

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

**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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$16,330	\$13,479
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$4,791; 2022, \$4,227).....	2, 5	8,040	4,749
4	Inventories	2	2,542	3,434
5	Other Current Assets.....	6	1,995	3,991
6	Total Current Assets.....		28,907	25,653
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....	2,7	140,653	129,105
9	Less: Accumulated Depreciation and Amortization.....	2,7	(18,476)	(8,524)
10	Property and Equipment - Net.....	2,7	122,177	120,581
11	Other Assets.....	8	32,821	19,427
12	Total Assets.....		\$183,905	\$165,661
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,339	\$5,661
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	21,285	19,446
19	Other Current Liabilities.....	10	136,741	119,443
20	Total Current Liabilities.....		166,365	144,550
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		22,124	11,614
24	Other Liabilities.....		3,343	5,762
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		191,832	161,926
27	Stockholders', Partners', or Proprietor's Equity.....		(7,927)	3,735
28	Total Liabilities and Equity.....		\$183,905	\$165,661

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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....		\$88,463	\$70,921
2	Rooms.....		39,031	37,320
3	Food and Beverage.....		19,231	15,962
4	Other.....		6,555	8,025
5	Net Revenue.....	2	153,280	132,228
	Costs and Expenses:			
6	Casino.....		73,198	56,099
7	Rooms, Food and Beverage.....		27,682	25,480
8	General, Administrative and Other.....		43,151	50,376
9	Total Costs and Expenses.....	2	144,031	131,955
10	Gross Operating Profit.....		9,249	273
11	Depreciation and Amortization.....	2,7	7,793	5,341
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	3	9,416	8,782
14	Income (Loss) from Operations.....		(7,960)	(13,850)
	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.....		70	145
19	Total Other Income (Expenses).....		70	145
20	Income (Loss) Before Taxes		(7,890)	(13,705)
21	Provision (Credit) for Income Taxes.....	2	(1,796)	(2,352)
22	Net Income (Loss).....		(\$6,094)	(\$11,353)

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, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....		\$32,079	\$29,461
2	Rooms.....		16,434	18,085
3	Food and Beverage.....		8,375	7,847
4	Other.....		2,652	3,298
5	Net Revenue.....	2	59,540	58,691
	Costs and Expenses:			
6	Casino.....		27,194	20,145
7	Rooms, Food and Beverage.....		11,316	10,811
8	General, Administrative and Other.....		13,700	16,909
9	Total Costs and Expenses.....	2	52,210	47,865
10	Gross Operating Profit.....		7,330	10,826
11	Depreciation and Amortization.....	2,7	2,606	2,448
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	3	2,969	3,597
14	Income (Loss) from Operations.....		1,755	4,781
	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.....		0	0
19	Total Other Income (Expenses).....		0	0
20	Income (Loss) Before Taxes		1,755	4,781
21	Provision (Credit) for Income Taxes.....	2	363	1,059
22	Net Income (Loss).....		\$1,392	\$3,722

The accompanying notes are an integral part of the financial statements.
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PREMIER ENTERTAINMENT AC, LLC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND NINE MONTHS ENDED SEPTEMBER 30, 2023

(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, 2021.....		0	\$0	0	\$0	\$31,764		(\$16,934)	\$14,830
2	Net Income (Loss) - 2022.....								(16,921)	(16,921)
3	Contribution to Paid-in-Capital....						258			258
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2022.....		0	0	0	0	32,022	0	(33,855)	(1,833)
11	Net Income (Loss) - 2023								(6,094)	(6,094)
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, 2023.....		0	\$0	0	\$0	\$32,022	\$0	(\$39,949)	(\$7,927)

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, 2023 AND 2022
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$2,889	(\$5,083)
	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.....		(8,619)	(57,185)
5	Proceeds from Disposition of Property and Equipment.....		80	191
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.....		(8,539)	(56,994)
	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, 10	9,796	64,959
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		9,796	64,959
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		4,146	2,882
25	Cash and Cash Equivalents at Beginning of Period.....		12,184	10,597
26	Cash and Cash Equivalents at End of Period.....		\$16,330	\$13,479
	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, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$6,094)	(\$11,353)
30	Depreciation and Amortization of Property and Equipment...	7	7,652	5,200
31	Amortization of Other Assets.....	8	141	141
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		(1,796)	0
34	Deferred Income Taxes - Noncurrent		0	(2,352)
35	(Gain) Loss on Disposition of Property and Equipment.....		(70)	(143)
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		(1,325)	1,556
39	(Increase) Decrease in Inventories		(126)	(1,848)
40	(Increase) Decrease in Other Current Assets.....		1,094	(59)
41	(Increase) Decrease in Other Assets.....	8	(150)	(11)
42	Increase (Decrease) in Accounts Payable.....		3,231	409
43	Increase (Decrease) in Other Current Liabilities	10	670	1,632
44	Increase (Decrease) in Other Liabilities		(338)	1,745
45	.....		
46	.....		
47	Net Cash Provided (Used) By Operating Activities.....		\$2,889	(\$5,083)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$8,619)	(\$57,185)
49	Less: Capital Lease Obligations Incurred.....		0	
50	Cash Outflows for Property and Equipment.....		(\$8,619)	(\$57,185)
	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, 2023
(UNAUDITED)
(\$ IN THOUSANDS)

Amended 04/02/23

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	305,386	\$24,483		
2	Food	135,452	4,405		
3	Beverage	606,763	4,854		
4	Travel	0		758	190
5	Bus Program Cash	0			
6	Promotional Gaming Credits	1,063,255	28,099		
7	Complimentary Cash Gifts	68	750		
8	Entertainment	2,628	266	398	70
9	Retail & Non-Cash Gifts	33,646	673	0	0
10	Parking	0	0	156,662	470
11	Other	273,802	6,250	417	54
12	Total	2,421,000	\$69,780	158,235	\$784

Amended Line 8c, Entertainment recipients

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	122,264	\$9,844	0	\$0
2	Food	56,480	1,700	0	0
3	Beverage	236,481	1,892	0	0
4	Travel	0	0	273	69
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	418,389	10,035	0	0
7	Complimentary Cash Gifts	26	212	0	0
8	Entertainment	1,652	137	38	6
9	Retail & Non-Cash Gifts	11,955	239	0	0
10	Parking	0	0	64,328	193
11	Other	136,112	3,149	220	29
12	Total	983,359	\$27,208	64,859	\$297

Amended Line 8c, Entertainment recipients

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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.

REVISED
4/1/2024

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 licenses to build and operate a retail sports book and launch online sports and internet gaming.

On October 1, 2021, Bally’s acquired Gamesys Group Plc. (“Gamesys”), a leading UK-based global online gaming operator. See Note 4 – Sports Wagering and Internet Gaming for additional information.

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 \$1,198 on September 30, 2023 and \$605 on September 30, 2022 represents iGaming player deposits.

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 September 30, 2023, 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.

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

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 on 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

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

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, general liability and workers' compensation up to certain stop loss amounts. 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 liabilities for general liability and workers' compensation insurance are included in other accrued expenses in the accompanying balance sheets and were \$153 and \$973 as of September 30, 2023 and 2022. As of January 1, 2023, all self-insurance liabilities, with the exception of one general liability policy, reside on corporate books. In 2022, liabilities for medical self-insurance resided 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 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, the Company remits monthly to the NJ Division of Taxation a tax equal to eight and a half percent of retail sports book gross gaming revenue, thirteen percent of online sports gross gaming revenue and fifteen percent of online casino gross gaming revenue, as defined. Gaming taxes expensed to the Company's financial statements and paid to the NJ Division of Taxation for the nine months ended September 30, 2023 and 2022, were \$15,412 and \$10,954, respectively. These expenses are included in casino expenses in the accompanying statements of income.

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

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 nine months ended September 30, 2023 and 2022, Advertising expenses were \$715 and \$1,530 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

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's adoption of this ASU in the first quarter of 2023 did not have a material impact on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses*, which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. In accordance with the effective date philosophy issued in ASU No. 2019-10 in November 2019, the Company will be required to apply the provisions of ASU No. 2016-13 effective for the fiscal year beginning after December 15, 2022 with early application permitted. ASU No. 2016-13 is effective for the Company beginning January 1, 2022 and did not have a material impact on the financial statements.

Reclassifications

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

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

NOTE 3 – RELATED PARTY TRANSACTIONS

Cash Activity with Affiliates

The Company participates in Bally's centralized cash management system. Accordingly, daily cash receipts are transferred to, and daily operations are funded with advances from, the Parent company and the Company reflects these amounts as a component of other current liabilities in the accompanying balance sheets.

Pooled Insurance

The Company participates in a comprehensive insurance program maintained by Bally's for workers' compensation, general liability and medical. Risk-based expense allocations are calculated by Bally's and totaled \$2,730 and \$1,364 for the nine months ended September 30, 2023 and 2022, respectively.

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 \$9,416 and \$8,782 for these services for the nine months ended September 30, 2023 and 2022, respectively. This fee is included in other 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 \$494 and \$451 for the nine months ended September 30, 2023 and 2022, 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 \$731 and \$784 for the nine months ended September 30, 2023 and 2022, respectively.

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(Unaudited)
(All dollar amounts in thousands)

NOTE 4 – SPORTS WAGERING AND INTERNET GAMING

Retail Sports Wagering Lounge

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.

The Company and Betfair jointly operate the retail sportsbook and share the profit, which considers both parties' revenues and expenses. The Company's retail sportsbook net revenue represents accrual revenue less free play, less a revenue adjustment for the Betfair share of profit, and is reflected in Other Revenue in the accompanying income statements. The Company's operating expenses include payroll, benefits, gaming tax, regulatory fees, advertising and other minor costs and are reflected in General, Administrative and Other expense in the accompanying income statements.

The Sportsbook Agreement with Betfair was terminated effective end of gaming day on August 15, 2023. Accrual revenue and tax expense will be reported in the Company's financial statements until the occurrence of future events for which wagers were made prior to August 15, 2023.

On August 23, 2023, the retail sportsbook re-opened under the BallyBet brand and is solely operated by the Company. Net revenue for the BallyBet retail sportsbook represents accrual revenue less free play and is reflected in Casino Revenue in the accompanying income statements. The operating expenses include payroll, benefits, gaming tax, regulatory fees and other operating costs and are included in Casino Expense in the accompanying income statements.

Online Sports Wagering Skins

The Company and its third party providers operated one online sports wagering skin in 2023 (Sporttrade).

EEG:

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. Under the terms of the agreement, EEG would operate the platform, maintain the required bank account and pay an annual fee to the Company. Revenue related to this venture is reported in Other Revenue in the accompanying income statements. There were no expenses recorded by the Company in 2023 or 2022 for this skin. EEG ceased operations in October 2022.

Sporttrade:

TRMG and Sporttrade, Inc. (“Sporttrade”) entered into a market access agreement in August 2020

PREMIER ENTERTAINMENT AC, LLC (Bally's Atlantic City)
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(Unaudited)
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which allows Sporttrade to host, manage, operate and support an Online Sports Pool on behalf of TRMG. On September 13, 2022, Sporttrade commenced operation of its online sports pool platform. Under the terms of the agreement, Sporttrade operates the platform, maintains the required bank account and pays a monthly percentage of net gaming revenue to the Company. These revenues are reported in Other Revenue in the accompanying income statements. There were no expenses recorded by the Company in 2023 or 2022 for this skin.

Internet Gaming Skins (Online Casino)

The Company and its third party providers operated three internet gaming skins in 2023. In addition, we have a commitment for a fourth skin that did not launch.

PointsBet:

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. Under the terms of this agreement, PointsBet operates the platform, maintains the required bank account and pays a monthly percentage of net gaming revenue to the Company. These revenues are reported in Other Revenue in the accompanying income statements. There were no expenses recorded by the Company in 2023 or 2022 for this skin.

Ballycasino:

As mentioned in Note 1, Bally's acquired Gamesys in October 2021. On December 8, 2021, the Company and Gamesys commenced operation of a NJ Bally's branded online gaming skin, ballycasino.com. Gamesys operates the platform, the Company maintains the required bank account and records revenue and expense associated with this skin. Net revenue represents gross gaming revenue less free play and is reflected in Casino Revenue in the accompanying income statements. Expenses include but are not limited to payroll, gaming tax, regulatory fees, marketing costs and game fees and are reflected in Casino Expense in the accompanying income statements.

Virgincasino:

The Virgincasino 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. The skin is operated by Gamesys and the Company maintains the required bank account. There are no revenues or expenses recorded in the Company's financial statements in 2023 or 2022. All transactions related to this skin are handled through intercompany accounts on the Company's balance sheet.

theScore:

TRMG entered into an Online Market Access Agreement with Score Digital Sports Ventures Inc. ("theScore") in August 2020 which allows theScore to host, manager, operate and support an online gaming skin. Under the terms of the agreement, theScore will operate the platform, maintain the required bank account and pay an annual royalty fee based on percentage of net gaming revenue to the Company. This online casino skin did not launch as of this date.

In addition to the accounting treatment of revenues mentioned above, revenue related to market access payments from our third party providers is typically amortized over the life of the agreement

PREMIER ENTERTAINMENT AC, LLC (Bally's Atlantic City)
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(Unaudited)
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and is included in Other Revenue in the accompanying income statements.

NOTE 5 - RECEIVABLES AND PATRONS' CHECKS

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

	<u>2023</u>	<u>2022</u>
Casino Receivable (Net of allowance for doubtful accounts \$3,033 in 2023, \$2,554 in 2022)	\$4,140	\$ 2,735
Other (Net of allowance for doubtful accounts of \$1,758 in 2023 and \$1,673 in 2022)	3,900	2,014
	<u>\$8,040</u>	<u>\$4,749</u>

NOTE 6 - OTHER CURRENT ASSETS

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

	<u>2023</u>	<u>2022</u>
Prepaid Taxes & License Fees	\$883	\$751
Prepaid Agreements	604	825
Prepaid Utilities	140	191
Prepaid Marketing	221	134
Prepaid Insurance	9	1,765
Other	138	325
	<u>\$1,995</u>	<u>\$3,991</u>

NOTE 7- LAND, BUILDING AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$16,898	\$16,704
Buildings and Improvements	91,444	85,019
Furniture, Fixtures and Equipment	27,194	22,274
Construction in Progress	5,117	5,108
	<u>140,653</u>	<u>129,105</u>
Less accumulated depreciation	<u>(18,476)</u>	<u>(8,524)</u>
	<u>\$122,177</u>	<u>\$120,581</u>

Depreciation expense related to property and equipment was \$7,652 and \$5,200 for the nine months ended September 30, 2023 and 2022, respectively.

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NOTE 8 - OTHER ASSETS

Other assets as of September 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Rated player relationships (less accumulated amortization of \$315 in 2023 and \$204 in 2022)	\$575	\$686
Pre-bookings (less accumulated amortization of \$217 in 2023 and \$141 in 2022)	13	89
Deferred tax asset	31,677	18,245
Other	556	407
	<u>\$32,821</u>	<u>\$19,427</u>

NOTE 9 - OTHER ACCRUED EXPENSES

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

	<u>2023</u>	<u>2022</u>
Accrued gaming and internet gaming	\$7,880	\$3,621
Accrued payroll, taxes and benefits	5,709	5,829
Accrued gaming tax	1,584	907
Accrued player points liability	1,126	1,182
Accrued sportsbook tickets	1,299	903
Accrued utilities	777	1,641
Accrued sales tax	717	1,479
Accrued marketing	400	1,223
Accrued insurance	153	973
Other	1,640	1,688
	<u>\$21,285</u>	<u>\$19,446</u>

NOTE 10 - OTHER CURRENT LIABILITIES

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

	<u>2023</u>	<u>2022</u>
Due to TRMG	\$90,531	\$91,624
Due to UTGR	0	12,711
Due to Gamesys	41,936	11,400
Unredeemed chip liability	2,642	2,360
Deferred Revenue	471	740
Other	1,161	608
	<u>\$136,741</u>	<u>\$119,443</u>

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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. The amounts due to Gamesys primarily represent marketing and third party game fees related to the ballycasino.com online casino platform.

NOTE 11 – 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 expenses were \$4,954 and \$4,446 for the nine months ended September 30, 2023 and 2022, 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 through 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 \$210 and \$208 for the nine months ended September 30, 2023 and 2022, 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.

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential disclosure through November 15, 2023, the date the Company's financial statements were available to be issued.