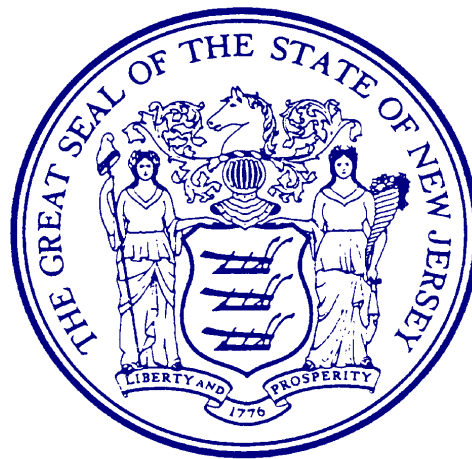


**PREMIER ENTERTAINMENT AC, LLC
d/b/a BALLY'S ATLANTIC CITY
QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 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 DECEMBER 31, 2021 AND 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$10,597	\$13,422
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, \$2,453; 2020, \$1,981).....	2, 5	6,305	2,364
4	Inventories	2	1,586	947
5	Other Current Assets.....	6	3,932	1,974
6	Total Current Assets.....		22,420	18,707
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2,7	81,631	42,086
9	Less: Accumulated Depreciation and Amortization.....	2,7	(3,361)	(176)
10	Property and Equipment - Net.....	2,7	78,270	41,910
11	Other Assets.....	9	17,205	4,541
12	Total Assets.....		\$117,895	\$65,158
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,328	\$2,677
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.....	10	24,078	10,464
19	Other Current Liabilities.....	11	58,028	12,267
20	Total Current Liabilities.....		87,434	25,408
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		11,614	11,554
24	Other Liabilities.....		4,017	30
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		103,065	36,992
27	Stockholders', Partners', or Proprietor's Equity.....	3	14,830	28,166
28	Total Liabilities and Equity.....		\$117,895	\$65,158

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 TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....		\$76,239	\$5,202
2	Rooms.....		34,059	2,036
3	Food and Beverage.....		21,314	1,162
4	Other.....		8,308	325
5	Net Revenue.....	2	139,920	8,725
	Costs and Expenses:			
6	Casino.....		59,689	4,518
7	Rooms, Food and Beverage.....		29,592	1,741
8	General, Administrative and Other.....		63,794	8,316
9	Total Costs and Expenses.....	2	153,075	14,575
10	Gross Operating Profit.....		(13,155)	(5,850)
11	Depreciation and Amortization.....	2,7	3,385	199
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	4	9,406	430
13	Other.....		0	0
14	Income (Loss) from Operations.....		(25,946)	(6,479)
	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.....		79	0
19	Total Other Income (Expenses).....		79	0
20	Income (Loss) Before Taxes		(25,867)	(6,479)
21	Provision (Credit) for Income Taxes.....	2	(12,435)	(2,977)
22	Net Income (Loss).....		(\$13,432)	(\$3,502)

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 DECEMBER 31, 2021 AND 2020

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....		\$17,203	\$5,202
2	Rooms.....		8,353	2,036
3	Food and Beverage.....		3,656	1,162
4	Other.....		2,276	325
5	Net Revenue.....	2	31,488	8,725
	Costs and Expenses:			
6	Casino.....		14,616	4,518
7	Rooms, Food and Beverage.....		6,159	1,741
8	General, Administrative and Other.....		15,932	8,316
9	Total Costs and Expenses.....	2	36,707	14,575
10	Gross Operating Profit.....		(5,219)	(5,850)
11	Depreciation and Amortization.....	2,7	1,332	199
	Charges from Affiliates Other than Interest:			
12	Management Fees.....	4	2,354	430
13	Other.....		0	0
14	Income (Loss) from Operations.....		(8,905)	(6,479)
	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.....		57	0
19	Total Other Income (Expenses).....		57	0
20	Income (Loss) Before Taxes		(8,848)	(6,479)
21	Provision (Credit) for Income Taxes.....	2	(7,347)	(2,977)
22	Net Income (Loss).....		(\$1,501)	(\$3,502)

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, 2021 AND 2020

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
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)								(13,432)	(13,432)
12	Contribution to Paid-in-Capital....	7					96			96
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	.....									0
16	.....									0
17	.....									0
18	.....									0
19	Balance, December 31, 2021.....		0	\$0	0	\$0	\$31,764	\$0	(\$16,934)	\$14,830

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 TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$18,974)	(\$747)
	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.....		(28,245)	(460)
5	Proceeds from Disposition of Property and Equipment.....		138	
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.....		(28,107)	(460)
	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, 11	44,256	5,978
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		44,256	5,978
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(2,825)	4,771
25	Cash and Cash Equivalents at Beginning of Period.....		13,422	8,651
26	Cash and Cash Equivalents at End of Period.....		\$10,597	\$13,422
	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 TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$13,432)	(\$3,502)
30	Depreciation and Amortization of Property and Equipment.....	7	3,204	176
31	Amortization of Other Assets.....	3, 9	181	23
32	Amortization of Debt Discount or Premium.....			0
33	Deferred Income Taxes - Current			0
34	Deferred Income Taxes - Noncurrent		(12,435)	422
35	(Gain) Loss on Disposition of Property and Equipment.....		(79)	0
36	(Gain) Loss on CRDA-Related Obligations.....			0
37	(Gain) Loss from Other Investment Activities.....			0
38	(Increase) Decrease in Receivables and Patrons' Checks		(3,941)	(1,242)
39	(Increase) Decrease in Inventories		(639)	(226)
40	(Increase) Decrease in Other Current Assets.....		(1,958)	(572)
41	(Increase) Decrease in Other Assets.....	3, 9	(350)	(3,445)
42	Increase (Decrease) in Accounts Payable.....		2,812	(640)
43	Increase (Decrease) in Other Current Liabilities	11	3,676	8,229
44	Increase (Decrease) in Other Liabilities		3,987	30
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$18,974)	(\$747)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$28,245)	(\$460)
49	Less: Capital Lease Obligations Incurred.....		0	
50	Cash Outflows for Property and Equipment.....		(\$28,245)	(\$460)
	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 TWELVE MONTHS ENDED DECEMBER 31, 2021
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	385,408	\$17,313		
2	Food	421,405	7,315		
3	Beverage	2,726,820	5,453		
4	Travel	0	0	749	75
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	447,473	18,115		
7	Complimentary Cash Gifts	18,066	5,771		
8	Entertainment	0	0	94	12
9	Retail & Non-Cash Gifts	66,172	1,323	0	0
10	Parking	0	0	247,640	742
11	Other	241,457	3,351	0	0
12	Total	4,306,801	\$58,641	248,483	\$829

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	86,264	\$3,489	0	\$0
2	Food	81,093	1,409	0	0
3	Beverage	527,706	1,055	0	0
4	Travel	0	0	199	20
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	129,646	5,335	0	0
7	Complimentary Cash Gifts	914	1,703	0	0
8	Entertainment	0	0	21	3
9	Retail & Non-Cash Gifts	19,827	397	0	0
10	Parking	0	0	51,012	153
11	Other	116,843	1,536	0	0
12	Total	962,293	\$14,924	51,232	\$176

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

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

FOR THE QUARTER ENDED DECEMBER 31, 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.

3/31/2022

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 sports book 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.

On October 1, 2021, Bally's acquired Gamesys Group Plc. ("Gamesys"), a leading UK-based global online gaming operator. On December 8, 2021, the Company and Gamesys commenced operation of a NJ Bally's branded online gaming skin, ballycasino.com. Revenue and expense associated with the online gaming skins 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 due to 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

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

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. Restricted cash of \$14 at December 31, 2021 represents the iGaming player deposits for ballycasino.com. The Company did not have any restricted cash balances at December 31, 2020.

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

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

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 December 31, 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- 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.

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

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 other 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.

Upon adoption of Accounting Standard Codification ("ASC") 842, *Leases*, ("ASC 842") the Company 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) 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.

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

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 consumer price index ("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-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 in 2021 and 2020. 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.

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

Complimentaries

As part of our normal business operation, the Company offers discretionary complimentary 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 sports book gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the years ended December 31, 2021 and 2020, were \$12,014 and \$668, respectively. These expenses are included in casino expenses in the accompanying statements of income

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses are included in general, administrative and other expenses in the statements of income. For the years ended December 31, 2021 and 2020, Advertising expense was \$976 and \$3, respectively.

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 deferred 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 – Standards to be implemented

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

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

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.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this update address diversity in practice and inconsistency related to recognition of an acquired contract liability and the effect of payment terms on subsequent revenue recognition for the acquirer. This update is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impact of this amendment on its financial statements.

NOTE 3 – 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, increased to \$100,000 in the second quarter of 2021, 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). In the fourth quarter of 2021, in lieu of settlement in cash, the contingent consideration asset was settled with Caesars through the early termination of certain agreements between Caesars and Bally's at other properties. The early termination of these contracts allows Bally's to retain rights to operate online gaming in certain jurisdictions. The derecognition of the contingent consideration asset for non-cash consideration resulted in a contract termination expense of \$30,000 recorded at the parent company level during the fourth quarter of 2021.

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

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

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 Bally's Atlantic City acquisition 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 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 fair values of the assets acquired and liabilities assumed in connection with the acquisition of Bally's Atlantic City on November 18, 2020. There were no purchase accounting adjustments recorded during the year ended December 31, 2021.

	<u>As of</u> <u>November 18,</u> <u>2020</u>
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	<u>(11,132)</u>
Net assets acquired	31,668
Bargain purchase price	<u>(32,595)</u>
Total purchase price	<u><u>\$(927)</u></u>

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.

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

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 \$9,406 and \$430 for these services for the years ended December 31, 2021 and 2020, respectively. This fee is included in charges from affiliates in the accompanying statements of income.

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 \$581 for the twelve months ended December 31, 2021. There was no employer contribution expense for this plan in 2020.

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 \$884 and \$255 for the years ended December 31, 2021 and 2020, respectively

NOTE 5 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Casino Receivable (Net of allowance for doubtful accounts \$2,324 in 2021, \$1,930 in 2020)	\$2,366	\$1,647
Other (Net of allowance for doubtful accounts of \$129 in 2021 and \$51 in 2020)	3,939	717
	\$6,305	\$2,364

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

NOTE 6- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Prepaid Insurance	\$1,666	\$1,450
Prepaid Gaming License Fees	674	363
Prepaid Marketing	695	0
Prepaid Agreements	492	35
Refundable Deposits	0	100
Other	405	26
	<u>\$3,932</u>	<u>\$1,974</u>

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$16,704	\$17,519
Buildings and Improvements	37,497	21,830
Furniture, Fixtures and Equipment	10,003	1,559
Construction in progress	17,330	1,178
Capitalized Interest	96	0
	<u>81,630</u>	<u>42,086</u>
Less accumulated depreciation	<u>(3,360)</u>	<u>(176)</u>
	<u>\$78,270</u>	<u>\$41,910</u>

Depreciation expense related to property and equipment was \$3,204 and \$176 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 – REAL ESTATE OPERATING LEASES

The Company has real estate leasing arrangements with third-party lessees at the property. As of December 31, 2021, the remaining terms of these operating leases ranged from 1 to 9 years, some of which include options to extend the lease term for up to 5 years. In addition to minimum rental commitments, certain of our operating leases provide for contingent payments including contingent rentals based on a percentage of revenues in excess of specified amounts and reimbursements for common area maintenance and utilities charges. As the timing and pattern of transfer of both the lease and non-lease components are over the course of the lease term, we have elected to combine the revenue generated from lease and non-lease components into a single lease component based on the predominant component in the arrangement. In addition, to maintain the

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

value of our leased assets, certain leases include specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

Maturity of Lease Receivables as of December 31, 2021 are as follows:

2022	\$369
2023	294
2024	259
2025	144
Thereafter	218
	<u>\$1,284</u>

NOTE 9- OTHER ASSETS

Other assets as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Rated player relationships (less accumulated amortization of \$121 in 2021 and \$13 in 2020)	\$769	\$877
Pre-bookings (less accumulated amortization of \$83 in 2021 and \$9 in 2020)	147	221
Deferred tax asset	15,894	3,399
Other	395	44
	<u>\$17,205</u>	<u>\$4,541</u>

NOTE 10- OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Accrued construction/facilities expense	\$10,615	\$0
Accrued payroll, taxes and benefits	4,208	2,553
Accrued player points liability	1,653	1,254
Accrued utilities	1,389	1,119
Accrued gaming/regulatory fees	1,199	844
Accrued contracts	1,118	0
Accrued sales tax	992	297
Accrued gaming tax	233	133
Other	2,671	4,264
	<u>\$24,078</u>	<u>\$10,464</u>

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

NOTE 11 - OTHER CURRENT LIABILITIES

Other current liabilities as of December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Due to TRMG	\$39,877	\$4,369
Due to UTGR	10,899	2,151
Deferred Revenue	2,839	0
Due to Caesars	2,484	3,935
Unredeemed chip liability	1,660	1,627
Other	269	185
	<u>\$58,028</u>	<u>\$12,267</u>

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 12 – LITIGATION, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

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

Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City to make quarterly payments in lieu of real estate taxes. The Company is responsible for the payments based on its share as referenced in the agreement and will be subject to lien provisions if the payments are not made. The Company's expense was \$5,335 and \$682 for the years ended December 31, 2021 and 2020.

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 \$183 and \$33 for the years ending December 31, 2021 and 2020.

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.

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

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential disclosure through March 31, 2022, the date the Company's financial statements were available to be issued.

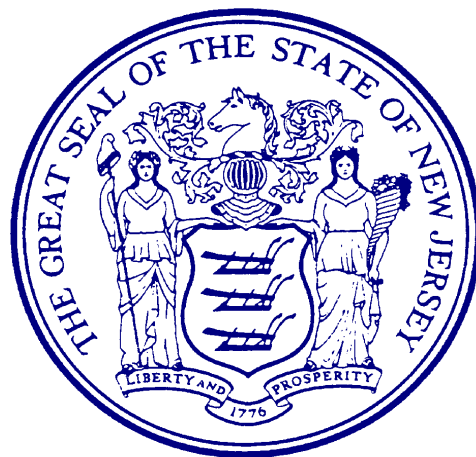
TRMG and Esports Entertainment Group, Inc. ("EEG") entered into a market access agreement in August 2020 which allows EEG to host, manage, operate and support an Online Sports Pool on behalf of TRMG. On January 25, 2022, EEG commenced operation of its online sports pool platform.

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

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

PREMIER ENTERTAINMENT AC, LLC
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2021

AMENDED 06-29-22

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$2,340		
2	Returned Patrons' Checks.....	2,350		
3	Total Patrons' Checks.....	4,690	\$2,324	\$2,366
4	Hotel Receivables.....	343	129	\$214
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	3,725		
8	Total Other Receivables.....	3,725		\$3,725
9	Totals (Form DGE-205).....	\$8,758	\$2,453	\$6,305

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$1,512
11	Counter Checks Issued.....	81,201
12	Checks Redeemed Prior to Deposit.....	(73,896)
13	Checks Collected Through Deposits.....	(6,477)
14	Checks Transferred to Returned Checks.....	-
15	Other Adjustments.....	0
16	Ending Balance.....	\$2,340
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$692
19	Provision as a Percent of Counter Checks Issued.....	0.9%

PREMIER ENTERTAINMENT AC, LLC
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2021

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	258			
2	Slot Machines	37			
3	Administration	0			
4	Casino Accounting	56			
5	Simulcasting	8			
6	Other	12			
7	Total - Casino	371	\$11,200	\$0	\$11,200
8	ROOMS	142	4,756		4,756
9	FOOD AND BEVERAGE	424	7,311		7,311
10	GUEST ENTERTAINMENT	112	332		332
11	MARKETING	71	3,141		3,141
12	OPERATION AND MAINTENANCE	150	5,950		5,950
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	8	1,260		1,260
14	Accounting and Auditing	25	1,247		1,247
15	Security	137	5,429		5,429
16	Other Administrative and General	38	1,630		1,630
	OTHER OPERATED DEPARTMENTS:				
17	Parking and Retail Operations	36	740		740
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	1,514	\$42,996	\$0	\$42,996