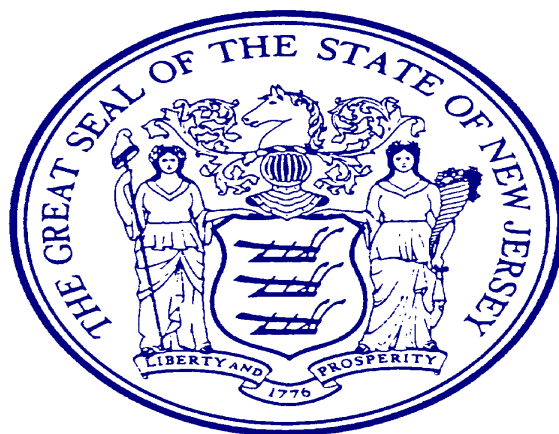


**PREMIER ENTERTAINMENT AC, LLC  
d/b/a BALLY'S ATLANTIC CITY  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 30, 2022**

**AMENDED 11/16/22 (form DGE-245)**

**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 JUNE 30, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$11,547	\$13,664
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, \$3,869; 2021, \$2,283 ).....	2, 4	6,093	2,907
4	Inventories .....	2	3,127	2,313
5	Other Current Assets.....	5	2,625	5,278
6	Total Current Assets.....		23,392	24,162
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2, 6	126,963	50,898
9	Less: Accumulated Depreciation and Amortization.....	2, 6	(6,123)	(1,314)
10	Property and Equipment - Net.....	2, 6	120,840	49,584
11	Other Assets.....	7	20,534	9,327
12	Total Assets.....		\$164,766	\$83,073
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$19,991	\$7,540
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.....	8	21,557	11,823
19	Other Current Liabilities.....	9	105,691	34,610
20	Total Current Liabilities.....		147,239	53,973
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits .....		11,614	11,554
24	Other Liabilities.....		5,900	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		164,753	65,527
27	Stockholders', Partners', or Proprietor's Equity.....		13	17,546
28	Total Liabilities and Equity.....		\$164,766	\$83,073

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$41,460	\$36,727
2	Rooms.....		19,235	12,715
3	Food and Beverage.....		8,115	9,161
4	Other.....		4,727	2,958
5	Net Revenue.....	2	73,537	61,561
	Costs and Expenses:			
6	Casino.....		35,954	27,062
7	Rooms, Food and Beverage.....		14,669	13,486
8	General, Administrative and Other.....		33,467	30,987
9	Total Costs and Expenses.....	2	84,090	71,535
10	Gross Operating Profit.....		(10,553)	(9,974)
11	Depreciation and Amortization.....	2,6	2,893	1,226
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	3	5,185	3,957
14	Income (Loss) from Operations.....		(18,631)	(15,157)
	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.....		145	14
19	Total Other Income (Expenses).....		145	14
20	Income (Loss) Before Taxes .....		(18,486)	(15,143)
21	Provision (Credit) for Income Taxes.....	2	(3,411)	(4,523)
22	Net Income (Loss).....		(\$15,075)	(\$10,620)

\* Amounts have been restated to conform to current year presentation.

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 JUNE 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$23,334	\$20,408
2	Rooms.....		11,370	8,102
3	Food and Beverage.....		4,980	5,603
4	Other.....		2,826	1,789
5	Net Revenue.....	2	42,510	35,902
	Costs and Expenses:			
6	Casino.....		19,783	14,853
7	Rooms, Food and Beverage.....		8,942	7,954
8	General, Administrative and Other.....		17,535	16,572
9	Total Costs and Expenses.....	2	46,260	39,379
10	Gross Operating Profit.....		(3,750)	(3,477)
11	Depreciation and Amortization.....	2,6	1,700	742
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	3	2,606	2,714
14	Income (Loss) from Operations.....		(8,056)	(6,933)
	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.....		126	6
19	Total Other Income (Expenses).....		126	6
20	Income (Loss) Before Taxes .....		(7,930)	(6,927)
21	Provision (Credit) for Income Taxes.....	2	(242)	(2,051)
22	Net Income (Loss).....		(\$7,688)	(\$4,876)

\* Amounts have been restated to conform to current year presentation.

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 SIX MONTHS ENDED JUNE 30, 2022  
(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, 2020.....		0	\$0	0	\$0	\$31,668		(\$3,502)	\$28,166
2	Net Income (Loss) - 2020.....								(13,432)	(13,432)
3	Contribution to Paid-in-Capital....						96			96
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2021.....		0	0	0	0	31,764	0	(16,934)	14,830
11	Net Income (Loss)								(15,075)	(15,075)
12	Contribution to Paid-in-Capital....						258			258
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	.....									0
16	.....									0
17	.....									0
18	.....									0
19	Balance, June 30, 2022.....		0	\$0	0	\$0	\$32,022	\$0	(\$32,009)	\$13

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$16,725	(\$10,594)
	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.....		(44,138)	(9,009)
5	Proceeds from Disposition of Property and Equipment.....		191	31
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.....		(43,947)	(8,978)
	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 .....	3, 9	28,172	19,814
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		28,172	19,814
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		950	242
25	Cash and Cash Equivalents at Beginning of Period.....		10,597	13,422
26	Cash and Cash Equivalents at End of Period.....		\$11,547	\$13,664
	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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$15,075)	(\$10,620)
30	Depreciation and Amortization of Property and Equipment.....	6	2,799	1,139
31	Amortization of Other Assets.....	7	94	87
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		(3,169)	(4,522)
35	(Gain) Loss on Disposition of Property and Equipment.....		(143)	(14)
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		212	(543)
39	(Increase) Decrease in Inventories .....		(1,541)	(1,366)
40	(Increase) Decrease in Other Current Assets.....		1,307	(3,304)
41	(Increase) Decrease in Other Assets.....	7	(254)	(351)
42	Increase (Decrease) in Accounts Payable.....		10,758	5,042
43	Increase (Decrease) in Other Current Liabilities .....	9	19,854	3,888
44	Increase (Decrease) in Other Liabilities .....		1,883	(30)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$16,725	(\$10,594)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$44,138)	(\$9,009)
49	Less: Capital Lease Obligations Incurred.....		0	
50	Cash Outflows for Property and Equipment.....		(\$44,138)	(\$9,009)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
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 SIX MONTHS ENDED JUNE 30, 2022  
(UNAUDITED)  
(\$ IN THOUSANDS)

Amended 11/16/22

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	182,016	\$14,350		
2	Food	140,219	2,436		
3	Beverage	475,205	2,376		
4	Travel	0	0	554	139
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	338,787	14,194		
7	Complimentary Cash Gifts	2,153	2,850		
8	Entertainment	3,216	113	259	32
9	Retail & Non-Cash Gifts	29,698	594	0	0
10	Parking	0	0	111,003	333
11	Other	220,637	2,643	0	0
12	Total	1,391,931	\$39,556	111,816	\$504

FOR THE THREE MONTHS ENDED JUNE 30, 2022

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	106,530	\$8,398	0	\$0
2	Food	77,689	1,350	0	0
3	Beverage	256,800	1,284	0	0
4	Travel	0	0	343	86
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	191,631	7,963	0	0
7	Complimentary Cash Gifts	1,105	1,435	0	0
8	Entertainment	2,183	77	186	23
9	Retail & Non-Cash Gifts	15,260	305	0	0
10	Parking	0	0	63,699	191
11	Other	112,727	1,350	0	0
12	Total	763,926	\$22,161	64,228	\$300

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



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

FOR THE QUARTER ENDED JUNE 30, 2022

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.

11/16/2022

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 ballycasino.com skin is included in Casino Revenue and Casino Expense, respectively, in the accompanying income statements. The Virgin online casino skin was previously operated by Gamesys under the Tropicana internet gaming license. On April 5, 2022, the Virgin skin was transferred to the Company’s license.

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.

*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

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

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.

Governor Murphy issued Executive Order 242 on May 24, 2021, which lifted all 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 \$531 on June 30, 2022 represents iGaming player deposits. The Company did not have any restricted cash balances at June 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.

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

*Property and Equipment*

As of June 30, 2022, property and equipment was recorded at fair value as of the Acquisition Date, with subsequent acquisitions of property and equipment recorded at cost.

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 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.

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

*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.

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.

*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.

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

*Self-Insurance Reserves*

The Company is self-insured for employee medical insurance coverage up to an individual stop loss of \$100,000 in 2022 and 2021. 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 in 2021. Effective January 2022, medical self-insurance liabilities reside on corporate books.

*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 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 and fifteen percent of internet gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the six months ended June 30, 2022, and 2021, were \$6,378 and \$5,186, 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 six months ended June 30, 2022 and 2021, Advertising expense was \$1,499 and \$391, 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

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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 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.

*Reclassifications*

Certain reclassifications of prior period presentations have been made to conform with current period presentations.

**NOTE 3 – 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 \$5,185 and \$3,957 for these services for the six months ended June 30, 2022 and 2021, respectively. This fee is included in other charges from affiliates in the accompanying statements of income.

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*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 \$318 and \$263 for the six months ended June 30, 2022 and 2021, respectively.

*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 \$536 and \$504 for the six months ended June 30, 2022 and 2021, respectively

**NOTE 4 - RECEIVABLES AND PATRONS' CHECKS**

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

	<u>2022</u>	<u>2021</u>
Casino Receivable (Net of allowance for doubtful accounts \$2,433 in 2022, \$2,055 in 2021)	\$3,170	\$ 1,998
Other (Net of allowance for doubtful accounts of \$1,436 in 2022 and \$228 in 2021)	2,923	909
	<u>\$6,093</u>	<u>\$2,907</u>

**NOTE 5 - OTHER CURRENT ASSETS**

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

	<u>2022</u>	<u>2021</u>
Prepaid License Fees/Taxes	\$1,059	\$980
Prepaid Agreements	639	131
Prepaid Utilities	451	420
Prepaid Insurance	98	3,118
Prepaid Marketing	86	342
Other	292	287
	<u>\$2,625</u>	<u>\$5,278</u>



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**NOTE 6- LAND, BUILDING AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Land	\$16,704	\$16,640
Buildings and Improvements	83,434	27,092
Furniture, Fixtures and Equipment	21,773	4,991
Construction in Progress	5,052	2,175
	<u>126,963</u>	<u>50,898</u>
Less accumulated depreciation	(6,123)	(1,314)
	<u>\$120,840</u>	<u>\$49,584</u>

Depreciation expense related to property and equipment was \$2,799 and \$ 1,139 for the six months ended June 30, 2022 and 2021, respectively.

**NOTE 7- OTHER ASSETS**

Other assets as of June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Rated player relationships (less accumulated amortization of \$176 in 2022 and \$ 65 in 2021)	\$714	\$825
Pre-bookings (less accumulated amortization of \$121 in 2022 and \$45 in 2021)	109	185
Deferred tax asset	19,305	7,921
Other	406	396
	<u>\$20,534</u>	<u>\$ 9,327</u>

**NOTE 8 - OTHER ACCRUED EXPENSES**

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

	<u>2022</u>	<u>2021</u>
Accrued payroll, taxes and benefits	\$5,300	\$4,181
Accrued gaming and internet gaming	5,336	1,448
Accrued player points liability	1,263	1,276
Accrued utilities	1,813	1,620
Accrued sales tax	1,350	763
Accrued insurance	925	175
Accrued marketing	1,866	438
Accrued gaming tax	851	64
Other	2,853	1,858
	<u>\$21,557</u>	<u>\$11,823</u>

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**NOTE 9 - OTHER CURRENT LIABILITIES**

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

	<u>2022</u>	<u>2021</u>
Due to TRMG	\$86,437	\$16,967
Due to UTGR	12,475	9,367
Deferred Revenue	731	0
Due to Caesars	0	6,515
Unredeemed chip liability	1,756	1,464
Due to Gamesys	3,685	0
Other	607	297
	<u>\$105,691</u>	<u>\$34,610</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 10 – 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 \$2,964 and \$2,667 for the six months ended June 30, 2022 and 2021, respectively.

*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. Legislation passed in December 2021 extended the \$5,000 industry annual payments through 2026. The Company expensed \$138 and \$138 for the six months ending June 30, 2022 and 2021, respectively.

*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.

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**NOTE 11 – SUBSEQUENT EVENTS**

The Company has evaluated events and transactions for potential disclosure through August 15, 2022, the date the Company's financial statements were available to be issued.