**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This document, which comprises a supplementary prospectus (the "**Supplementary Prospectus**") relating to Bally's Corporation (the "**Corporation**") has been approved by the Financial Conduct Authority (the "**FCA**") under the UK Prospectus Regulation and has been delivered to the FCA in accordance with section 87G of the Financial Services and Markets Act 2000 ("**FSMA**") and Rule 3.4 of the Prospectus Regulation Rules. This document has been made available to the public as required by the Prospectus Regulation Rules.

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the prospectus published by the Corporation on 1 June 2021 (the "**Prospectus**") relating to the offer of New Bally's Shares pursuant to the Combination (the "**Offer**"). Any statement contained in the Prospectus shall be deemed to be modified or superseded to the extent that a statement contained in this document modifies or supersedes such statement. Except as expressly stated herein, or unless the context requires otherwise, the definitions used or referred to in the Prospectus also apply in this Supplementary Prospectus.

The FCA only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Corporation or the quality of the securities that are the subject of the Prospectus and this Supplementary Prospectus. Investors should make their own assessment as to the suitability of investing in securities.

The Corporation and each of the Bally's Directors and the Proposed Bally's Directors, whose names appear on pages 94 and 95 of the Prospectus, accept responsibility for the information contained in this Supplementary Prospectus and the Prospectus. To the best of the knowledge of the Corporation, the Bally's Directors, and the Proposed Bally's Directors, the information contained in this Supplementary Prospectus is in accordance with the facts and this Supplementary Prospectus makes no omission likely to affect its import.

**Prospective investors should read the Prospectus and this Supplementary Prospectus in their entirety and in particular, should consider the risk factors relating to the Corporation set out in Part II of the Prospectus.**

# BALLY'S CORPORATION

(Incorporated in the State of Delaware)

**Supplementary Prospectus**

**Proposed issue of up to 38,419,106 shares of common stock by Bally's to Gamesys Shareholders in connection with the recommended cash and share offer by Bally's for the entire issued and to be issued share capital of Gamesys to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006**

Neither the United States Securities and Exchange Commission ("**SEC**") nor any state securities commission nor any other regulatory authority in the United States has approved or disapproved of the New Bally's Shares or passed upon the accuracy or adequacy of the information contained in this Supplementary Prospectus or the Prospectus. Any representation to the contrary is a criminal offense in the United States.

**THE CONTENTS OF THIS PROSPECTUS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE. EACH POTENTIAL INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE.**

**NEITHER THE CORPORATION, THE BALLY'S DIRECTORS, THE CORPORATION OFFICERS, THE PROPOSED BALLY'S DIRECTORS NOR ANY OF THE CORPORATION'S REPRESENTATIVES IS MAKING ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR IN THE NEW BALLY'S SHARES REGARDING THE LEGALITY OF AN INVESTMENT IN THE NEW BALLY'S SHARES BY SUCH PROSPECTIVE INVESTOR UNDER THE LAWS APPLICABLE TO SUCH PROSPECTIVE INVESTOR.**

**THIS SUPPLEMENTARY PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS SUPPLEMENTARY PROSPECTUS SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

## Notice to Overseas Shareholders

This Supplementary Prospectus and the Prospectus do not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy any New Bally's Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or would impose any unfulfilled registration, publication or approval requirements on Bally's or Gamesys or any of their respective directors, officers, agents or advisers. No action has been or will be taken to permit the possession, issue or distribution of this Supplementary Prospectus and the Prospectus (or any other offering or publicity materials or application form(s) relating to the New Bally's Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Supplementary Prospectus, the Prospectus, nor any advertisement nor any other offering material may be distributed or published in any such restricted jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Supplementary Prospectus and/or the Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, Bally's and the companies and persons involved in the Combination disclaim any responsibility or liability for the violation of such requirements by any person.

Unless otherwise determined by Bally's or required by the City Code on Takeovers and Mergers (the "**City Code**"), and permitted by applicable law and regulation, the Offer and the Combination will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Combination by any such use of the mails of or any other means, instrumentality (including, without limitation, facsimile, email or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or securities exchange of or from within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that Restricted Jurisdiction. Accordingly, copies of this document and all documents relating to the Offer and the Combination are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Offer and the Combination (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from such jurisdictions where to do so would violate the laws in those Restricted Jurisdictions. If the Combination is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), such Takeover Offer may not be made available directly or indirectly, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction.

The availability of the Offer to Gamesys Shareholders who are not resident in the United Kingdom (and, in particular, their ability to vote their Scheme Shares with respect to the Scheme at the Court Meeting, or to appoint another person as proxy to vote at the Court Meeting on their behalf) may be affected by the laws of the relevant jurisdictions in which they are resident. The Combination will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA. Persons receiving this Supplementary Prospectus and all documents relating to the Offer and the Combination must not mail or otherwise distribute or send these documents in, into or from a jurisdiction where to do so would constitute a violation of the laws of such jurisdiction.

This Supplementary Prospectus has been prepared for the purposes of complying with English law, the Prospectus Regulation Rules, and the UK Prospectus Regulation, and the information disclosed may not be the same as that which would have been disclosed if this Supplementary Prospectus had been prepared in accordance with the laws and regulations of any other jurisdiction outside England and Wales. Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Offer in their particular circumstances.

## Withdrawal Rights

In accordance with Article 23(2) of the UK Prospectus Regulation, investors who have already agreed, before this Supplementary Prospectus was published, to elect to receive New Bally's Shares have the right exercisable within two working days after publication of this Supplementary Prospectus, to withdraw their agreement to receive the New Bally's Shares. Notwithstanding such withdrawal rights available to the Gamesys Shareholders, pursuant to the terms and conditions of the Scheme, Gamesys Shareholders are able

to withdraw their election to receive New Bally's Shares at any time prior to the Election Withdrawal Deadline. Please refer to the Scheme Document and the Prospectus for further details.

**WARNING**

**The contents of this document have not been reviewed by any regulatory authority other than the UK Financial Conduct Authority. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.**

Dated: 4 June 2021

## 1. PURPOSE OF SUPPLEMENTARY PROSPECTUS

This document constitutes a Supplementary Prospectus required under Article 23 of the UK Prospectus Regulation and Prospectus Regulation Rule 3.4 and is being published to include certain financial statements that were omitted from Part XIV of the Prospectus.

## 2. UPDATE TO PART XIV (BALLY'S FINANCIAL INFORMATION)

Part XIV (*Bally's Financial Information*) of the Prospectus is hereby supplemented and includes the following pages, which set out (i) the unaudited condensed consolidated financial statements of the Corporation for the three months ended 31 March 2021 and (ii) the audited consolidated financial information of the Corporation as of and for the years ended 31 December 2020, 2019 and 2018, all prepared in accordance with U.S. GAAP.

# SECTION A:

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

## BALLY'S CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

*(In thousands, except share data)*

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $151,653 | $123,445 |
| Restricted cash | 3,818 | 3,110 |
| Accounts receivable, net | 24,894 | 14,798 |
| Inventory | 10,784 | 9,296 |
| Tax receivable | 82,417 | 84,483 |
| Prepaid expenses and other assets | 52,543 | 53,823 |
| **Total current assets** | 326,109 | 288,955 |
| Property and equipment, net | 753,601 | 749,029 |
| Right of use assets, net | 36, 341 | 36,112 |
| Goodwill | 289,729 | 186,979 |
| Intangible assets, net | 726,991 | 663,395 |
| Other assets | 6,029 | 5,385 |
| **Total assets** | $2,138,800 | $1,929,855 |
| **Liabilities and Stockholders' Equity** | | |
| Current portion of long-term debt | $5,750 | $5,750 |
| Current portion of lease obligations | 1,578 | 1,520 |
| Accounts payable | 23,732 | 15,869 |
| Accrued liabilities | 131,850 | 120,055 |
| **Total current liabilities** | 162,910 | 143,194 |
| Long-term debt, net of current portion | 1,128,599 | 1,094,105 |
| Lease obligations, net of current portion | 62,720 | 62,025 |
| Pension benefit obligations | 8,941 | 9,215 |
| Deferred tax liability | 30,642 | 36,983 |
| Naming rights liabilities | 219,867 | 243,965 |
| Contingent consideration payable | 55,543 | — |
| Other long-term liabilities | 14,881 | 13,770 |
| **Total liabilities** | 1,684,103 | 1,603,257 |
| **Commitments and contingencies** | | |
| **Stockholders' equity:** | | |
| Common stock, par value $0.01; 100,000,000 shares authorized; 31,894,222 and 30,685,938 shares issued as of March 31, 2021 and December 31, 2020, respectively; 31,894,089 and 30,685,938 shares outstanding as of March 31, 2021 and December 31, 2020, respectively. | 318 | 307 |
| Additional paid-in-capital | 434,457 | 294,643 |
| Treasury stock, at cost, 133 and 0 shares as of March 31, 2021 and December 31, 2020, respectively. | (9) | — |
| Retained earnings | 24,087 | 34,792 |
| Accumulated other comprehensive loss | (4,156) | (3,144) |
| **Total stockholders' equity** | 454,697 | 326,598 |
| **Total liabilities and stockholders' equity** | $2,138,800 | $1,929,855 |

*See accompanying notes to condensed consolidated financial statements.*

## BALLY'S CORPORATION

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

*(In thousands, except share data)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Revenue:** | | |
| Gaming | $152,909 | $75,836 |
| Racing | 2,369 | 2,957 |
| Hotel | 13,059 | 7,646 |
| Food and beverage | 15,500 | 15,316 |
| Other | 8,429 | 7,393 |
| Total revenue | 192,266 | 109,148 |
| **Operating costs and expenses:** | | |
| Gaming | 45,205 | 23,213 |
| Racing | 2,049 | 2,407 |
| Hotel | 5,149 | 3,292 |
| Food and beverage | 12,209 | 13,276 |
| Retail, entertainment and other | 1,797 | 1,930 |
| Advertising, general and administrative | 80,499 | 49,609 |
| Goodwill and asset impairment | — | 8,708 |
| Expansion and pre-opening | 603 | — |
| Acquisition, integration and restructuring | 12,258 | 1,786 |
| Gain from insurance recoveries, net of losses | (10,676) | (883) |
| Rebranding | 913 | — |
| Depreciation and amortization | 12,786 | 8,979 |
| Total operating costs and expenses | 162,792 | 112,317 |
| **Income (loss) from operations** | 29,474 | (3,169) |
| **Other income (expense):** | | |
| Interest income | 524 | 143 |
| Interest expense, net of amounts capitalized | (20,798) | (11,516) |
| Change in value of naming rights liabilities | (27,406) | — |
| Other, net | 2,671 | — |
| Total other expense, net | (45,009) | (11,373) |
| Loss before provision for income taxes | (15,535) | (14,542) |
| Benefit for income taxes | (4,830) | (5,664) |
| **Net loss** | $(10,705) | $(8,878) |
| Net loss per share, basic | $(0.30) | $(0.28) |
| Weighted average common shares outstanding, basic | 35,827 | 31,569 |
| Net loss per share, diluted | $(0.30) | $(0.28) |
| Weighted average common shares outstanding, diluted | 35.827 | 31.569 |

*See accompanying notes to condensed consolidated financial statements*

# BALLY'S CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) INCOME

**(unaudited)**
*(In thousands)*

| | Three Months Ended March 31, 2021 |
|---|---|
| **Net loss** | **$(10,705)** |
| Other comprehensive (loss) income | |
| Foreign currency translation adjustment | $(1,052) |
| Defined benefit pension plan reclassification adjustment[1] | 40 |
| Other comprehensive loss | (1,012) |
| Total comprehensive loss | $(11,717) |

(1) Tax effect of reclassification adjustment was de minimis

**Note**: Net loss equals comprehensive loss for the three months ended March 31, 2020.

*See accompanying notes to condensed consolidated financial statements.*

# BALLY'S CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

*(In thousands, except share data)*

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Shares Outstanding** | **Amount** | **Additional Paid-in Capital** | **Treasury Stock** | **Retained Earnings** | **Accumulated Other Comprehensive Loss** | **Total Stockholders' Equity** |
| **Balance as of December 31, 2020** | **30,685,938** | **$307** | **$294,643** | **$—** | **$34,792** | **$(3,144)** | **$326,598** |
| Release of restricted stock | 23,811 | — | (990) | — | — | — | (990) |
| Share-based compensation | — | — | 4,483 | — | — | — | 4,483 |
| Stock options exercised | 30,000 | — | 129 | — | — | — | 129 |
| Penny warrants exercised | 932,949 | 9 | — | (9) | — | — | — |
| Reclassification of Sinclair options | — | — | 59,724 | — | — | — | 59,724 |
| Issuance of MKF penny warrants | — | — | 64,694 | — | — | — | 64,694 |
| Shares issued for purchase of SportCaller | 221,391 | 2 | 11,774 | — | — | — | 11,776 |
| Other comprehensive loss | — | — | — | — | — | (1,012) | (1,012) |
| Net loss | — | — | — | — | (10,705) | — | (10,705) |
| **Balance as of March 31, 2021** | **31,894,089** | **$318** | **$434,457** | **$(9)** | **$24,087** | **$(4,156)** | **$454,697** |

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Shares Outstanding** | **Amount** | **Additional Paid-in Capital** | **Treasury Stock** | **Retained Earnings** | **Accumulated Other Comprehensive Loss** | **Total Stockholders' Equity** |
| **Balance as of December 31, 2019** | **32,113,328** | **$412** | **$185,544** | **$(223,075)** | **$250,418** | **$(1,888)** | **$211,411** |
| Release of restricted stock | 131,131 | 1 | (2,484) | — | — | — | (2,483) |
| Dividends and dividend equivalents – $0.10 per share | — | — | — | — | (3,174) | — | (3,174) |
| Share-based compensation | — | — | 5,542 | — | — | — | 5,542 |
| Retirement of treasury shares | — | (107) | (48,618) | 254,416 | (205,691) | — | — |
| Share repurchases | (1,649,768) | — | — | (31,341) | — | — | (31,341) |
| Adoption of ASU 2016-13 | — | — | — | — | (58) | — | (58) |
| Net loss | — | — | — | — | (8,878) | — | (8,878) |
| **Balance as of March 31, 2020** | **30,594,691** | **$306** | **$139,984** | **$—** | **$32,617** | **$(1,888)** | **$171,019** |

*See accompanying notes to condensed consolidated financial statements.*

# BALLY'S CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

*(In thousands)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from operating activities:** | | |
| Net loss | $(10,705) | $(8,878) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,786 | 8,979 |
| Amortization of operating lease right of use assets | 159 | 256 |
| Share-based compensation | 4,483 | 5,542 |
| Amortization of debt financing costs and discounts on debt | 1,515 | 676 |
| Gain from insurance recoveries | (10,513) | — |
| Foreign exchange loss | 471 | — |
| Bad debt expense | 336 | 1,277 |
| Net pension and other postretirement benefit income | 40 | — |
| Deferred income taxes | (6,341) | (3,954) |
| Gain on disposal of property and equipment | 49 | — |
| Goodwill and asset impairment | — | 8,708 |
| Accretion of trade name liability and naming rights | 1,215 | — |
| Change in value of naming rights liabilities | 27,406 | — |
| Change in contingent consideration payable | (3,142) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,668) | 14,400 |
| Inventory | (1,471) | (146) |
| Prepaid expenses and other assets | 3,977 | 4,949 |
| Accounts payable | 4,138 | (6,582) |
| Accrued liabilities | 11,135 | (7,915) |
| Net cash provided by operating activities | 25,870 | 17,312 |
| **Cash flows from investing activities:** | | |
| Cash paid for acquisitions, net of cash acquired | (22,745) | (50,451) |
| Capital expenditures | (15,327) | (2,999) |
| Insurance proceeds from hurricane damage | 10,513 | — |
| Payments associated with licenses and market access fees | (1,325) | — |
| Net cash used in investing activities | (28,884) | (53,450) |
| **Cash flows from financing activities:** | | |
| Revolver borrowings | 40,000 | 250,000 |
| Term loan repayments | (1,438) | (750) |
| Payment of financing fees | (5,840) | — |
| Share repurchases | — | (31,341) |
| Payment of shareholder dividends | — | (3,199) |
| Share redemption for tax withholdings – restricted stock | (990) | (2,483) |
| Stock options exercised | 129 | — |
| Net cash provided by financing activities | 31,861 | 212,227 |
| Effect of foreign currency on cash and cash equivalents | 69 | — |
| Net change in cash and cash equivalents and restricted cash | 28,916 | 176,089 |
| Cash and cash equivalents and restricted cash, beginning of period | 126,555 | 185,502 |
| **Cash and cash equivalents and restricted cash, end of period** | **$155,471** | **$361,591** |
| *Supplemental disclosure of cash flow information:* | | |
| Cash paid for interest | $9,128 | $3,743 |
| Cash paid for income taxes, net of refunds | (607) | (165) |
| *Non-cash investing and financing activities:* | | |
| Unpaid property and equipment | $3,960 | $896 |
| Stock and equity instruments issued for acquisition of SportCaller and MKF | 76,756 | — |
| Acquisitions in exchange for contingent liability | 58,685 | — |

*See accompanying notes to condensed consolidated financial statements.*

## 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

*Nature of Business*

Bally's Corporation (the "Corporation", "Bally's") is a U.S. full-service sports betting/iGaming corporation with physical casinos and online gaming solutions united under a single, prominent brand. The Corporation, through its wholly owned subsidiary Twin River Management Group, Inc. ("TRMG"), owns and manages the Twin River Casino Hotel ("Twin River Casino Hotel") in Lincoln, Rhode Island, the Tiverton Casino Hotel ("Tiverton Casino Hotel") in Tiverton, Rhode Island, the Hard Rock Hotel & Casino ("Hard Rock Biloxi") in Biloxi, Mississippi, the Dover Downs Hotel & Casino ("Dover Downs Casino Hotel") in Dover, Delaware, the Golden Gates, Golden Gulch and Mardi Gras casinos (collectively, "Black Hawk Casinos") in Black Hawk, Colorado, Casino KC ("Casino KC") in Kansas City, Missouri, Casino Vicksburg ("Casino Vicksburg") in Vicksburg, Mississippi, Bally's Atlantic City ("Bally's Atlantic City") in Atlantic City, New Jersey, Eldorado Resort Casino Shreveport ("Shreveport") in Shreveport, Louisiana, MontBleu Resort Casino & Spa ("MontBleu") in Lake Tahoe, Nevada, and the Arapahoe Park racetrack and 13 off-track betting licenses ("Mile High USA") in Aurora, Colorado. Under TRMG's Bally's Interactive division, the Corporation owns and manages Horses Mouth Limited ("SportCaller"), a leading B2B free-to-play game provider for sports betting and media companies across North America, the UK, Europe, Asia, Australia, LATAM and Africa, and Monkey Knife Fight ("MKF"), a North American gaming platform and daily fantasy sports operator.

The Corporation's common stock is listed on the New York Stock Exchange ("NYSE") under the ticker symbol "BALY."

*COVID-19 Pandemic*

The COVID-19 pandemic has significantly impacted, and is likely to continue to impact, the Corporation's business in a material manner. As of March 16, 2020 all of the Corporation's properties at the time were temporarily closed as a result of the COVID-19 pandemic. The Corporation's properties began to reopen in mid-2020 in some capacity and remained open for the rest of 2020, with the exception of Twin River Casino Hotel and Tiverton Casino Hotel, each of which closed again from November 29, 2020 through December 20, 2020.

- *Twin River Casino Hotel and Tiverton Casino Hotel* – The Rhode Island properties pre-opened on June 8, 2020 with very limited invitation-only guests allowed. Beginning June 30, 2020, the properties reopened, at approximately 65% capacity, with half of video lottery terminals ("VLTs") and a limited number of table games (with a three-player limit) available. The properties were closed again from November 29, 2020 through December 20, 2020 due to a state mandated pause to slow the spread of COVID-19. Currently, the casinos are open to the general public and are operating at 65% capacity with about half of VLTs and all table games (with a three-player limit) available. The hotels at the Rhode Island properties remain closed.
- *Hard Rock Biloxi* – The Biloxi property reopened on May 21, 2021 at 50% capacity with 41% of VLTs, all table games (with a three-player limit per table) available and 75% of the hotel rooms available to guests. Currently, Hard Rock Biloxi is operating at 75% capacity with over 85% of VLTs and all table games (with a three-player limit) available, and the hotel is currently operating with all rooms available to guests.
- *Dover Downs Casino Hotel* – The Delaware property re-opened on June 1, 2020 at 30% capacity with 45% of VLTs. Table games (with a two-player limit per table) became available to guests on June 17, 2020 and the hotel, at 60% room capacity, became available on June 18, 2020. Currently, the property is operating at approximately 60% capacity with over 50% of VLTs and approximately 90% of table games (with a four-player limit) available, and all hotel rooms available to guests.
- *Casino KC* – Casino KC, which the Corporation acquired in July 2020, re-opened on June 1, 2020 at 50% capacity with 70% of VLTs and 30% of table games (with a three-player limit) available. Casino KC is currently operating at 100% capacity with all VLTs and table games (with a three-player limit) available.
- *Casino Vicksburg* – Casino Vicksburg, which the Corporation acquired in July 2020, re-opened on May 21, 2020 at 50% capacity with 48% of VLTs and 50% of hotel rooms available to guests. Casino Vicksburg is currently operating at 75% capacity with 75% of VLTs are available and all table games (with a three-player limit) available, and the hotel is currently operating with all rooms available to guests.

- *Black Hawk Casinos* – The Black Hawk Casinos, which the Corporation acquired in January 2020, re-opened on June 17, 2020 at 50% capacity with 55% of VLTs available to guests. Currently, the properties are still operating at 50% capacity; however, 83% of VLTs are now available to guests and all table games (with a three-player limit) are available.
- *Bally's Atlantic City* – Bally's Atlantic City, which the Corporation acquired in November 2020, is operating at 50% capacity with 57% of VLTs and all table games (with a four-player limit) available, and the hotel is currently operating with all rooms available to guests.
- *Shreveport* – Shreveport, which the Corporation acquired in December 2020, is operating at 75% capacity with 56% of VLTs and all table games (with a four-player limit) available, and the hotel is currently operating with all rooms available to guests.

The Corporation remains committed to compliance with all state and local operating restrictions as well as and meeting or exceeding all guidelines established by the Centers for Disease Control and Prevention. The Corporation has implemented property-specific comprehensive health and safety protocols for each of its properties, developed in close consultation with applicable state regulators and public health officials in local jurisdictions. The Corporation's operations are expected to continue to be negatively impacted by the COVID-19 pandemic and that impact could be material.

*Principles of Consolidation*

The accompanying condensed consolidated financial statements of the Corporation include the accounts of the Corporation and its wholly-owned subsidiary TRMG and TRMG's subsidiaries. All intercompany transactions and balances have been eliminated in the consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. The financial statements of our foreign subsidiary is translated into U.S. dollars using exchange rates in effect at period-end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from financial statement translations are reflected as a separate component of accumulated other comprehensive gain (loss). Foreign currency transaction gains and losses are included in net income (loss).

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (the "SEC") for interim financial information, including the instructions to Form 10-Q and Rule 10-01 of the SEC's Regulation S-X. Accordingly, certain information and note disclosures normally required in complete financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. In the Corporation's opinion, these condensed consolidated financial statements include all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020. There were no material changes in significant accounting policies from those described in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020.

We have made estimates and judgments affecting the amounts reported in our condensed consolidated financing statements and the accompanying notes. The inputs into our judgments and estimates consider the economic implications of the COVID-19 pandemic on our critical and significant accounting estimates. The actual results that we experience may differ materially from our estimates.

*Cash and Cash Equivalents and Restricted Cash*

The Corporation considers all cash balances and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

As of March 31, 2021 and December 31, 2020, restricted cash of $3.8 million and $3.1 million, respectively, was comprised of VLT and table games cash, payable to the State of Rhode Island, and certain cash accounts at Dover Downs and Mile High USA, which is unavailable for the Corporation's use. The following table reconciles cash and restricted cash in the condensed consolidated balance sheets to the total shown on the condensed consolidated statements of cash flows.

| *(in thousands)* | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $151,653 | $123,445 |
| Restricted cash | 3,818 | 3,110 |
| Total cash and cash equivalents and restricted cash | $155,471 | $126,555 |

*Accounts Receivable, Net*

Accounts receivable, net consists of the following:

| *(in thousands)* | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Amounts due from Rhode Island and Delaware[(1)] | $11,552 | $3,880 |
| Gaming receivables | 7,764 | 7,893 |
| Non-gaming receivables | 8,716 | 6,092 |
| Accounts receivable | 28,032 | 17,865 |
| Less: Allowance for doubtful accounts | (3,138) | (3,067) |
| Accounts receivable, net | $24,894 | $14,798 |

(1) Represents the Corporation's share of VLT and table games revenue for Twin River Casino Hotel and Tiverton Casino Hotel due from the State of Rhode Island and receivables from the State of Delaware for Dover Downs' share of VLT and table games revenue.

*Treasury Stock*

The Corporation records the repurchase of shares of common stock at cost based on the settlement date of the transaction. Upon settlement, these shares are classified as treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares. There were 10,729,458 shares of common stock retired during the three months ended March 31, 2020. The shares were returned to the status of authorized but unissued shares.

*Gain from insurance recoveries, net of losses*

Gain from insurance recoveries, net of losses relate to costs incurred resulting from storms impacting the Corporation's properties, net of insurance recovery proceeds. During the three months ended March 31, 2021, the Corporation recorded gain from insurance recoveries, net of losses of $10.7 million primarily attributable to insurance proceeds received due to the effects of Hurricane Zeta, which made landfall in Louisiana shutting down the Corporation's Hard Rock Biloxi property for three days during the fourth quarter of 2020. During the three months ended March 31, 2020, we recorded a gain on insurance recoveries of $0.9 million related to proceeds received for a damaged roof at the Corporation's Arapahoe Park racetrack.

*Strategic Partnership – Sinclair Broadcast Group*

On November 18, 2020, the Corporation and Sinclair Broadcast Group, Inc. ("Sinclair") entered into a Framework Agreement (the "Sinclair Agreement"), which provides for a long-term strategic relationship between the Corporation and Sinclair combining Bally's integrated, proprietary sports betting technology with Sinclair's portfolio of local broadcast stations and live regional sports networks and its Tennis Channel, Stadium sports network and STIRR streaming service, whereby the Corporation received naming rights to the regional sports networks and certain integrations to network programming in exchange for annual fees paid in cash, the issuance of warrants and options, and an agreement to share in certain tax benefits

resulting from the Transactions with Sinclair (the "Tax Receivable Agreement"). The initial term of the Sinclair Agreement is ten years from April 1, 2021, which was the commencement of date of the re-branded Sinclair regional sports networks and can be renewed for one additional five-year term unless either the Corporation or Sinclair elect not to renew.

The Corporation accounted for this transaction as an asset acquisition in accordance with the "Acquisition of Assets Rather Than a Business" subsections of Accounting Standards Codification ("ASC") 805-50 using a cost accumulation model. The Corporation acquired a naming rights intangible asset, the value of which was $345.9 million and $338.2 million as of March 31, 2021 and December 31, 2020, respectively. The naming rights intangible asset will be amortized on a straight-line basis over a useful life of ten years, which has been determined to be the period of anticipated benefit and is consistent with the term of the Sinclair Agreement. Amortization will begin in the second quarter of 2021 upon the commencement date of the re-branded Sinclair regional sports networks. As such, there was no amortization expense for the three months ended March 31, 2021.

Under the terms of the Sinclair Agreement, the Corporation is required to pay annual naming rights fees to Sinclair for naming rights of the regional sports networks which escalate annually and total $88.0 million over the 10-year term of the agreement and begin on the commencement date of the re-branded Sinclair regional sports networks. The present value of the annual naming rights fees was recorded as part of the cost of the naming rights intangible asset with a corresponding liability which will be accreted through interest expense over the life of the agreement. The value of the liability as of March 31, 2021 and December 31, 2020 was $57.2 million and $56.6 million, respectively. Accretion expense for the three months ended March 31, 2021 was $1.0 million and was reported in "Interest expense, net of amounts capitalized" in the condensed consolidated statements of operations.

The Corporation issued to Sinclair (i) an immediately exercisable warrant to purchase up to 4,915,726 shares of the Corporation at an exercise price of $0.01 per share ("the Penny Warrants"), (ii) a warrant to purchase up to a maximum of 3,279,337 additional shares of the Corporation at a price of $0.01 per share subject to the achievement of various performance metrics (the "Performance Warrants"), and (iii) an option to purchase up to 1,639,669 additional shares in four tranches with purchase prices ranging from $30.00 to $45.00 per share, exercisable over a seven-year period beginning on the fourth anniversary of the November 18, 2020 closing (the "Options"). The exercise and purchase prices and the number of shares issuable upon exercise of the warrants and options are subject to customary anti-dilution adjustments. The issuance pursuant to the warrants and options of shares in excess of 19.9% of the Corporation's currently outstanding shares was subject to the approval of the Corporation's stockholders in accordance with the rules of the New York Stock Exchange ("NYSE"), which was obtained on January 27, 2021. Prior to stockholder approval, the Corporation would have been required to pay cash to Sinclair in lieu of Sinclair being permitted to purchase, pursuant to the exercise of warrants or options, greater than 19.9% of the Corporation's outstanding common shares.

The Corporation evaluated the classification of the Penny Warrants, Options and Performance Warrants under ASC 815-40 to determine whether equity classification was precluded for one or more of the warrants and options as a result of the requirement to net cash settle any option of the contracts that result in the delivery of shares in excess of the 19.9% threshold prior to obtaining stockholder approval. Since a portion of the warrants and options could be settled in shares below this threshold, the Corporation adopted a sequencing policy in the fourth quarter of 2020, as prescribed in ASC 815-40-35 whereby it would allocate available shares under the 19.9% threshold to contracts based on the order in which they become exercisable. This resulted in the allocation of available shares to the immediately exercisable Penny Warrants first, the Performance Warrants second and the Options, which contain a four-year vesting period, third. This policy results in there being a sufficient number of shares below the 19.9% cap to settle the Penny Warrants, but an insufficient number of shares to settle the Performance Warrants and Options.

The Corporation accounted for the Penny Warrants as an equity classified instrument. The fair value of the Penny Warrants approximates the fair value of the underlying shares and was $150.4 million on November 18, 2020 at issuance, and was recorded to "Additional paid-in-capital" in the condensed consolidated balance sheets, with an offset to the naming rights intangible asset.

The Performance Warrants were accounted for as a derivative liability because the underlying performance metrics represent an adjustment to the settlement amount that is not indexed to the Corporation's own stock and thus equity classification is precluded under ASC 815. The fair values of the Performance Warrants as of March 31, 2021 and December 31, 2020 were $114.0 million and $88.1 million, respectively, and were calculated using an option pricing model considering the Corporation's estimated probabilities of achieving the performance milestones for each tranche. The increase in fair value of the Performance Warrants from

December 31, 2020 through March 31, 2021 was $25.9 million and resulted in a mark to market loss, reported in "Change in value of naming rights liabilities" in the condensed consolidated statements of operations. The Performance Warrants are expected to continue to be classified as liability awards, with changes in fair value reported in earnings.

As of December 31, 2020, the Options were accounted for as a derivative liability because the Options could have been required to be settled in cash, outside the Corporation's control, prior to formal stockholder approval. The fair value of the Options as of December 31, 2020 was $58.2 million. The Options met the criteria to be classified as equity upon stockholder approval on January 27, 2021, at which point the Options were adjusted to fair value and $59.7 million was reclassified from "Naming rights liabilities" to "Additional paid-in-capital" in the condensed consolidated balance sheet. The increase in fair value of the Options from December 31, 2020 through January 27, 2021 was $1.5 million and resulted in a mark to market loss, reported in "Change in value of naming rights liabilities" in the condensed consolidated statements of operations.

The Corporation entered into the Tax Receivable Agreement with Sinclair as an additional form of consideration for the acquisition of the naming rights intangible asset. Under the Tax Receivable Agreement, the Corporation is required to share 60% of the tax benefit the Corporation receives from the Penny Warrants, the Options, the Performance Warrants and payments under the Tax Receivable Agreement, which are payable to Sinclair over the remaining term of the agreement once the tax benefit amounts become finalized through the filing of the Corporation's annual tax returns. The Corporation accounted for the obligations due under the Tax Receivable Agreement as contingent consideration in the acquisition of the naming rights intangible asset pursuant to ASC 805. Subsequent to the acquisition date, changes in the Tax Receivable Agreement liability due to estimates of the tax benefits to be realized as well as tax rates in effect at the time among other changes are treated as an adjustment of the acquired naming rights intangible asset. As of March 31, 2021, the estimate of the Tax Receivable Agreement liability was $50.7 million, reflecting an increase of $7.7 million from the December 31, 2020 value of $43.0 million.

## 2. RECENTLY ADOPTED AND ISSUED ACCOUNTING PRONOUNCEMENTS

*Recently Issued Accounting Pronouncements*

Standards implemented

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments* ("ASC 326"). This standard amends several aspects of the measurement of credit losses on financial instruments, including trade receivables. The standard replaces the existing incurred credit loss model with the Current Expected Credit Losses ("CECL") model and amends certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination. Under CECL, the allowance for losses for financial assets that are measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of the financial assets, based on historical experience, current conditions and forecasts that affect the collectability of the reported amount. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, to clarify that receivables arising from operating leases are not within the scope of ASC 326 and should instead, be accounted for in accordance with ASC 842, Leases. The standard is effective for annual and interim periods beginning after December 15, 2019. Adoption is through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (a modified-retrospective approach). The Corporation adopted this ASU in the first quarter of 2020 and recorded a $58,000 adjustment to retained earnings as of January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)-Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Corporation adopted this ASU in the first quarter of 2020, with no impact to its condensed consolidated financial statements.

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 permitted. The Corporation's adoption of this ASU in the first quarter of 2021 did not have a material impact to its condensed consolidated financial statements.

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

## 3. REVENUE RECOGNITION

The Corporation accounts for revenue earned from contracts with customers under ASC 606, *Revenue from Contracts with Customers*. The Corporation generates revenue from five principal sources: gaming services, hotel, racing, food and beverage and other.

Gaming revenue includes the share of VLT revenue for Twin River Casino Hotel and Tiverton Casino Hotel, in each case, as determined by each property's respective master VLT contracts with the State of Rhode Island. Twin River Casino Hotel is entitled to a 28.85% share of VLT revenue on the initial 3,002 units and a 26.00% share of VLT revenue generated from units in excess of 3,002 units. Tiverton Casino Hotel is entitled to receive a percentage of VLT revenue that is equivalent to the percentage received by Twin River Casino Hotel. Gaming revenue also includes Twin River Casino Hotel's and Tiverton Casino Hotel's share of table games revenue. Twin River Casino Hotel and Tiverton Casino Hotel each were entitled to an 83.5% share of table games revenue generated as of March 31, 2021 and 2020. Revenue is recognized when the wager is complete, which is when the customer has received the benefits of the Corporation's gaming services and the Corporation has a present right to payment. The Corporation records revenue from its Rhode Island operations on a net basis which is the percentage share of VLT and table games revenue received as the Corporation acts as an agent in operating the gaming services on behalf of the State of Rhode Island.

Gaming revenue also includes Dover Downs' share of revenue as determined under the Delaware State Lottery Code from the date of its acquisition. Dover Downs is authorized to conduct video lottery, sports wagering, table game and internet gaming operations as one of three "Licensed Agents" under the Delaware State Lottery Code. Licensing, administration and control of gaming operations in Delaware is under the Delaware State Lottery Office and Delaware's Department of Safety and Homeland Security, Division of Gaming Enforcement. As of March 31, 2021 and 2020, Dover Downs was entitled to an approximately 42% share of VLT revenue and an 80% share of table games revenue. Revenue is recognized when the wager is complete, which is when the customer has received the benefits of the Corporation's gaming services and the Corporation has a present right to payment. The Corporation records revenue from its Delaware operations on a net basis, which is the percentage share of VLT and table games revenue received, as the Corporation acts as an agent in operating the gaming services on behalf of the State of Delaware.

Gaming revenue also includes the casino revenue of Hard Rock Biloxi, the Black Hawk Casinos, Casino KC and Casino Vicksburg, beginning July 1, 2020, Bally's Atlantic City, beginning November 18, 2020, and Shreveport, beginning December 23, 2020, which is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips outstanding and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of credits played, are charged to revenue as the amount of the progressive jackpots increase.

Gaming services contracts have two performance obligations for those customers earning incentives under the Corporation's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Corporation applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Corporation 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 Corporation 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.

The estimated retail value related to goods and services provided to guests without charge or upon redemption under the Corporation's player loyalty programs included in departmental revenues, and therefore reducing gaming revenues, are as follows for the three months ended March 31, 2021 and 2020:

| | **Three Months Ended March 31,** | |
|---|---|---|
| *(in thousands)* | **2021** | **2020** |
| Hotel | $6,909 | $4,586 |
| Food and beverage | 10,449 | 7,833 |
| Other | 951 | 1,774 |
| | $18,309 | $14,193 |

During 2020, the Corporation entered into several multi-year agreements with third-party operators for online sports betting and iGaming market access in the states of Colorado and New Jersey, from which the Corporation has received or expects to receive one-time, up front market access fees in cash or equity securities (specific to one operator agreement) and certain other fees in cash generally based on a percentage of the gross gaming revenue generated by the operator, with certain annual minimum guarantees due to the Corporation. The one-time market access fees received have been recorded as deferred revenue and will be recognized as revenue ratably over the respective contract terms, beginning with the commencement of operations of each respective agreement. The Corporation recognized commissions in certain states from online sports betting and iGaming which are included in gaming revenue for the three months ended March 31, 2021. Deferred revenue associated with third-party operators for online sports betting and iGaming market access was $3.4 million as of March 31, 2021 and is included in "Accrued expenses" and "Other long-term liabilities" in the condensed consolidated balance sheets.

Racing revenue includes Twin River Casino Hotel's, Tiverton Casino Hotel's, Mile High USA's and Dover Downs' share of wagering from live racing and the import of simulcast signals. Racing revenue is recognized when the wager is complete based on an established take-out percentage. The Corporation functions as an agent to the pari-mutuel pool. Therefore, fees and obligations related to the Corporation's share of purse funding, simulcasting fees, tote fees, pari-mutuel taxes, and other fees directly related to the Corporation's racing operations are reported on a net basis and included as a deduction to racing revenue.

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 Corporation-operated outlets.

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

Sales tax and other taxes collected on behalf of governmental authorities are accounted for on a net basis and are not included in revenue or operating expenses.

Beginning in the third quarter of 2020, the Corporation changed its reportable segments to better align with its strategic growth initiatives in light of recent and pending acquisitions. Refer to Note 14 "Segment Reporting" for further information. The following tables provide a disaggregation of revenue by segment:

| *(in thousands)* | Rhode Island | Mid-Atlantic | Southeast | West | Other | Total |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2021** | | | | | | |
| Gaming | $44,380 | $32,295 | $52,201 | $24,033 | $- | $152,909 |
| Racing | 200 | 816 | — | — | 1,353 | 2,369 |
| Hotel | — | 6,692 | 6,367 | — | — | 13,059 |
| Food and beverage | 2,734 | 6,793 | 4,559 | 1,402 | 12 | 15,500 |
| Other | 3,366 | 1,758 | 1,448 | 707 | 1,150 | 8,429 |
| Total revenue | $50,680 | $48,354 | $64,575 | $26,142 | $2,515 | $192,266 |
| **Three Months Ended March 31, 2020** | | | | | | |
| Gaming | $43,459 | $11,871 | $16,718 | $3,788 | $- | $75,836 |
| Racing | 503 | 636 | — | — | 1,818 | 2,957 |
| Hotel | 1,227 | 2,590 | 3,829 | — | — | 7,646 |
| Food and beverage | 6,250 | 4,676 | 3,824 | 566 | — | 15,316 |
| Other | 4,840 | 1,313 | 1,111 | 109 | 20 | 7,393 |
| Total revenue | $56,279 | $21,086 | $25,482 | $4,463 | $1,838 | $109,148 |

Revenue included in operations from SportCaller, from the date of its acquisition, February 5, 2021, through March 31, 2021, and MKF from the date of its acquisition, March 23, 2021, through March 31, 2021 are reported in "Other" as of March 31, 2021, as they are immaterial operating segments. Refer to Note 4. "Acquisitions" for further information.

The Corporation's receivables related to contracts with customers are primarily comprised of marker balances and other amounts due from gaming activities, amounts due for hotel stays, and amounts due from tracks and off track betting ("OTB") locations. The Corporation's receivables related to contracts with customers were $20.4 million and $12.0 million as of March 31, 2021 and December 31, 2020, respectively. The Corporation has the following liabilities related to contracts with customers: liabilities for loyalty programs, deposits made in advance for goods and services yet to be provided, and unpaid wagers. All of the contract liabilities are short-term in nature. Loyalty program incentives earned by customers are typically redeemed within one year from when they are earned and expire if a customer's account is inactive for more than 12 months; therefore, the majority of these incentives outstanding at the end of a period will either be redeemed or expire within the next 12 months. Certain properties extended pre-COVID-19 tier statuses and/ or extended earnings dates for tiered status programs. Additionally, certain properties temporarily suspended periodic purges of unused loyalty points. The Corporation's contract liabilities related to loyalty programs were $15.0 million and $15.5 million as of March 31, 2021 and December 31, 2020, respectively, and are included as "Accrued liabilities" in the condensed consolidated balance sheets. The Corporation recognized $2.8 million and $2.1 million of revenue related to loyalty program redemptions for the three months ended March 31, 2021 and 2020, respectively.

Advance deposits are typically for future banquet events and to reserve hotel rooms. These deposits are usually received weeks or months in advance of the event or hotel stay. The Corporation's contract liabilities related to deposits from customers were $3.0 million and $1.0 million as of March 31, 2021 and December 31, 2020, respectively, and are included as "Accrued liabilities" in the condensed consolidated balance sheets.

Unpaid wagers include unpaid pari-mutuel tickets and unpaid sports bet tickets. Unpaid pari-mutuel tickets not claimed within 12 months by the customer who earned them are escheated to the state. The Corporation's contract liabilities related to unpaid wagers were $3.8 million and $0.9 million as of March 31, 2021 and December 31, 2020, respectively, and are included as "Accrued liabilities" in the condensed consolidated balance sheets.

## 4. ACQUISITIONS

Recent Acquisitions

The Corporation accounted for all of the following recent acquisitions as business combinations using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. Under this method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed of the acquiree

based upon their estimated fair values at the acquisition date. The fair value of the identifiable intangible assets acquired are determined by using an income approach. Significant assumptions utilized in the income approach are based on company-specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance.

*Black Hawk Casinos*

On January 23, 2020, the Corporation acquired a subsidiary of Affinity Gaming ("Affinity") that owns three casino properties located in Black Hawk, Colorado: Golden Gates, Golden Gulch and Mardi Gras (the "Black Hawk Casinos").

The total consideration paid by the Corporation in connection with the Black Hawk Casinos acquisition was approximately $53.8 million, or $50.5 million net of cash acquired, excluding transaction costs. The Corporation incurred transaction costs related to this acquisition of $0.6 million during the three months ended March 31, 2020. There were no costs incurred during the three months ended March 31, 2021. These costs are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

The identifiable intangible assets recorded in connection with the closing of the Black Hawk acquisition include trademarks of $2.1 million and rated player relationships of $0.6 million, which are being amortized on a straight-line basis over estimated useful lives of approximately 10 years and six years, respectively. The Corporation also recorded an intangible asset related to gaming licenses of $3.3 million, with an indefinite life. However, in connection with the impairment testing discussed in Note 5 "Goodwill and Intangible Assets", this asset was deemed fully impaired and its value was written down to zero as of March 31, 2020.

Revenue included in operations from the Black Hawk Casinos, from the date of their acquisition on January 23, 2020 through March 31, 2020 and for the three months ended March 31, 2021 was $4.5 million and $5.1 million, respectively.

*Casino KC and Casino Vicksburg*

On July 1, 2020, the Corporation completed its acquisition of the operations and real estate of Casino KC and Casino Vicksburg from affiliates of Caesars.

The total consideration paid by the Corporation in connection with the acquisition was approximately $229.9 million, or $225.5 million net of cash acquired, excluding transaction costs. The Corporation recorded transaction costs related to the acquisition of Casino KC and Casino Vicksburg of $0.4 million during the three months ended March 31, 2020. There were no costs incurred during the three months ended March 31, 2021. These costs are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

The following table summarizes the consideration paid and the preliminary fair values of the assets acquired and liabilities assumed as of July 1, 2020 in connection with the acquisition. There were no purchase accounting adjustments recorded during the three months ended March 31, 2021. The purchase price allocation is preliminary and will be finalized when valuations are complete and final assessments of the fair value of other acquired assets and assumed liabilities are completed. There can be no assurance that such finalizations will not result in material changes from the preliminary purchase price allocations. The Corporation's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date), as the Corporation finalizes the valuations of certain tangible and intangible asset acquired and liabilities assumed.

| | **Preliminary as of March 31, 2021** |
|---|---|
| Cash | $4,362 |
| Accounts receivable | 582 |
| Inventory | 164 |
| Prepaid expenses and other assets | 686 |
| Property and equipment | 60,865 |
| Right of use asset | 10,315 |
| Intangible assets | 138,160 |
| Other assets | 117 |
| Goodwill | 53,896 |
| Accounts payable | (614) |
| Accrued and other current liabilities | (3,912) |
| Lease obligations | (34,452) |
| Other long-term liabilities | (306) |
| Total purchase price | $229,863 |

Revenue and net income included in operations from Casino KC and Casino Vicksburg for the three months ended March 31, 2021 was $27.4 million and $5.6 million, respectively.

*Bally's Atlantic City*

On November 18, 2020, the Corporation completed its acquisition of Bally's Atlantic City from Caesars. In connection with the Bally's Atlantic City acquisition, the Corporation paid cash of approximately $24.7 million at closing, or $16.1 million net of cash acquired, excluding transaction costs. The Corporation recorded a liability of $2.0 million for a net working capital adjustment which was reflected in "Accrued liabilities" in the condensed consolidated balance sheets as of December 31, 2020. The amount was paid in full during the three months ended March 31, 2021.

In connection with the approval of the Corporation's interim gaming license in the state of New Jersey, the Corporation committed to the New Jersey Casino Control Commission to spend $90.0 million 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, the Corporation reached an agreement with Caesars, whereby Caesars would reimburse the Corporation for $30.0 million of the capital expenditure commitment by December 31, 2021. This commitment 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 $27.7 million, 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 the condensed consolidated balance sheets. This contingent consideration asset resulted in an adjusted purchase price of $(0.9) million.

The Corporation recorded acquisition costs related to the acquisition of Bally's Atlantic City of $0.9 million and $0.6 million during the three months ended March 31, 2021 and 2020, respectively. These costs are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

The identifiable intangible assets recorded in connection with the closing of the Bally's Atlantic City acquisition based on preliminary valuations include rated player relationships of $0.9 million and hotel and conference pre-bookings of $0.2 million, which are being amortized on a straight-line basis over estimated

useful lives of approximately eight years and three years, respectively. The Corporation determined that the value of and intangible asset related to gaming licenses was de minimus, primarily due to the previously mentioned capital expenditure commitment required to obtain the license. The preliminary fair value of the identifiable intangible assets acquired was determined by using a cost approach and an income approach for the rater player relationships and pre-bookings, respectively.

The following table summarizes the consideration paid and the preliminary fair values of the assets acquired and liabilities assumed in connection with the acquisition of Bally's Atlantic City on November 18, 2020. There were no purchase accounting adjustments recorded during the three months ended March 31, 2021. Due to the fact that the transaction only recently closed, the purchase price allocation is preliminary and will be finalized when valuations are complete and final assessments of the fair value of other acquired assets and assumed liabilities are completed. There can be no assurance that such finalizations will not result in material changes from the preliminary purchase price allocations. The Corporation's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date), as the Corporation finalizes the valuations of certain tangible and intangible asset acquired and liabilities assumed.

| | **Preliminary as of March 31, 2021** |
|---|---|
| Cash | $8,651 |
| Accounts receivable | 1,122 |
| Inventory | 721 |
| Prepaid expenses and other assets | 1,402 |
| Property and equipment | 40,898 |
| Intangible assets | 1,120 |
| Accounts payable | (3,131) |
| Accrued and other current liabilities | (7,983) |
| Deferred income tax liabilities | (11,132) |
| Net assets acquired | 31,668 |
| Bargain purchase gain | (32,595) |
| Total purchase price | $(927) |

Based on the preliminary purchase price allocation, the fair value of the assets acquired and liabilities assumed exceed the purchase price consideration and therefore, a bargain purchase gain of $32.6 million was recorded during the year ended December 31, 2020. The Corporation 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 Corporation by the New Jersey Casino Control Commission, which would have been imposed on the seller had they not divested the property.

Revenue included in operations from Bally's Atlantic City for the three months ended March 31, 2021 was $25.7 million.

*Eldorado Resort Casino Shreveport*

On December 23, 2020, the Corporation completed its acquisition of Eldorado Resort Casino Shreveport in Shreveport, Louisiana ("Shreveport"). The total purchase price was approximately $137.2 million. Cash paid by the Corporation at closing, net of $5.0 million cash acquired and offset by a receivable of $0.8 million resulting from a networking capital adjustment, was $133.1 million, excluding transaction costs. The Corporation recorded acquisition costs related to the acquisition of Shreveport of $0.7 million and $0.1 million during the three months ended March 31, 2021 and 2020, respectively. These costs are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

The identifiable intangible assets recorded in connection with the closing of the Shreveport acquisition based on preliminary valuations include gaming licenses of $57.7 million with an indefinite life and rated player relationships of $0.4 million, which is being amortized on a straight-line basis over estimated useful lives of

approximately eight years. The preliminary fair value of the identifiable intangible assets acquired was determined by using an income approach.

The following table summarizes the consideration paid and the preliminary fair values of the assets acquired and liabilities assumed in connection with the acquisition of Shreveport on December 23, 2020. There were no purchase accounting adjustments recorded during the three months ended March 31, 2021. Due to the fact that the transaction only recently closed, the purchase price allocation is preliminary and will be finalized when valuations are complete and final assessments of the fair value of other acquired assets and assumed liabilities are completed. There can be no assurance that such finalizations will not result in material changes from the preliminary purchase price allocations. The Corporation's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date), as the Corporation finalizes the valuations of certain tangible and intangible asset acquired and liabilities assumed.

| | **Preliminary as of March 31, 2021** |
|---|---|
| Cash | $4,980 |
| Accounts receivable | 1,936 |
| Inventory | 495 |
| Prepaid expenses and other assets | 245 |
| Property and equipment | 125,822 |
| Right of use asset | 9,260 |
| Intangible assets | 58,140 |
| Other assets | 403 |
| Accounts payable | (931) |
| Accrued and other current liabilities | (5,207) |
| Lease obligations | (14,540) |
| Deferred income tax liabilities | (11,457) |
| Other long-term liabilities | (680) |
| Net assets acquired | 168,466 |
| Bargain purchase gain | (31,276) |
| Total purchase price | $137,190 |

Based on the preliminary purchase price allocation, the fair value of the assets acquired and liabilities assumed exceed the purchase price consideration and therefore, a bargain purchase gain of $31.3 million was recorded during the year ended December 31, 2020. The Corporation believes that it was able to acquire the net assets of Shreveport for less than fair value as a result of a distressed sale whereby Eldorado was required by the Federal Trade Commission to divest the Shreveport property prior to its merger with Caesars coupled with the timing of the agreement to purchase which was in the middle of COVID related shutdowns of casinos in the United States.

Revenue and net income included in operations from Shreveport for the three months ended March 31, 2021 was $25.5 million and $4.9 million, respectively.

*Interactive Acquisitions*

On February 5, 2021, the Corporation acquired Horses Mouth Limited ("SportCaller") for total consideration of $42.4 million including $24.0 million in cash, and 221,391 of the Corporation's common shares at closing, pending adjustment, and up to $12.0 million in value of additional shares if SportCaller meets certain post-closing performance targets (calculated based on a $USD to Euro exchange ratio of 0.8334).

On March 23, 2021, the Corporation acquired Fantasy Sports Shark, LLC d/b/a/ Monkey Knife Fight for total consideration of $119.0 million including (1) immediately exercisable penny warrants to purchase up to 984,446 of the Corporation's common shares (subject to adjustment) at closing and (2) contingent penny warrants to purchase up to 787,557 additional Corporation common shares, half of which are issuable on each of the first and second anniversary of closing. The contingency relates to MKF's continued operations in jurisdictions in which it operates at closing at future dates.

The Corporation paid cash of $22.7 million, net of cash acquired, for SportCaller and MKF during the three months ended March 31, 2021. Total non-cash consideration transferred for SportCaller and MKF was $135.4 million, which included $58.7 million of the fair value of contingent consideration as of the SportCaller and MKF acquisition dates. After the acquisition dates and until the contingencies are resolved, the fair value of contingent consideration payable is adjusted each reporting period through earnings based primarily on the expected probability of achievement of the contingency targets and the Corporation's stock price. During the three months ended March 31, 2021, the fair value of the contingent consideration payable increased by $3.1 million, which was reported in "Other, net" in the condensed consolidated statements of operations.

The identifiable intangible assets recorded in connection with the closing of SportCaller and MKF based on preliminary valuations include customer relationships of $27.9 million, which are being amortized over their estimated useful lives of approximately five and ten years for SportCaller and MKF, respectively, developed software of $24.1 million, which is being amortized over their estimated useful lives of approximately six and three years for SportCaller and MKF, respectively, and tradenames of $5.1 million, which are being amortized over their estimated useful lives of approximately ten and 15 years for SportCaller and MKF, respectively. Total goodwill recorded recorded in connection with these acquisitions was $102.8 million.

The Corporation recorded acquisition costs related to the acquisitions of SportCaller and MKF of $2.8 million during the three months ended March 31, 2021. These costs are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

Revenue included in operations from SportCaller, from its date of acquisition on February 5, 2021, and MKF, from its date of acquisition on March 23, 2021, through March 31, 2021 was $1.1 million.

Acquisition After Quarter End

On April 6, 2021, the Corporation acquired MontBleu Resort Casino & Spa in Lake Tahoe, Nevada from Eldorado and certain of its affiliates for $15.0 million, payable one year from the closing date and subject to customary post-closing adjustments. The acquisition is subject to receipt of required state regulatory approvals and satisfaction of other customary closing conditions.

The Corporation will account for the acquisition of MontBleu as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. Under this method of accounting, the purchase price will be allocated to MontBleu's assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date. Due to the fact that this transaction only recently closed, the preliminary purchase price allocation is not complete however, it is estimated that the Corporation will record intangible assets from the acquisition of approximately $7.5 million to $10.0 million. Additionally, it is estimated that the fair value of the assets acquired and liabilities assumed will exceed the purchase price consideration and therefore, the Corporation does not expect there to be any goodwill associated with this transaction and expects to record a bargain purchase gain of approximately $4.0 million to $6.0 million.

Pending Acquisitions

*Jumer's Casino & Hotel*

On September 30, 2020, the Corporation entered into an agreement with Delaware North Companies Gaming & Entertainment, Inc. to acquire Jumer's Casino & Hotel ("Jumer's") in Rock Island, Illinois for a purchase price of $120 million in cash, subject to customary post-closing adjustments. The transaction is expected to close in the second quarter of 2021, subject to receipt of required state regulatory approvals and satisfaction of other customary closing conditions. The Corporation paid a deposit of $4.0 million related to this transaction during the third quarter of 2020, $2.0 million of which is nonrefundable.

*Tropicana Evansville*

On October 27, 2020, the Corporation and certain affiliates entered into an agreement with Caesars and certain of its affiliates to acquire the operations of Tropicana Evansville casino for $140.0 million, subject to customary post-closing adjustments.

In connection with the acquisition of the Tropicana Evansville casino operations, an affiliate of Gaming & Leisure Properties, Inc. ("GLPI") has agreed to acquire the real estate associated with the Tropicana Evansville Casino from the seller for $340 million and lease it back to the Corporation for $28.0 million per year, subject to escalation. GLPI has also agreed to acquire the real estate associated with our Dover Downs casino for $144.0 million and lease it back to the Corporation for $12.0 million per year, subject to

escalation. Both leases are governed by a master lease agreement with GLPI which has an initial term of 15 years and includes four, five-year options.

Consummation of the Corporation's proposed acquisition of the Tropicana Evansville is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals for the purchase of the casino by the Corporation. The Corporation's obligation to sell the Dover Downs real estate to GLPI is conditioned on, among other things, satisfaction of the conditions to the Corporation's obligation to close on its acquisition of the Tropicana Evansville. The Corporation's obligation to consummate the acquisition of the Tropicana Evansville is not conditioned on the closing of the sale of the Dover Downs real estate to GLPI.

*Bet.Works*

On November 18, 2020, the Corporation and Bet.Works Corp. ("Bet.Works") entered into a definitive agreement pursuant to which the Corporation will acquire Bet.Works for $62.5 million in cash and 2,528,184 of the Corporation's common shares, subject in each case to customary adjustments. The shareholders of Bet.Works will not transfer any shares of Corporation common stock received prior to the one-year anniversary of the closing and, for the next year thereafter, may transfer only up to 1% of the Corporation's common stock per quarter. Consummation of the transfer is subject to customary conditions, including receipt of required regulatory approvals.

Subsequent Events

*Tropicana Las Vegas*

On April 13, 2021, the Corporation agreed to purchase the Tropicana Las Vegas Hotel and Casino in Las Vegas, Nevada ("Tropicana Las Vegas") from GLPI valued at approximately $300 million. The purchase price for the Tropicana property's non-land assets is $150.0 million. In addition, the Corporation agreed to lease the land underlying the Tropicana property from GLPI for an initial term of 50 years at an annual rent of $10.5 million, subject to increase over time. The Corporation and GLPI will also will enter into a sale-and-leaseback transaction relating to the Corporation's Black Hawk Casinos properties and the Jumer's property for a cash purchase price of $150.0 million payable by GLPI. The lease will have initial annual fixed rent of $12.0 million, subject to increase over time.

*Gamesys Combination*

On April 13, 2021, the Corporation announced the terms of a recommended offer to acquire all of the issued and to be issued ordinary share capital of Gamesys for a mixture of cash and shares of Bally's common stock (the "Combination"). Gamesys is a leading international online gaming operator that provides entertainment to a global consumer base. Gamesys currently offers bingo and casino games to its players using brands that include Jackpotjoy, Virgin Games, Botemania, Vera&John, Heart Bingo, Megaways, Rainbow Riches Casino and Monopoly Casino, and focuses on building its diverse portfolio of distinctive and recognizable brands that deliver best-in-class player experience and gaming content. Under the terms of the Combination, Gamesys shareholders would have the option to receive, for each share of Gamesys, 1,850 pence in cash or shares of Bally's common stock (at an exchange ratio of 0.343 for each Gamesys share) or a combination of both. Certain of Gamesys' current shareholders holding 25.6% of Gamesys' shares have agreed to receive shares of Bally's common stock in the Combination. The maximum cash consideration payable to Gamesys shareholders, if only the former Gamesys founders and Gamesys executives elect to receive shares of Bally's common stock, would be £1.6 billion.

It is intended that the Combination will be effected by means of a scheme of arrangement between Gamesys and its shareholders (the "Scheme"). The Combination is, among other things, subject to Gamesys' shareholder approval at (i) a court-approved convened meeting of the Gamesys shareholders and (ii) a general meeting of the Gamesys shareholders.

In order to be effective, among other things, the Scheme must be approved by a majority of the Gamesys shareholders who are present and voting, whether in person or by proxy, at the Court Meeting and who represent 75% or more in value of the votes cast at the Court Meeting. Additionally, a special resolution implementing the Scheme must be passed by Gamesys shareholders representing at least 75% of votes cast at the General Meeting. The Combination is also conditioned upon Bally's shareholders approving our issuance of common stock to Gamesys shareholders, as well as regulatory approvals and other customary closing conditions.

*Financing for the Combination*

The Corporation has obtained a binding commitment pursuant to a commitment letter and an interim facilities agreement from Deutsche Bank AG, London Branch, Goldman Sachs USA and Barclays Bank PLC (the "Lenders") to provide fully committed bridge term loan facilities up to £1,435.0 million and €336.0 million (collectively, the "Bridge Commitment") to fund the Combination. The availability of the borrowings under the commitment letter (or if the commitments under the commitment letter are not funded on the closing date, the interim facilities agreement) are subject to the satisfaction of certain customary conditions for the financing of an acquisition of a public company formed under the laws of England & Wales.

The Corporation entered into foreign exchange contracts to hedge the risk of appreciation of the Gamesys' GBP-denominated purchase price and the GBP and Euro-denominated debt to be paid off at closing.

The Corporation has also entered into a commitment letter (the "GLPI Commitment Letter") with GLPI pursuant to which GLPI has irrevocably committed to purchase shares of our common stock, or, subject to U.S. regulatory requirements, warrants, with a value of up to $500.0 million (the "GLPI Commitment"), at a price per share based on volume-weighted average price determined over a period of time prior to such issuance. Any equity raise by Bally's in excess of $850 million will reduce the GLPI commitment on a dollar-for-dollar basis. Bally's may use the proceeds to fund a portion of the aggregate cash consideration for the Combination, acquisition costs and fees and expenses incurred by us and our affiliated entities related to the Combination, or to refinance the existing indebtedness of Gamesys. The GLPI Commitment contemplates that Bally's and GLPI will effect one or more takeout sale and leaseback transactions, thereby reducing the number of Bally's shares (or warrants) to be issued to GLPI. Under certain circumstances, Bally's may be required to obtain shareholder approval prior to the issuance of the entire amount of shares or warrants issuable under the GLPI Commitment.

The Corporation expects to account for the acquisition of Gamesys as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. The Corporation recorded costs related to the Combination of $6.2 million during the three months ended March 31, 2021 which are included in "Acquisition, integration and restructuring" in the condensed consolidated statements of operations.

## 5. GOODWILL AND INTANGIBLE ASSETS

The change in carrying value of goodwill by reportable segment for the three months ended March 31, 2021 and 2020 is as follows (in thousands):

| | Rhode Island | Mid-Atlantic | Southeast | West | Other[1] | Total |
|---|---|---|---|---|---|---|
| Goodwill as of December 31, 2020 | $83,101 | $1,047 | $54,987 | $47,844 | $- | $186.979 |
| Goodwill from current year business acquisitions | — | — | — | — | 102,750 | 102,750 |
| Goodwill as of March 31, 2020 | $83,101 | $1,047 | $54,987 | $47,844 | $102,750 | $289,729 |

[1] Includes the goodwill allocated to the SportCaller and MKF acquisitions, which are immaterial operating segments and reported in the "Other" category. Refer to Note 4 "Acquisitions" for more information on the preliminary purchase price allocation.

| | Rhode Island | Mid-Atlantic | Southeast | West | Other | Total |
|---|---|---|---|---|---|---|
| Goodwill as of December 31, 2019 | $83,101 | $1,047 | $48,934 | $- | $- | $133,082 |
| Goodwill from current year business acquisitions | — | — | — | 5,408 | — | 5,408 |
| Impairment charges | — | — | — | (5,408) | — | (5,408) |
| Goodwill as of March 31, 2020 | $83,101 | $1,047 | $48,934 | $- | $- | $133,082 |

The change in intangible assets, net for the three months ended March 31, 2021 is as follows:

| | |
|---|---|
| Intangible assets, net as of December 31, 2020 | $663,395 |
| Intangible assets from current year business combinations | 57,191 |
| Change in Tax Receivable Agreement | 7,679 |
| Effect of foreign exchange | (840) |
| Other | 1,254 |
| Less: Accumulated amortization | (1,688) |
| Intangible assets, net as of March 31, 2021 | $726,991 |

The Corporation's identifiable intangible assets consist of the following:

| | | March 31, 2021 | | |
|---|---|---|---|---|
| *(in thousands, except years)* | **Weighted average remaining life (in years)** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net** |
| Amortizable intangible assets: | | | | |
| Naming rights – Sinclair[1] | 10.0 | $345,921 | $— | $345,921 |
| Rhode Island contract for VLT's | 0.0 | 29,300 | (29,300) | — |
| Trade names | 10.4 | 27,781 | (16,770) | 11,011 |
| Hard Rock license | 26.3 | 8,000 | (1,636) | 6,364 |
| Rated player relationships | 7.2 | 38,119 | (6,175) | 31,944 |
| Developed technology | 4.9 | 23,640 | (561) | 23,079 |
| Other | 3.6 | 2,200 | (830) | 1,370 |
| Total amortizable intangible assets | | 474,961 | (55,272) | 419,689 |
| Intangible assets not subject to amortization: | | | | |
| Gaming licenses | Indefinite | 287,108 | — | 287,108 |
| Bally's trade name | Indefinite | 18,981 | — | 18,981 |
| Novelty game licenses | Indefinite | 1,213 | — | 1,213 |
| Total unamortizable intangible assets | | 307,302 | — | 307,302 |
| Total intangible assets, net | | $782,263 | $(55,272) | $726,991 |

(1) Amortization will begin upon the commencement date of the re-branded Sinclair regional sports networks which had not yet occurred as of March 31, 2021.Therefore, there was no amortization expense for the three months ended March 31, 2021 or the year ended December 31, 2020.

| (in thousands, except years) | Weighted average remaining life (in years) | December 31, 2020 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | | |
| Naming rights – Sinclair[2] | 10.0 | $338,241 | $— | $338,241 |
| Rhode Island contract for VLT's | 0.0 | 29,300 | (29,300) | — |
| Trade names | 8.6 | 21,600 | (16,475) | 5,125 |
| Hard Rock license | 26.5 | 8,000 | (1,576) | 6,424 |
| Rated player relationships | 5.8 | 10,515 | (5,483) | 5,032 |
| Other | 3.7 | 1,950 | (750) | 1,200 |
| Total amortizable intangible assets | | 409,606 | (53,584) | 356,022 |
| Intangible assets not subject to amortization: | | | | |
| Gaming licenses | Indefinite | 287,108 | — | 287,108 |
| Bally's trade name | Indefinite | 19,052 | — | 19,052 |
| Novelty game licenses | Indefinite | 1,213 | — | 1,213 |
| Total unamortizable intangible assets | | 307,373 | — | 307,373 |
| Total intangible assets, net | | $716,979 | $(53,584) | $663,395 |

(2) See note (1) above.

*2020 Black Hawk Casinos Impairment*

Late in the first quarter of 2020, as a result of the economic and market conditions surrounding the COVID-19 pandemic and the decline in stock price and market capitalization the Corporation experienced at the time, the Corporation determined that it was more likely than not that the carrying value of all of its reporting units exceeded these units' fair value and performed an interim quantitative impairment test of goodwill. Based on this analysis, the Corporation determined that only the carrying value of its Black Hawk Casinos reporting unit exceeded its fair value by an amount that exceeded the assigned goodwill and indefinite lived intangibles as of the acquisition date. As a result, the Corporation recorded a total impairment charge of $8.7 million for the three months ended March 31, 2020, which is included in the "West" reportable segment, and was allocated between goodwill and intangible assets with charges of $5.4 million and $3.3 million, respectively. Refer to Note 4 "Acquisitions" for further information about the preliminary purchase price allocation and goodwill and intangible balance estimated as of the acquisition date.

## 6. ACCRUED LIABILITIES

As of March 31, 2021 and December 31, 2020, accrued liabilities consisted of the following:

| *(in thousands)* | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Gaming liabilities | $35,653 | $33,795 |
| Compensation | 21,187 | 21,708 |
| Interest payable | 12,016 | 3,076 |
| Bally's trade name accrual, current portion | 9,603 | 9,475 |
| Transaction services and net working capital accrual | 9,111 | 7,174 |
| Insurance reserves | 6,933 | 7,188 |
| Legal | 6,014 | 1,761 |
| Purses due to horsemen | 2,140 | 5,726 |
| Other | 29,193 | 30,152 |
| Total accrued liabilities | $131,850 | $120,055 |

## 7. ACQUISITION, INTEGRATION AND RESTRUCTURING

The following table reflects acquisition, integration and restructuring expense the Corporation recorded during the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in thousands)* | 2021 | 2020 |
| Acquisition and integration costs: | | |
| Gamesys | $6,227 | $— |
| SportCaller and MKF | 2,840 | — |
| Richmond, VA[1] | 1,153 | — |
| Bally's Atlantic City | 946 | 589 |
| Eldorado Resort Casino Shreveport | 702 | 114 |
| Black Hawk Casinos | — | 571 |
| Other[2] | 390 | 492 |
| Total | 12,258 | 1,766 |
| Restructuring expense | — | 20 |
| Total acquisition, integration and restructuring | $12,258 | $1,786 |

(1) Costs associated with a proposal to develop a casino in the City of Richmond, Virginia, which the Corporation is no longer pursuing.

(2) Includes costs in connection with the development of a casino in Centre County, PA in addition to the acquisitions of MontBleu, Tropicana Evansville, Jumer's, Casino KC, Casino Vicksburg and Dover Downs.

## 8. LONG-TERM DEBT

| (in thousands) | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Term Loan principal | $567,688 | $569,125 |
| Revolving Credit Facility | 75,000 | 35,000 |
| 6.75% Senior Notes due 2027 | 525,000 | 525,000 |
| Less: Unamortized original issue discount | (11,346) | (11,771) |
| Less: Unamortized deferred financing fees | (21,993) | (17,499) |
| Long-term debt, including current portion | 1,134,349 | 1,099,855 |
| Less: Current portion of Term Loan and Revolving Credit Facility | (5,750) | (5,750) |
| Long-term debt, net of discount and deferred financing fees, excluding current portion | $1,128,599 | $1,094,105 |

*May 2019 Senior Secured Credit Facility*

On May 10, 2019, the Corporation entered into a credit agreement ("the "Credit Agreement") with Citizens Bank, N.A., as administrative agent, (the "Agent"), and the lenders party thereto (the "Credit Facility"), consisting of a $300 million Term B Loan facility (the "Term Loan Facility") and a $250 million revolving credit facility (the "Revolving Credit Facility"). The Corporation's obligations under the Revolving Credit Facility will mature on May 10, 2024. The Corporation's obligations under the Term Loan Facility will mature on May 10, 2026. Beginning September 30, 2019, the Corporation is required to make quarterly principal payments of $750,000 on the Term Loan Facility on the last business day of each fiscal quarter. In addition, the Corporation is required to make mandatory payments of amounts outstanding under the Credit Facility with the proceeds of certain casualty events, debt issuances, and asset sales and, commencing in 2020, the Corporation is required to apply a portion of its excess cash flow to repay amounts outstanding under the Credit Facility.

Borrowings under the Credit Facility bear interest at a rate equal to, at the Corporation's option, either (1) LIBOR determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs and subject to a floor of 0.00%, or (2) a base rate determined by reference to the greatest of the federal funds rate plus 0.50%, the prime rate as determined by the Agent, the one-month LIBOR rate plus 1.00%, and subject to a floor of 1.00%, in each case plus an applicable margin. In the event that the LIBOR rate is no longer available or no longer used to determine the interest rate of loans, the Corporation and the Agent will amend the Credit Agreement to replace LIBOR with an alternate benchmark rate that has been broadly accepted by the syndicated loan market in the United States in lieu of LIBOR and until such amendment has become effective, loans will be based on the base rate. In addition, on a quarterly basis, the Corporation is required to pay each lender under the Revolving Credit Facility a 0.50% commitment fee, in respect of commitments under the Revolving Credit Facility, which may be subject to one or more step-downs based on the Corporation's total net leverage ratio. As of March 31, 2021, the interest rate for the Term Loan Facility was 2.95%.

The Credit Facility allows the Corporation to (1) establish additional Term B Loans and/or establish one or more new tranches of term loans and/or (2) increase commitments under the Revolving Credit Facility and/or add one or more new tranches of revolving facilities, in an aggregate amount not to exceed the greater of (x) $195 million and (y) 100% of consolidated EBITDA for the most recent four-quarter period plus or minus certain amounts as specified in the Credit Agreement, including an unlimited amount subject to compliance with a consolidated total secured net leverage ratio as set out in the Credit Agreement.

The Corporation's obligations under the Credit Facility are guaranteed by each of the Corporation's existing and future wholly owned domestic restricted subsidiaries, subject to certain exceptions, and are secured by a first priority lien on substantially all of the Corporation's and each of the guarantors' existing and future property and assets, subject to certain exceptions.

On March 16, 2020, the Corporation borrowed under its Revolving Credit Facility the full available amount of $250 million to increase its cash position and liquidity to facilitate financial flexibility in light of the then uncertainty in the global markets and the Corporation's business resulting from the COVID-19 pandemic. These borrowings were repaid as part of the increase in the Term Loan Facility mentioned below.

On March 9, 2021, the Corporation amended its Credit Agreement to increase the borrowing limit under the Revolving Credit Facility to $325 million. Borrowings under the new incremental revolving facility are subject to the same terms and conditions of the existing Revolving Credit Facility under the Credit Agreement. As of March 31, 2021, there were $75.0 million of outstanding borrowings under the Revolving Credit Facility.

*May 2020 Term Loan*

On May 11, 2020, the Corporation amended the Credit Facility to increase its Term Loan Facility by $275 million to $525 million. Borrowings under the increased portion of the Term Loan Facility will bear interest at LIBOR + 8.00% per annum with a 1.00% LIBOR floor through the May 10, 2026 maturity date. Following the amendment, the Corporation repaid the full $250 million outstanding under its Revolving Credit Facility. This new term loan satisfied the financing contingency in the purchase agreement to acquire Shreveport and MontBleu from affiliates of Eldorado.

*6.75% Senior Notes due 2027*

On May 10, 2019, the Corporation issued $400 million aggregate principal amount of 6.75% unsecured senior notes due June 1, 2027 (the "Initial Notes"). On October 9, 2020, the Corporation issued an additional $125 million aggregate principal amount of 6.75% unsecured senior notes due June 1, 2027 (the "Additional Notes" and, together with the Initial Notes, the "Senior Notes"). The Additional Notes, other than with respect to the date of issuance and issue price, are identical to the Initial Notes, and are treated as a single class with the Initial Notes for all purposes under the indenture governing the Senior Notes (the "Indenture"). Immediately after giving effect to the issuance and sale of the Additional Notes, the Corporation had $525 million in aggregate principal amount of Senior Notes outstanding. Interest on the Senior Notes is paid semi-annually in arrears on June 1 and December 1. The Corporation used a portion of the net proceeds from the Initial Notes, together with a portion of the proceeds from its Term Loan Facility, to repay borrowings under the Corporation's prior credit agreement (the "Former Credit Facility").

The Credit Facility and the Indenture each contain covenants that limit the ability of the Corporation and its restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments, enter into certain transactions with affiliates, sell or otherwise dispose of assets, create or incur liens, and merge, consolidate or sell all or substantially all of the Corporation's assets, in each case, subject to certain exceptions and qualifications. In addition, if more than 30% of the capacity of the Revolving Credit Facility is utilized, as was the case at March 31, 2020 (but not at any quarter subsequent), the Corporation must comply with a maximum total net leverage ratio, which is currently set at 5.50:1.00. These covenants are subject to exceptions and qualifications set forth in the Credit Facility and the Indenture, and as described below under "Financial Covenant Relief", were modified as of April 24, 2020.

On February 4, 2021, the Corporation announced that it had obtained the consent of the Senior Notes holders to amend the indenture governing the Senior Notes. The amendment to the Indenture amended the "Incurrence of Indebtedness and Issuance of Subsidiary Preferred Stock" covenant contained in Section 4.09 of the Indenture to increase the fixed dollar prong of the credit facility basket from "$745.0 million" to "$975.0 million." Except for this amendment, all the existing terms of the Senior Notes remain unchanged.

The Corporation may redeem some or all of the Senior Notes at any time prior to June 1, 2022 at a redemption price equal to 100% of the aggregate principal amount of the Senior Notes to be redeemed plus a "make-whole" premium and accrued and unpaid interest. In addition, prior to June 1, 2022, the Corporation may redeem up to 40% of the original principal amount of the Senior Notes with proceeds of certain equity offerings at a redemption price equal to 106.75% of the aggregate principal amount of such Senior Notes plus accrued and unpaid interest. On or after June 1, 2022, the Corporation may redeem some or all of the Senior Notes at the redemption prices set forth in the Indenture plus accrued and unpaid interest. The Senior Notes are subject to disposition and redemption requirements imposed by gaming laws and regulations of applicable gaming regulatory authorities.

The Senior Notes are guaranteed, jointly and severally, by each of the Corporation's restricted subsidiaries that guarantees the Corporation's obligations under our Credit Facility.

There are no operations at Bally's Corporation. Cash held as of March 31, 2021 was $0.1 million and was de minimis at December 31, 2020.

*Financial Covenant Relief*

On April 24, 2020 (the "April 2020 Amendment"), the Corporation and its lenders amended the financial covenants and certain other terms of the Corporation's Credit Facility to provide financial covenant relief from the effects of the COVID-19 pandemic. Until May 15, 2021, which is the date on which the Corporation is required to deliver its compliance certificate and financial statements for the three months ending March 31, 2021 (the "Leverage Ratio Covenant Relief Period") (unless the Corporation elects to terminate the covenant relief period earlier), the Corporation will not be required to comply with the maximum total net leverage ratio covenant applicable under the Credit Facility, but instead will be required to comply with a minimum liquidity covenant tested at the last day of each month during the Leverage Ratio Covenant Relief Period. Under the minimum liquidity requirement, the Corporation will be required to have unrestricted cash on hand at the end of each month in the following amounts: (1) $75.0 million at April 30, 2020 and May 31, 2020, (2) $65.0 million at June 30, 2020, (3) $55.0 million at July 31, 2020, and (4) $50.0 million at each month-end thereafter through March 31, 2021. The Corporation is not permitted to declare or pay dividends on its common stock or make other restricted payments (including repurchases of shares of its common stock), complete investments or acquisitions (other than those made solely with equity consideration, certain acquisitions previously announced or to which the required revolving lenders consent) during the Leverage Ratio Covenant Relief Period, and the interest rate on the Revolving Credit Facility borrowings is LIBOR + 2.75% during the Leverage Ratio Covenant Relief Period. Additionally, the amendment permanently changed the minimum LIBOR on revolver borrowings from 0.00% to 0.75%. The Corporation was in compliance with all debt covenants, as amended, as of March 31, 2021. Effective as of April 1, 2021, the required revolving lenders agreed to terminate the Leverage Ratio Covenant Relief Period early so the Corporation is no longer required to comply with the foregoing restrictions. In addition, as a result of the April 2020 Amendment, the maximum total net leverage ratio covenant the Corporation is required to comply with at any time that revolving loans, swing loans and letters of credit (excluding up to $2.5 million of letters of credit) exceed 30% of the total revolving commitments, was increased as follows: (i) for the fiscal quarter ending March 31, 2021, 6.25:1.00; (ii) for the fiscal quarter ending June 30, 2021, 6.00:1.00; (iii) for the fiscal quarter ending September 30, 2021, 5.75:1.00; (iv) for the fiscal quarter ending December 31, 2021, 5.50:1.00 and (v) for the fiscal quarter ending March 31, 2022 and each fiscal quarter thereafter, 5.00:1.00.

## 9. LEASES

*Operating Leases*

The Corporation is committed under various operating lease agreements primarily related to submerged tidelands, property and equipment. Additionally, certain of the Corporation's subsidiaries lease office space, parking space, memorabilia and equipment under agreements classified as operating leases that expire on various dates through 2027.

Hard Rock Biloxi has an agreement with the State of Mississippi for the lease and use of approximately five acres of submerged tidelands for a primary term of thirty years, expiring September 30, 2037. Upon expiration of the primary term, Hard Rock Biloxi will have an option to extend the lease for a renewal term of thirty years. The renewal option has not been included in the calculation of the lease liability or right of use asset as the Corporation is not reasonably certain to exercise the option. Annual rent for the lease, as of March 31, 2021, is approximately $1.2 million and adjusts annually by the increase in the consumer price index ("CPI"). Future changes to the CPI are treated as variable lease payments and are recognized in the period in which the obligation for those payments is incurred.

Hard Rock Biloxi also has a Lease and Air Space agreement with the City of Biloxi. The agreement grants the Corporation rights to a parking area, and to the airspace above two defined parcels of land along with certain support structure rights for the construction of a parking garage. The arrangement has a 40-year term expiring November 18, 2043 and provides the Corporation one 25-year renewal option. The renewal option has not been included in the calculation of the lease liability or right of use asset as the Corporation is not reasonably certain to exercise the option. Monthly rent escalates every 5 years based on CPI, and the Corporation is responsible for property taxes. Future changes to the CPI are treated as variable lease payments and are recognized in the period in which the obligation for those payments is incurred.

In connection with the acquisition of Casino KC, we are party to a sublease with the Port Authority of Kansas City, Missouri, which has leased the property from the City of Kansas City. Our sublease expires on October 18, 2021, but on that date will automatically renew for five additional periods of five years each. The lease agreement provides for minimum annual rent paid in advance and subject to increases in the CPI every five years. Current minimum annual rent payments are $3.1 million per year. In addition, the

agreement calls for quarterly percentage rent payments equal to 3.25% of gross revenues, less the minimum annual rent payment. Casino KC is obligated to operate Casino KC at all times. If Casino KC fails to do so, it must pay the Port Authority, in lieu of percentage rent, a sum equal to 50% of the then-applicable base rent during the time Casino KC is not operating.

In connection with the acquisition of Shreveport, the Corporation is party to a ground lease with the City of Shreveport, Louisiana. The Corporation's initial lease will expire on November 30, 2021, but as of that date the Corporation can renew for five additional periods of five years each. The renewal options have been included in the measurement of the lease liability as the Corporation has determined it is reasonably certain of exercising the options. The lease agreement provides for minimum annual rent, subject to 15% increases with each renewal term. In addition, the agreement calls for monthly percentage rent of 1.0% of adjusted gross revenues, subject to an annual minimum of $0.5 million.

Certain of the Corporation's subsidiaries lease office space, parking space, memorabilia and equipment under agreements classified as operating leases that expire on various dates through 2027. Certain of the Corporation's leases include renewal options and escalation clauses. Renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Corporation is not reasonably certain to exercise the options. Discount rates used to determine the present value of the lease payments are based on a credit-adjusted secured borrowing rate commensurate with the term of the lease.

Variable expenses generally represent the Corporation's share of the landlord's operating expenses and CPI increases. The Corporation does not have any leases classified as financing leases.

The Corporation had operating lease liabilities of approximately $64.3 million and $63.5 million as of March 31, 2021 and December 31, 2020, respectively, and right of use assets of approximately $36.3 million and $36.1 million as of March 31, 2021 and December 31, 2020, respectively, which were included in the condensed consolidated balance sheet.

The following summarizes quantitative information about the Corporation's operating leases:

| | **Three Months Ended March 31,** | |
|---|---|---|
| *(in thousands)* | **2021** | **2020** |
| Operating leases: | | |
| Operating lease cost | $1,332 | $549 |
| Variable lease cost | 138 | 12 |
| Operating lease expense | 1,470 | 561 |
| Short-term lease expense | 1,054 | 434 |
| Total lease expense | $2,524 | $995 |

Supplemental cash flow and other information for the three months ended March 31, 2021 and 2020, related to operating leases was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in thousands)* | **2021** | **2020** |
| Cash paid for amounts included in the lease liability – operating cash flows from operating leases | $809 | $548 |
| Right of use assets obtained in exchange for operating lease liabilities | $388 | $116 |

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Weighted average remaining lease term | 24.0 years | 24.3 years |
| Weighted average discount rate | 7.3% | 7.3% |

As of March 31, 2021, future minimum rental commitments under noncancelable operating leases are as follows:

| *(in thousands)* | March 31, 2021 |
|---|---|
| Remaining 2021 | $5,482 |
| 2022 | 6,047 |
| 2023 | 6,005 |
| 2024 | 5,954 |
| 2025 | 5,721 |
| Thereafter | 109,712 |
| Total | 138,921 |
| Less: present value discount | (74,623) |
| Operating lease obligations | $64,298 |

Future operating lease payments as shown above include $108.1 million related to extension options that are reasonably certain of being exercised.

The Corporation also has leasing arrangements with third-party lessees at its properties. Leasing arrangements for which the Corporation acts as a lessor are not deemed material as of March 31, 2021 and December 31, 2020.

## 10. EQUITY PLANS

The Corporation has two equity incentive plans: the 2010 BLB Worldwide Holdings, Inc. Stock Option Plan (the "2010 Option Plan") and the 2015 Stock Incentive Plan ("2015 Incentive Plan").

The 2010 Option Plan provided for options to acquire 2,455,368 shares of the Corporation's common stock. Options granted to employees, officers and directors of the Corporation under the 2010 Option Plan vested on various schedules by individual as defined in the individual participants' option agreements. Vested options can generally be exercised all or in part at any time until the tenth anniversary of the date of grant. Effective December 9, 2015, it was determined that no new awards would be granted under the 2010 Option Plan. During the three months ended March 31, 2021, there were 30,000 options exercised at a weighted average exercise price of $4.31 per share and an aggregate intrinsic value of $0.1 million. As of March 31, 2021, there were 60,000 unexercised options outstanding.

The 2015 Incentive Plan provides for the grant of stock options, restricted stock award ("RSAs"), restricted share units ("RSUs"), performance share units ("PSUs") and other stock-based awards (collectively, "restricted awards") (including those with performance-based vesting criteria) to employees, directors or consultants of the Corporation. The 2015 Incentive Plan provides for the issuance of up to 1,700,000 shares of the Corporation's common stock. During the three months ended March 31, 2021, the Corporation issued

171,589 restricted awards under the 2015 Incentive Plan to eligible employees and executive management. As of March 31, 2021, 404,487 shares were available for grant under the 2015 Incentive Plan.

The Corporation recognized total share-based compensation expense of $4.5 million and $5.5 million during the three months ended March 31, 2021 and 2020, respectively. The total income tax benefit for share-based compensation arrangements was $1.4 million and $2.1 million for the three months ended March 31, 2021 and 2020, respectively.

## 11. BENEFIT PLANS

The Corporation participates in and contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover certain of its union-represented employees. The Corporation acquired a defined benefit pension plan with the acquisition of Dover Downs on March 28, 2019 ("Dover Downs Pension Plan") which is a non-contributory, tax qualified defined benefit pension plan that has been frozen since July 2011.

### *Dover Downs Defined Benefit Pension Plan*

The net periodic benefit (income) cost and other changes in plan assets and benefit obligations, excluding service cost, is set forth in the table below for the three months ended March 31, 2021 and 2020.

| | **Three Months Ended March 31,** | |
|---|---|---|
| *(in thousands)* | **2021** | **2020** |
| Service cost | $— | $— |
| Interest cost | 224 | 223 |
| Expected return on plan assets | (357) | (357) |
| Net periodic benefit income | $(133) | $(134) |

*Contributions*

Minimum pension contributions of $0.5 million are required to be made to the Dover Downs Pension Plan under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in 2021. The Corporation expects to contribute approximately $0.7 million in 2021. There were no contributions made to the Dover Downs Pension Plan during the three months ended March 31, 2021 and 2020.

### *401(k) Plans*

The Corporation has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering non-union employees and certain union employees. The plan allows employees to 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. Dover Downs also maintains a defined contribution 401(k) plan, which permits participation by substantially all of its employees. Total employer contribution expense to both 401(k) profit-sharing plans was $0.5 million for the three months ended March 31, 2021 and 2020.

## 12. STOCKHOLDERS' EQUITY

*Capital Return Program and Quarterly Cash Dividend*

On June 14, 2019, the Corporation announced that its Board of Directors approved a capital return program under which the Corporation could expend a total of up to $250 million for a share repurchase program and payment of dividends. Share repurchases may be effected in various ways, which could include open-market or private repurchase transactions, accelerated stock repurchase programs, tender offers or other transactions. The amount, timing and terms of any return of capital transaction will be determined based on prevailing market conditions and other factors. The Corporation expects to fund any share repurchases and dividends from existing capital resources. There is no fixed time period to complete share repurchases.

On July 26, 2019, the Corporation completed a modified Dutch auction tender offer ("Offer"), purchasing 2,504,971 common shares at an aggregate purchase price of $73.9 million. The Offer was funded with cash on hand.

On February 10, 2020, the Board of Directors approved an increase in the capital return program of $100 million.

Total share repurchase activity, including a private repurchase transaction, during the three months ended March 31, 2020 was as follows:

| *(in thousands, except share data)* | **Three Months Ended March 31, 2020** |
|---|---|
| Number of common shares repurchased | 1,649,768 |
| Total cost | $31,341 |
| Average cost per share, including commissions | $19.00 |

There was no share repurchase activity during the three months ended March 31, 2021. The Corporation retired 10,729,458 shares of its common stock held in treasury during the three months ended March 31, 2020. The shares were returned to the status of authorized but unissued shares. As of March 31, 2021 there were 133 shares remaining in treasury.

During the three months ended March 31, 2020, the Corporation paid cash dividends of $0.10 per common share, for a total cost of approximately $3.2 million. There were no cash dividends paid during the three months ended March 31, 2021. As of March 31, 2021 and December 31, 2020, $84.9 million remained available for use under the above-mentioned $100 million capital return program. Pursuant to the terms of the amendment to the Credit Facility entered into on April 24, 2020, as noted in Note 8 "Long-term Debt," the Corporation could not declare or pay dividends on its common stock or make other restricted payments (including repurchases of shares of its common stock) during the Leverage Ratio Covenant Relief Period.

**NOTE 13.**
**ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following table reflects the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2021. There was no change in accumulated other comprehensive loss for the three months ended March 31, 2020.

| *(in thousands)* | **Foreign Currency Translation Adjustment** | **Benefit Plans** | **Total** |
|---|---|---|---|
| Accumulated other comprehensive loss at December 31, 2020 | $— | $(3,144) | $(3,144) |
| Current period other comprehensive loss | (1,052) | — | (1,052) |
| Reclassification adjustment to net earnings | — | 40 | 40 |
| Accumulated other comprehensive loss at March 31, 2021 | $(1,052) | $(3,104) | $(4,156) |

**14. SEGMENT REPORTING**

As of March 31, 2021, the Corporation had seven operating segments; Rhode Island, Mid-Atlantic, Southeast, West, SportCaller, MKF, and Mile High USA. Beginning in the third quarter of 2020, the Corporation changed its management structure to better align with its strategic growth initiatives in light of recent and pending acquisitions. The growth and diversification achieved through the Corporation's acquisitions has resulted in a change in the way the Corporation's chief operating decision maker makes operating decisions, assesses the performance of the business and allocates resources. As a result, the Corporation re-aligned its operating segments and determined it had four reportable segments: Rhode Island, Mid-Atlantic, Southeast and West. The Corporation's Rhode Island reportable segment includes Twin River Casino Hotel and Tiverton Casino Hotel, the Mid-Atlantic reportable segment includes Dover Downs and Bally's Atlantic City, the Southeast reportable segment includes Hard Rock Biloxi, Casino Vicksburg and Shreveport, and the West reportable segment includes Casino KC and the Black Hawk Casinos. The "Other" category includes the immaterial operating segments of SportCaller, MKF and Mile High USA, and also includes interest expense for the Corporation and certain corporate operating expenses that are not allocated to the other segments, which include, among other expenses, share-based compensation, merger and acquisition costs, and certain non-recurring charges.

Hard Rock Biloxi and Dover Downs were previously reported as "Biloxi" and "Delaware" reportable segments, respectively, and the Black Hawk Casinos were previously reported in the "Other" category since its acquisition on January 23, 2020. These prior year amounts have been conformed into the new presentation.

The Corporation is currently evaluating the impact that its pending casino acquisitions and developments will have on its operating and reporting segments. It is expected that MontBleu will be reported with the West, but no determination has been made for Tropicana Evansville, Jumer's or the Centre City, Pennsylvania development project. In addition, the Corporation is expecting to include Bet.Works and Gamesys in a Bally's Interactive division along with MKF and SportCaller.

The Corporation's current operations are predominately within the United States with the exception of SportCaller which is headquartered in Dublin, Ireland. The Corporation does not have any revenues from any individual customers that exceed 10% of total reported revenues.

The following table shows revenues, income (loss), and identifiable assets for each of the Corporation's reportable segments and reconciles these to amounts shown in the Corporation's condensed consolidated financial statements.

| *(in thousands)* | **Rhode Island** | **Mid-Atlantic** | **Southeast** | **West** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2021** | | | | | | |
| Total revenue | $50,680 | $48,354 | $64,575 | $26,142 | $2,515 | $192,266 |
| Income (loss) from operations | 17,347 | (2,265) | 29,574 | 6,189 | (21,371) | 29,474 |
| Net income (loss) | 12,738 | (1,469) | 22,934 | 4,685 | (49,593) | (10,705) |
| Depreciation and amortization | 3,539 | 2,031 | 4,318 | 1,654 | 1,244 | 12,786 |
| Interest expense, net of amounts capitalized | — | 19 | — | — | 20,779 | 20,798 |
| Change in value of naming rights liabilities | — | — | — | — | (27,406) | (27,406) |
| Capital expenditures | 434 | 4,561 | 8,582 | 1,294 | 456 | 15,327 |
| Goodwill | 83,101 | 1,047 | 54,987 | 47,844 | 102,750 | 289,729 |
| Total assets | 509,803 | 207,561 | 532,677 | 285,066 | 603,693 | 2,138,800 |
| **Three Months Ended March 31, 2020** | | | | | | |
| Total revenue | $56,279 | $21,086 | $25,482 | $4,463 | $1,838 | $109,148 |
| Income (loss) from operations | 11,005 | 324 | 1,777 | (8,971) | (7,304) | (3,169) |
| Net income (loss) | 8,083 | 205 | 1,408 | (5,996) | (12,578) | (8,878) |
| Depreciation and amortization | 4,782 | 1,454 | 2,263 | 414 | 66 | 8,979 |
| Interest expense, net of amounts capitalized | — | 41 | — | — | 11,475 | 11,516 |
| Capital expenditures | 1,139 | 765 | 714 | 39 | 342 | 2,999 |
| Goodwill | 83,101 | 1,047 | 48,934 | — | — | 133,082 |
| Total assets | 504,597 | 128,912 | 251,228 | 48,707 | 281,879 | 1,215,323 |

## 15. EARNINGS (LOSS) PER SHARE

Basic (loss) earnings per common share is calculated in accordance with ASC 260, Earnings Per Share, which requires entities that have issued securities other than common stock that participate in dividends with common stock ("participating securities") to apply the two-class method to compute basic (loss) earnings per common share. The two-class method is an earnings allocation method under which basic (loss) earnings per common share is calculated for each class of common stock and participating security as if all such earnings had been distributed during the period. To calculate basic (loss) earnings per share, the earnings allocated to common shares is divided by the weighted average number of common shares outstanding, contingently issuable warrants, and RSUs, RSAs, and PSUs for which no future service is required as a condition to the delivery of the underlying common stock (collectively, basic shares).

Diluted earnings per share includes the determinants of basic earnings per share and, in addition, reflects the dilutive effect of the common stock deliverable for stock options, using the treasury stock method, and for RSUs, RSAs and PSUs for which future service is required as a condition to the delivery of the underlying common stock.

| (in thousands, except per share data) | Three Months Ended March 31, 2021 | 2020 |
|---|---|---|
| Net loss | $(10,705) | $(8,878) |
| Weighted average common shares outstanding, basic | 35,827 | 31,569 |
| Weighted average effect of dilutive securities | — | — |
| Weighted average common shares outstanding, diluted | 35,827 | 31,569 |
| Per share data | | |
| Basic | $(0.30) | $(0.28) |
| Diluted | $(0.30) | $(0.28) |

There were 4,919,006 and 102,443 share-based awards that were considered anti-dilutive for the three months ended March 31, 2021 and 2020, respectively.

On November 18, 2020, the Corporation issued penny warrants, performance-based warrants, and options which participate in dividends with the Corporation's common stock subject to certain contingencies. In the period in which the contingencies are met, those instruments are participating securities to which income will be allocated using the two-class method. The warrants and options do not participate in net losses. The penny warrants were considered exercisable for little to no consideration and are therefore, included in basic shares outstanding at their issuance date. For the three months ended March 31, 2021, the Corporation reported a net loss, and as a result, all of the shares underlying the performance warrants and options were anti-dilutive. Refer to Note 1 "General Information" for further information regarding the Sinclair Transaction.

## 16. SUBSEQUENT EVENTS

*Acquisitions*

On April 13, 2021, the Corporation entered into an agreement to acquire the Tropicana Las Vegas from GLPI.

On April 13, 2021, the Corporation announced the terms of a recommended offer to acquire all of the issued and to be issued ordinary share capital of Gamesys for mixture of cash and shares of Bally's common stock.

Refer to Note 4 "Acquisitions" for further information on the above.

*Debt*

Effective as of April 1, 2021, the required revolving lenders agreed to terminate the Leverage Ratio Covenant Relief Period early so the Corporation is no longer required to comply with the foregoing restrictions. Refer to Note 8 "Long-Term Debt" for further information.

*Common Stock Offering*

On April 20, 2021, the Corporation completed an underwritten public offering of common stock at a price to the public of $55.00 per share. The Corporation issued a total of 12.65 million shares of Bally's common stock in the offering, which included 1.65 million shares issued pursuant to the full exercise of the underwriters' over-allotment option.

The net proceeds from the offering were approximately $671.4 million, after deducting underwriting discounts, but before expenses. The Corporation intends to apply the net proceeds from the offering to fund a portion of the cash consideration payable to shareholders of Gamesys upon consummation of the previously announced Combination. If the Combination is not consummated, Bally's expects to apply the net proceeds from the offering for general corporate purposes, which may include repayment of debt, repurchases of its common stock, capital expenditures, acquisitions and investments.

On April 20, 2021, the Corporation issued to affiliates of Sinclair a warrant to purchase 909,090 common shares for an aggregate purchase price of $50 million, the same price per share as the public offering price in Bally's common stock public offering ($55.00 per share). The net proceeds will be used to finance a portion of the purchase price.

The exercise price of the warrant is nominal, and its exercise is subject to, among other conditions, requisite gaming authority approvals. Sinclair agreed not to acquire more than 4.9% of Bally's outstanding common shares without such approvals. In addition, in accordance with the agreements that Bally's and Sinclair entered into in November 2020, Sinclair is exchanging 2.1 million common shares for substantially identical warrants.

*Foreign Exchange Hedges*

On April 16, 2021, a subsidiary of the Corporation entered into a foreign exchange contract to hedge the risk of appreciation of the GBP-denominated purchase price related to Gamesys pursuant to which such subsidiary can purchase approximately £900 million at a contracted exchange rate.

On April 16, 2021, a subsidiary of the Corporation entered into two foreign exchange contracts to hedge the risk of appreciation of both the GBP- and Euro-denominated debt held by Gamesys which would be paid off at closing of the Gamesys acquisition pursuant to which such subsidiary can purchase £200 million and €336 million, at a contracted exchange rate, respectively.

The total premium paid by the subsidiary of the Corporation on these contracts was $22.6 million.

## SECTION B:

## AUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

## Bally's Corporation

## Consolidated Financial Statements as of December 31, 2020, 2019 and 2018


| | |
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The accompanying audited consolidated financial statements of Bally's Corporation (and together with its subsidiaries, the "Corporation" or "Bally's")) have been prepared in accordance with the instructions to Form 10-K and Regulation S-X and include all information and footnote disclosures necessary for complete financial statements in conformity with accounting principles generally accepted in the U.S. ("GAAP").

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Bally's Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bally's Corporation and subsidiaries (the "Corporation") as of December 31, 2020, 2019 and 2018, and the related consolidated statements of operations, other comprehensive (loss) income, stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2019, the Corporation adopted FASB Accounting Standards Update 2016-02, Leases, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Goodwill – All Reporting Units – Refer to Notes 2 and 7 to the financial statements***

*Critical Audit Matter Description*

The Corporation's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. As of December 31, 2020, the carrying value of the Goodwill is $187.0 million. During the year, the Corporation impaired $5.4 million of Goodwill associated with the Black Hawk Reporting Unit.

The determination of the fair values requires management to make significant estimates using both the market approach, applying a multiple of earnings based on guidelines for publicly traded companies, and the income approach, discounting projected future cash flows based on management's expectations of the current

and future operating environment for each reporting unit. The determination of fair value under the discounted cash flows method involves the use of significant estimates and assumptions, including the weighted average cost of capital, future revenue, profitability and cash flows. Changes in these assumptions could have a significant impact on either a reporting unit's fair value, the amount of any goodwill impairment charge, or both.

Given the significant judgments made by management to estimate the fair value of each reporting unit's goodwill and the difference between its fair value and carry value, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the weighted average cost of capital, future revenue, profitability, cash flows and selection of guideline public companies and related valuation multiples, required a high degree of auditor judgment and increased extent of effort, including the need to involve our fair value specialist.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the weighted average cost of capital, future revenue, profitability, cash flows, and selection of guideline public companies and related valuation multiples, used by management to estimate the fair value of goodwill included the following, among others:

- We evaluated management's ability to accurately project future revenues, profitability, and cash flows by comparing actual results to management's historical projections.
- We evaluated the reasonableness of management's projections of future revenues, profitability and cash flows by:
  - Comparing management's projections with:
    - Historical revenues, profitability and cash flows
    - Internal communications to management and the Board of Directors
    - Projected information included in Corporation press releases, as well as analyst and industry reports of the Corporation and selected companies in its peer group
  - Evaluated the impact of changes in the regulatory environment on management's projections
  - Evaluated the projected revenue mix based on the historical total revenue mix and the Corporation's strategic plans
  - Evaluated actual results for the period ended December 31, 2020 as compared to management's projection for that same period, as well as any changes in management's projection that may have occurred subsequent to the Corporation's analysis.
- With the assistance of our fair value specialists, we evaluated the selection of guideline companies and valuation multiples, as well as reasonableness of the discount rates by:
  - Testing the source information underlying the determination of the valuation multiples and discount rate including the mathematical accuracy of these calculations
  - Evaluated the comparability of the guideline companies using the industry classification system
  - Evaluated the selection of valuation multiples through comparison of historical and projected growth and profitability
  - Independently estimating the weighted average cost of capital (a component of the discount rate)
  - Evaluated the basis and rationale for each discount rate input
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.

***Acquisitions – Black Hawk Casinos, Casino KC and Casino Vicksburg, Bally's Atlantic City & Eldorado Resort Casino Shreveport – Acquired Intangible Assets – Refer to Note 2 and Note 5 to the financial statements***

*Critical Audit Matter Description*

The Corporation completed the acquisitions of the Black Hawk Casinos, Casino KC and Casino Vicksburg, Bally's Atlantic City, and Eldorado Resort Casino Shreveport, through asset purchase agreements during the year. The Corporation accounted for each of these acquisitions using the acquisition method of accounting, which requires the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. In determining the estimated fair value for acquired intangible assets, such as,

trademarks, rated player relationships, gaming licenses, and other contracts, management utilized an income approach, which discounts the projected future net cash flow using a discount rate that reflects the risks associated with the projected future cash flows.

Given the fair value determination of these intangibles requires management to make significant estimates and assumptions related to projected future net cash flows and the selection of the discount rate, performing audit procedures to evaluate the reasonableness of these assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the projected future net cash flows and the selection of the discount rate for the acquired intangible assets included the following, among others:

- We assessed the reasonableness of management's projected future net cash flows by comparing the projections to historical results and certain peer companies.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
  - Testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.
- We evaluated whether the estimated projected future net cash flows were consistent with evidence obtained in other areas of the audit.

***Sinclair Agreement – Refer to Note 9 to the financial statements***

*Critical Audit Matter Description*

The Corporation entered into a long-term strategic relationship with Sinclair Broadcast Group, whereby the Corporation will receive naming rights to the regional sports networks and certain integrations to network programming in exchange for annual fees paid in cash, the issuance of warrants and options, and an agreement to share in certain tax benefits resulting from the transaction with Sinclair.

We identified the accounting for the Sinclair agreement as a critical audit matter due to the complexity involved and the management judgment necessary to determine the appropriate accounting treatment for the various aspects of the agreement. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals having expertise in business combinations, financial instruments and income taxes, when performing audit procedures to evaluate management's judgments and conclusions.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's application of GAAP to the Sinclair agreement included the following, among others:

- We read and analyzed the asset purchase agreement to evaluate the accounting treatment for the naming rights, warrants, options and agreement to share in certain tax benefits.
- With the assistance of professionals having expertise in business combinations, financial instruments and income tax accounting, we evaluated management's conclusions.

March 10, 2021

We have served as the Corporation's auditor since 2015.

Deloitte & Touche, LLP

**BALLY'S CORPORATION**
**CONSOLIDATED BALANCE SHEETS**
*(In thousands, except share data)*

| | December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Assets** | | | |
| Cash and cash equivalents | $123,445 | $182,581 | $77,580 |
| Restricted cash | 3,110 | 2,921 | 3,851 |
| Accounts receivable, net | 14,798 | 23,190 | 22,966 |
| Inventory | 9,296 | 7,900 | 6,418 |
| Tax receivable | 84,483 | — | — |
| Prepaid expenses and other assets | 53,823 | 28,439 | 11,647 |
| **Total current assets** | 288,955 | 245,031 | 122,462 |
| Property and equipment, net | 749,029 | 510,436 | 416,148 |
| Right of use assets, net | 36,112 | 17,225 | — |
| Goodwill | 186,979 | 133,082 | 132,035 |
| Intangible assets, net | 663,395 | 110,373 | 110,104 |
| Other assets | 5,385 | 5,740 | 1,603 |
| **Total assets** | $1,929,855 | $1,021,887 | $782,352 |
| **Liabilities and Stockholders' Equity** | | | |
| Current portion of long-term debt | $5,750 | $3,000 | $3,595 |
| Current portion of lease obligations | 1,520 | 1,014 | — |
| Accounts payable | 15,869 | 14,921 | 14,215 |
| Accrued liabilities | 120,055 | 70,849 | 57,778 |
| **Total current liabilities** | 143,194 | 89,784 | 75,588 |
| Lease obligations, net of current portion | 62,025 | 16,214 | — |
| Long-term debt, net of current portion | 1,094,105 | 680,601 | 390,578 |
| Pension benefit obligations | 9,215 | 8,688 | — |
| Deferred tax liability | 36,983 | 13,790 | 17,526 |
| Naming rights liabilities | 243,965 | — | — |
| Other long-term liabilities | 13,770 | 1,399 | — |
| **Total liabilities** | 1,603,257 | 810,476 | 483,692 |
| **Commitments and contingencies** | | | |
| **Stockholders' equity:** | | | |
| Common stock, par value $0.01; 100,000,000 shares authorized; 30,685,938, 41,193,018 and 39,421,356shares issued as of December 31, 2020, 2019 and 2018, respectively; 30,685,938, 32,113,328 and 37,989,376 shares outstanding as of December 31, 2020, 2019 and 2018, respectively | 307 | 412 | 380 |
| Additional paid-in-capital | 294,643 | 185,544 | 125,629 |
| Treasury Stock, at cost, 0, 9,079,690 and 1,431,980 shares as of December 31, 2020, 2019 and 2018, respectively. | — | (223,075) | (30,233) |
| Retained earnings | 34,792 | 250,418 | 202,884 |
| Accumulated other comprehensive loss | (3,144) | (1,888) | — |
| **Total stockholders' equity** | 326,598 | 211,411 | 298,660 |
| **Total liabilities and stockholders' equity** | $1,929,855 | $1,021,887 | $782,352 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BALLY'S CORPORATION**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
*(In thousands, except share data)*

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Revenue:** | | | |
| Gaming | $291,658 | $367,948 | $327,740 |
| Racing | 6,412 | 13,114 | 13,158 |
| Hotel | 24,742 | 38,988 | 21,339 |
| Food and beverage | 32,132 | 69,904 | 48,380 |
| Other | 17,848 | 33,623 | 26,920 |
| Total revenue | 372,792 | 523,577 | 437,537 |
| **Operating costs and expenses:** | | | |
| Gaming | 89,455 | 93,965 | 71,798 |
| Racing | 6,446 | 9,592 | 9,031 |
| Hotel | 10,144 | 14,841 | 8,266 |
| Food and beverage | 29,367 | 58,447 | 40,246 |
| Retail, entertainment and other | 3,257 | 8,327 | 5,901 |
| Advertising, general and administrative | 176,943 | 180,400 | 143,278 |
| Goodwill and asset impairment | 8,659 | — | — |
| Expansion and pre-opening | 921 | — | 2,678 |
| Acquisition, integration and restructuring expense | 13,257 | 12,168 | 6,844 |
| Newport Grand disposal loss | — | — | 6,514 |
| Storm related losses, net of insurance recoveries | 14,095 | (1,181) | — |
| Rebranding | 792 | — | — |
| Depreciation and amortization | 37,842 | 32,392 | 22,332 |
| Total operating costs and expenses | 391,178 | 408,951 | 316,888 |
| **(Loss) income from operations** | (18,386) | 114,626 | 120,649 |
| **Other income (expense):** | | | |
| Interest income | 612 | 1,904 | 173 |
| Interest expense, net of amounts capitalized | (63,248) | (39,830) | (23,025) |
| Change in value of naming rights liabilities | (57,660) | — | — |
| Gain on bargain purchases | 63,871 | — | — |
| Loss on extinguishment and modification of debt | — | (1,703) | — |
| Other, net | — | 183 | — |
| Total other expense, net | (56,425) | (39,446) | (22,852) |
| (Loss) income before provision for income taxes | (74,811) | 75,180 | 97,797 |
| (Benefit) provision for income taxes | (69,324) | 20,050 | 26,359 |
| **Net (loss) income** | $(5,487) | $55,130 | $71,438 |
| Deemed dividends related to changes in fair value of common stock subject to possible redemption | — | — | 640 |
| **Net (loss) income applicable to common stockholders** | $(5,487) | $55,130 | $72,078 |
| Net (loss) income per share, basic | $(0.18) | $1.46 | $1.95 |
| Weighted average common shares outstanding, basic | 31,315,151 | 37,705,179 | 36,938,943 |
| Net (loss) income per share, diluted | $(0.18) | $1.46 | $1.87 |
| Weighted average common shares outstanding, diluted | 31,315,151 | 37,819,617 | 38,551,708 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BALLY'S CORPORATION**
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) INCOME**
*(In thousands)*

| | Years Ended December 31, | |
|---|---|---|
| | **2020** | **2019** |
| Net (loss) income | $(5,487) | $55,130 |
| Other comprehensive loss (income): | | |
| Defined benefit pension plan: | | |
| Losses arising during the period | (1,844) | (2,740) |
| Tax effect | 588 | 852 |
| Net of tax amount | (1,256) | (1,888) |
| Other comprehensive loss | (1,256) | (1,888) |
| Total comprehensive (loss) income | $(6,743) | $53,242 |

**Note**: Net income equals comprehensive income for the year ended December 31, 2018.

*The accompanying notes are an integral part of these consolidated financial statements.*

**BALLY'S CORPORATION**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
*(In thousands)*

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Amount | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Compre-hensive Loss | Total Stock-holders' Equity |
| **Balance as of December 31, 2017** | **36,199,704** | **$362** | **$67,910** | **$(22,275)** | **$130,806** | **$—** | **$176,803** |
| Release of restricted stock | 25,136 | — | — | — | — | — | — |
| Stock options exercised via repayment of non-recourse notes | 1,771,096 | 18 | 44,739 | — | — | — | 44,757 |
| Share-based compensation – equity awards | — | — | 1,692 | — | — | — | 1,692 |
| Share repurchases | (338,648) | (3) | 3 | (7,958) | — | — | (7,958) |
| Common stock subject to possible redemption | (25,136) | — | (685) | — | — | — | (685) |
| Common stock no longer subject to possible redemption due to extinguishment of Puts | 357,224 | 3 | 9,095 | — | — | — | 9,098 |
| Fair value of vested stock options converted from liability to equity awards | — | — | 2,875 | — | — | — | 2,875 |
| Deemed dividends related to changes in fair value of common stock subject to possible redemption | — | — | — | — | 640 | — | 640 |
| Net income | — | — | — | — | 71,438 | — | 71,438 |
| **Balance as of December 31, 2018** | **37,989,376** | **380** | **125,629** | **(30,233)** | **202,884** | **—** | **298,660** |
| Release of restricted stock, net | 226,817 | 2 | (428) | — | — | — | (426) |
| Dividends and dividend equivalents – $0.20 per share | — | — | — | — | (7,596) | — | (7,596) |
| Share-based compensation – equity awards | — | — | 3,826 | — | — | — | 3,826 |
| Retirement of treasury shares | — | — | (30,233) | 30,233 | — | — | — |
| Stock issued for purchase of Dover Downs | 2,976,825 | 30 | 86,750 | — | — | — | 86,780 |
| Share repurchases (including tender offer) | (9,079,690) | — | — | (223,075) | — | — | (223,075) |
| Other comprehensive loss | — | — | — | — | — | (1,888) | (1,888) |
| Net income | | | | | 55,130 | | 55,130 |
| **Balance as of December 31, 2019** | **32,113,328** | **412** | **185,544** | **(223,075)** | **250,418** | **(1,888)** | **211,411** |
| Release of restricted stock and other stock awards, net | 365,439 | 4 | (9,766) | — | — | — | (9,762) |
| Dividends and dividend equivalents – $0.10 per share | — | — | — | — | (3,174) | — | (3,174) |
| Share-based compensation – equity awards | — | — | 17,706 | — | — | — | 17,706 |
| Retirement of treasury shares | — | (109) | (49,351) | 256,367 | (206,907) | — | — |
| Share repurchases | (1,812,393) | — | — | (33,292) | — | — | (33,292) |
| Stock options exercised | 19,564 | — | 84 | — | — | — | 84 |
| Issuance of penny warrants for naming rights | — | — | 150,426 | — | — | — | 150,426 |
| Adoption of ASU 2016-13 | — | — | — | — | (58) | — | (58) |
| Other comprehensive loss | — | — | — | — | — | (1,256) | (1,256) |
| Net loss | — | — | — | — | (5,487) | — | (5,487) |
| **Balance as of December 31, 2020** | **30,685,938** | **$307** | **$294,643** | **$—** | **$34,792** | **$(3,144)** | **$326,598** |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BALLY'S CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
*(In thousands)*

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Cash flows from operating activities:** | | | |
| Net (loss) income | $(5,487) | $55,130 | $71,438 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 37,842 | 32,392 | 22,332 |
| Amortization of operating lease right of use assets | 804 | 1,215 | — |
| Share-based compensation – liability awards | — | — | (3,166) |
| Share-based compensation – equity awards | 17,706 | 3,826 | 1,692 |
| Amortization of debt financial costs and discounts on debt | 4,636 | 2,684 | 3,267 |
| Loss on extinguishment and modification of debt | — | 1,703 | — |
| Bad debt expense | 353 | 239 | 202 |
| Net pension and other post-retirement benefit income | — | (39) | — |
| Deferred income taxes | 1,191 | 8,995 | 5,880 |
| Goodwill and asset impairment | 8,659 | — | — |
| Storm related losses | 14,408 | — | — |
| Newport Grand disposal loss | — | — | 6,514 |
| Loss on disposal of property and equipment | 35 | 98 | 11 |
| Accretion of trade name liability and naming rights | 594 | — | — |
| Change in value of naming rights liabilities | 57,660 | — | — |
| Gain on bargain purchases | (63,871) | — | — |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 11,622 | 5,211 | (4,857) |
| Inventory | 125 | (89) | 842 |
| Prepaid expenses and other assets | (76,099) | (14,172) | (1,778) |
| Accounts payable | (4,976) | (3,860) | (4,078) |
| Accrued liabilities | 14,300 | 767 | 10,945 |
| Net cash provided by operating activities | 19,502 | 94,100 | 109,244 |
| **Cash flows from investing activities:** | | | |
| Deposit paid | — | — | (981) |
| Repayment of loans from officers and directors | — | — | 5,360 |
| Cash paid for acquisitions, net of cash acquired | (425,063) | (9,606) | — |
| Deposit for pending acquisition of Jumer's Casino & Hotel | (4,000) | — | — |
| Proceeds from sale of land and building for Newport Grand disposal | — | — | 7,108 |
| Proceeds from sale of property and equipment | — | 10 | 11 |
| Capital expenditures | (15,283) | (28,237) | (128,890) |
| Payments associated with licenses and market access fees | (500) | (1,092) | (208) |
| Net cash used in investing activities | (444,846) | (38,925) | (117,600) |
| **Cash flows from financing activities:** | | | |
| Revolver borrowings | 285,000 | 25,000 | 41,000 |
| Revolver repayments | (250,000) | (80,000) | (6,000) |
| Term loan proceeds, net of fees of $13,820, $10,655 and $—, respectively | 261,180 | 289,345 | — |
| Term loan repayments | (4,375) | (343,939) | (34,527) |
| Senior note proceeds, net of fees of $2,500, $6,130 and $—, respectively | 122,500 | 393,870 | — |
| Payment of financing fees | (1,734) | (4,340) | (221) |
| Share repurchases | (33,292) | (223,075) | (7,958) |
| Stock options exercised via repayment of non-recourse notes | — | — | 4,277 |
| Stock options exercised | 84 | — | — |
| Payment of shareholder dividends | (3,204) | (7,539) | — |
| Share redemption for tax withholdings – restricted stock | (9,762) | (426) | — |
| Net cash provided by (used in) financing activities | 366,397 | 48,896 | (3,429) |
| Net change in cash and cash equivalents and restricted cash | (58,947) | 104,071 | (11,785) |
| Cash and cash equivalents and restricted cash, beginning of period | 185,502 | 81,431 | 93,216 |
| **Cash and cash equivalents and restricted cash, end of period** | $126,555 | $185,502 | $81,431 |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for interest | $57,234 | $35,040 | $23,178 |
| Cash paid for income taxes, net of refunds | 3,835 | 16,519 | 22,217 |
| **Non-cash investing and financing activities:** | | | |
| Unpaid property and equipment | $3,575 | $419 | $7,073 |
| Unpaid trade name | 20,000 | — | — |
| Unpaid Naming Rights | 332,313 | — | — |
| Deposit applied to fixed asset purchases | — | 981 | — |
| Deemed dividends related to changes in fair value of common stock subject to possible redemption | — | — | (640) |
| Intrinsic value of stock options exercised via repayment of non-recourse note | — | — | 40,480 |
| Termination of operating leases via purchase of underlying assets | — | 1,665 | — |
| Common stock no longer subject to possible redemption due to extinguishment of Puts | — | — | 9,098 |
| Fair value of vested stock options converted from liability to equity awards | — | — | 2,875 |
| Stock issued for acquisition of Dover Downs Gaming & Entertainment, Inc. | — | 86,780 | — |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BALLY'S CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. GENERAL INFORMATION

*Description of Business*

Bally's Corporation (the "Corporation", "Bally's"), formerly known as Twin River Worldwide Holdings, Inc., was formed on March 1, 2004. Twin River Management Group, Inc. ("TRMG"), is a wholly owned subsidiary of the Corporation and is the parent Corporation of UTGR, Inc. ("Twin River Casino Hotel"), Premier Entertainment Biloxi LLC and subsidiaries ("Hard Rock Biloxi"), Premier Entertainment II, LLC ("Newport Grand"), Mile High USA, Inc. and subsidiaries ("Mile High USA"), Twin River-Tiverton, LLC ("Tiverton Casino Hotel"), Premier Entertainment III, LLC and subsidiaries, ("Dover Downs"), Premier Entertainment Black Hawk LLC ("Black Hawk Casinos"), IOC-Kansas City, Inc. ("Casino KC"), Premier Entertainment Vicksburg, LLC ("Casino Vicksburg"), Premier Entertainment AC, LLC ("Bally's Atlantic City") and Premier Entertainment Louisiana I, LLC ("Eldorado Resort Casino Shreveport" or "Shreveport"), all of which are wholly owned subsidiaries of TRMG.

Twin River Casino Hotel is located in Lincoln, Rhode Island and is authorized to house a maximum of 4,752 Video Lottery Terminals ("VLTs") and traditional casino table games on behalf of the State of Rhode Island. As of December 31, 2020, the property had 4,067 VLTs, 90 traditional table games, 23 poker tables, and 36 stadium gaming positions in addition to simulcast racing, and live and mobile sports wagering. The property also has various food and beverage venues, a multi-purpose event center and a 136-room hotel.

Hard Rock Biloxi's operations consist of a casino and hotel located in Biloxi, Mississippi. As of December 31, 2020, the property includes 1,015 slot machines, 55 table games, and two hotel towers containing 479 guest rooms and suites, a pool with swim up bar and a spa. The property also features a variety of restaurants and nightlife options.

TRMG formed Premier Entertainment II LLC which acquired substantially all of the assets of Newport Grand Casino located in Newport, Rhode Island on July 14, 2015. Newport Grand housed approximately 1,100 VLTs on behalf of the State of Rhode Island and also offered simulcast wagering as well as a restaurant and bar. Until Newport Grand closed on August 28, 2018, Newport Grand was entitled to a 28.0% share of VLT revenue. The Corporation has included the results of Newport Grand in its consolidated financial statements from the date of acquisition until the date Newport Grand vacated the building after closing. Refer to Note 6 "Sale of Newport Grand".

On February 3, 2015, TRMG formed Border Investments LLC for the purpose of acquiring the rights to land located in Tiverton, Rhode Island and subsequently proposed a relocation of the existing Newport Grand gaming license to a new casino to be developed in that town. On November 9, 2015, TRMG formed Twin River-Tiverton, LLC to develop and house the new casino. The Tiverton casino was approved by a majority vote in both the State of Rhode Island and the Town of Tiverton on November 8, 2016. During 2017, the land acquired by Border Investments LLC was transferred to Twin River-Tiverton, LLC and Border Investments LLC was dissolved. On September 1, 2018, the casino and hotel located in Tiverton, Rhode Island ("Tiverton Casino Hotel") began operations. As of December 31, 2020, the property houses approximately 1,000 VLTs, 32 table games and 18 stadium gaming positions on behalf of the State of Rhode Island. The Tiverton Casino Hotel also offers live and mobile sports wagering and has an 83-room hotel.

On March 28, 2019, the Corporation, through its wholly owned subsidiary Premier Entertainment III, LLC acquired Dover Downs Gaming & Entertainment, Inc. ("Dover Downs"). In the transaction, each share of Dover Downs common stock and class A common stock was converted into the right to receive 0.0899 shares of the Corporation's common stock. Dover Downs common stock, which previously traded under the ticker symbol "DDE" on the New York Stock Exchange (the "NYSE"), ceased trading on, and was delisted from, the NYSE on March 28, 2019. On March 29, 2019, the Corporation's common stock was listed on the NYSE and began trading under the ticker symbol "TRWH." Effective November 9, 2020, the Corporation changed its name to Bally's Corporation and, reflecting this change, the Corporation's common stock commenced trading on the NYSE under the new ticker symbol "BALY."

The Dover Downs operations consist of a casino, a hotel and conference center and a harness racing track located in Dover, Delaware. As of December 31, 2020, the property includes approximately 2,060 slot machines, 33 traditional table games and 4 poker tables, in addition to a harness racing track with pari-mutuel wagering on live and simulcast horse races, online gaming, various food and beverage venues, a full-service spa/salon and a multi-purpose event center. Dover Downs also offers sports wagering. The Dover Downs Hotel and Conference Center has a 500 room hotel.

Mile High USA's operations consist of a horse racing track and simulcast wagering at Arapahoe Park Racetrack in Aurora, Colorado, as well as simulcast horse and dog wagering at up to 13 licensed off-track betting ("OTB") sites in Colorado.

The Black Hawk Casinos properties, Golden Gates, Golden Gulch and Mardi Gras are located in close proximity to one another along a half mile strip of casino and casino-hotel properties in the historic mining town of Black Hawk, Colorado. Together the properties contain a combined 34,632 square feet of gaming space featuring 16 table games, 569 slots and a poker parlor with 17 tables. The properties also offer four restaurants and 24/7 bars, and one of the only parking garages in the market, with 700 spaces.

Casino KC is located in Kansas City, Missouri overlooking the Missouri River and is in close proximity to downtown Kansas City and the Berkeley Riverfront. As of December 31, 2020, the property consists of 39,788 square feet of casino space, 887 slot machines, 13 table games and two dining venues. It is located at a premier location on the riverfront near downtown and is readily accessible to suburban traffic. The Corporation expects to substantially reposition the casino with a transformational redevelopment plan with spending of approximately $40 million.

Casino Vicksburg is located along the Mississippi River in Vicksburg, Mississippi. As of December 31, 2020, the property features 32,608 square feet of casino space, 499 slot machines, eight electronic table games, three dining venues and an 89-room hotel.

Bally's Atlantic City is located in Atlantic City, New Jersey, is situated prominently in the center of the Atlantic City boardwalk. As of December 31, 2020, this iconic 83,569 square foot property includes 1,481 slots, 93 tables, four dining venues and one bar, lounge and nightclub facilities. The property also houses a hotel with 1,214 guest rooms and suites, a spa and indoor fitness facilities and 80,000 square feet of meeting space with 28 meeting rooms, including the 12,000 square foot Ocean Ballroom. The Corporation expects to invest approximately $90 million in the Bally's Atlantic City property over a span of five years to refurbish and upgrade its facilities and expand its amenities.

Eldorado Resort Casino Shreveport is located in Shreveport, Louisiana, and is situated right on the banks of the Red River. As of December 31, 2020, this premier property consists of 49,916 square feet of casino space, 1,382 slots, 46 table games and eight poker tables, four dining venues and two bars, 403 hotel rooms, and 6,000 square feet of convention space.

The Corporation has four reportable segments which are operated and managed as follows: 1) Rhode Island, 2) Mid-Atlantic, 3) Southeast and 4) West. Refer to Note 18 "Segment Reporting".

*Strategic Partnership – Sinclair Broadcast Group*

On November 18, 2020, the Corporation and Sinclair Broadcast Group, Inc. ("Sinclair") entered into a Framework Agreement (the "Sinclair Agreement"), which provides for a long-term strategic relationship between the Corporation and Sinclair combining Bally's integrated, proprietary sports betting technology with Sinclair's portfolio of local broadcast stations and live regional sports networks and its Tennis Channel, Stadium sports network and STIRR streaming service. Refer to Note 9 "Sinclair Agreement" for further information.

*Bet.Works*

On November 18, 2020, the Corporation and Bet.Works Corp. ("Bet.Works") entered into a definitive agreement pursuant to which the Corporation will acquire Bet.Works (the "Bet.Works Acquisition"). At closing, the Corporation will pay the shareholders of Bet.Works $62.5 million in cash and 2,528,194 Corporation common shares, subject in each case to customary adjustments. Refer to Note 5 "Acquisitions" for further information.

*Centre County, Pennsylvania*

On December 31, 2020, the Corporation signed a framework agreement with an established developer to jointly design, develop, construct and manage a Category 4 licensed casino in Centre County, Pennsylvania. Construction of the casino is expected to begin the first half of 2021 and will take approximately one year to complete. Subject to receipt of all applicable regulatory approvals, it will house up to 750 slot machines and 30 table games. The casino will also provide, subject to receipt of separate licenses and certificates, retail sports betting, online sports betting and online gaming. The Corporation estimates the total cost of the project, including construction, licensing and sports betting/iGaming operations, to be approximately $120 million. Bally's will acquire a majority equity interest in the partnership, including 100% of the

economic interests of all retail sports betting, online sports betting and iGaming activities associated with the project.

*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 Corporation's business in a material manner. As of March 16, 2020 all of the Corporation's properties at the time were temporarily closed as a result of the COVID-19 pandemic and as of March 17, 2020, all of the properties the Corporation had entered into agreements to acquire were also temporarily closed. As of June 17, 2020, all of the Corporation's properties, including the subsequently acquired Casino KC and Casino Vicksburg had reopened operated in some capacity for the remainder of the year, with the exception of Twin River Casino Hotel and Tiverton Casino Hotel which closed again from November 29 through December 20, 2020. The following is an update of re-openings and current operations by property.

- *Twin River Casino Hotel and Tiverton Casino Hotel* – The Rhode Island properties pre-opened on June 8, 2020 with very limited invitation-only guests allowed. Beginning June 30, 2020, the Corporation was able to open to the general public, at approximately 65% capacity, with half of VLTs and a limited number of table games (with a three-player limit). The properties were closed again from November 29 through December 20, 2020 due to a state mandated pause to slow the spread of COVID-19. Currently, the properties are open to the general public and are operating at 65% capacity with about half of VLTs and all table games (with a three-player limit) available. The hotels at the Rhode Island properties remain closed.

- *Hard Rock Biloxi* – The Biloxi property re-opened to the general public on May 21, 2021 at 50% capacity with 41% of VLTs, all table games (with a three-player limit) available and 75% of the hotel rooms available to guests. Currently, Hard Rock Biloxi is operating at 50% capacity with over 63% of VLTs and all table games (with a three-player limit) available, and the hotel is currently operating with all rooms available to guests.

- *Dover Downs Casino Hotel* – The Delaware property re-opened on June 1, 2020 at 30% capacity with 45% of VLTs. Table games (with a two-player limit) became available to guests on June 17, 2020 and the hotel, at 60% room capacity, became available on June 18, 2020. Currently, the property is operating at approximately 60% capacity with 52% of VLTs and 89% of table games (with a four-player limit) available, and all hotel rooms available to guests.

- *Casino KC* – Casino KC re-opened on June 1, 2020 at 50% capacity with 70% of VLTs and 30% of table games (with a three-player limit) available. Casino KC is currently operating at 50% capacity with all VLTs and table games (with a three-player limit) available.

- *Casino Vicksburg* – Casino Vicksburg re-opened on May 21, 2020 at 50% capacity with 48% of VLTs and 50% of hotel rooms available to guests. Currently, Casino Vicksburg is still operating at 50% capacity; however, 70% of VLTs are available and all table games (with a three-player limit) are available, and the hotel is currently operating with all rooms available to guests.

- *Black Hawk Casinos* – The Black Hawk Casinos re-opened on June 17, 2020 at 50% capacity with 55% of VLTs available to guests. Currently, the property is still operating at 50% capacity; however, 83% of VLTs are now available to guests. As of November 11, 2020, the table games remain closed.

- *Bally's Atlantic City* – Bally's Atlantic City is operating at 25% capacity with 58% of VLTs and all table games (with a four-player limit) available, and the hotel is currently operating with all rooms available to guests.

- *Shreveport* – Shreveport is operating at 50% capacity with 56% of VLTs and about half of table games (with a four-player limit) available, and the hotel is currently operating with all rooms available to guests.

The Corporation remains committed to compliance with all state and local operating restrictions as well as and meeting or exceeding all guidelines established by the Centers for Disease Control and Prevention. The Corporation has implemented property-specific comprehensive health and safety protocols for each of its properties, developed in close consultation with applicable state regulators and public health officials in local jurisdictions. The Corporation's operations are expected to continue to be negatively impacted by the COVID-19 pandemic and that impact could be material.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation*

The accompanying consolidated financial statements of the Corporation include the accounts of the Corporation and its wholly owned subsidiary TRMG and its subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

*Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, the Corporation evaluates its estimates and judgments including those related to contingent value rights, the allowance for doubtful accounts, valuation of goodwill and intangible assets, recoverability and useful lives of tangible and intangible long-lived assets, accruals for players club card incentives and for potential liabilities related to any lawsuits or claims brought against the Corporation, fair value of financial instruments, stock compensation and valuation allowances for deferred tax assets. The Corporation bases its estimates and judgments on historical experience and other relevant factors impacting the carrying value of assets and liabilities. Actual results may differ from these estimates.

*Cash and Cash Equivalents and Restricted Cash*

The Corporation considers all cash balances and highly liquid investments with an original maturity of three months or less to be cash equivalents.

As of December 31, 2020, 2019 and 2018, restricted cash of $3.1 million, $2.9 million and $3.9 million, respectively, was comprised of VLT and table games cash payable to the State of Rhode Island and certain cash accounts at Dover Downs and Mile High USA, which is unavailable for the Corporation's use. The following table reconciles cash and restricted cash in the consolidated balance sheets to the total shown on the consolidated statements of cash flows.

| | December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Cash and cash equivalents | $123,445 | $182,581 | $77,580 |
| Restricted cash | 3,110 | 2,921 | 3,851 |
| Total cash and cash equivalents and restricted cash | $126,555 | $185,502 | $81,431 |

*Concentrations of Credit Risk*

The Corporation's financial instruments which potentially expose the Corporation to concentrations of credit risk consisted of cash and cash equivalents and trade receivables. The Corporation maintains cash with financial institutions in excess of federally insured limits, however, management believes the credit risk is mitigated by the quality of the institutions holding such deposits. For the years ended December 31, 2020, 2019 and 2018, gaming revenue from the State of Rhode Island accounted for 30%, 46% and 56% of total revenues, respectively. Based on the Master Video Lottery Terminal Contract (the "Contract") with the State of Rhode Island and historical experience, the Corporation's management believes any credit risk related to amounts owed to the Corporation by the State of Rhode Island to be minimal.

*Accounts Receivable, Net*

Accounts receivable, net consists of the following:

| | December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Accounts due from Rhode Island and Delaware[(1)] | $3,880 | $14,665 | $12,900 |
| Gaming receivables | 7,893 | 5,008 | 4,854 |
| Non-gaming receivables | 6,092 | 4,813 | 6,221 |
| Accounts receivable, net | 17,865 | 24,486 | 23,975 |
| Less: Allowance for doubtful accounts | (3,067) | (1,296) | (1,009) |
| Accounts receivable, net | $14,798 | $23,190 | $22,966 |

(1) Represents the Corporation's share of VLT and table games revenue for Twin River Casino Hotel and Tiverton Casino Hotel from the State of Rhode Island and receivables from the State of Delaware for Dover Downs' share of VLT and table games revenue.

An allowance for doubtful accounts is determined to reduce the Corporation's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, current economic and business conditions and forecasts that affect the collectability, review of individual customer accounts, and any other known information. Historically, the Corporation has not incurred any significant credit-related losses. The activity for the allowance for doubtful accounts is as follows:

| | December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Balance at beginning of year | $1,296 | $1,009 | $845 |
| Charges to expense | 353 | 239 | 202 |
| Deductions | (653) | (16) | (38) |
| Acquisitions | 2,013 | 64 | — |
| Other adjustments[(1)] | 58 | — | — |
| Balance at end of year | $3,067 | $1,296 | $1,009 |

(1) Adjustment of $58 thousand resulting from Adoption of ASU 2016-13.

*Inventory*

Inventory is stated at the lower of cost or net realizable value on a first-in, first-out basis and consists primarily of food, beverage, promotional items and other supplies.

*Property and Equipment*

The Corporation applied "fresh start accounting" upon emergence from Chapter 11 reorganization, in accordance with the guidance of Accounting Standards Codification ("ASC") 805, *Business Combinations* and ASC 852, *Reorganizations*. As a result of "fresh start accounting", the Corporation adjusted property and equipment to reflect its fair value on November 5, 2010 (the "Emergence Date"). Additions subsequent to that date have been recorded at cost.

Property and equipment obtained in connection with acquisitions is valued at its estimated fair value as of the date of acquisition. Additions subsequent to the acquisition date are recorded at cost.

Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Expenditures for renewals and betterments that extend the life or value of an asset are capitalized and 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 consolidated statements of operations.

Development costs directly associated with the acquisition, development and construction of a project are capitalized as a cost of the project during the periods in which activities necessary to prepare the property for its intended use are in progress. Interest costs associated with major construction projects are capitalized

as part of the cost of the constructed assets. When no debt is incurred specifically for a project, interest is capitalized on amounts expended for the project using the weighted-average cost of borrowing. Capitalization of interest ceases when the project (or discernible portions of the project) is substantially complete. If substantially all of the construction activities of a project are suspended, capitalization of interest will cease until such activities are resumed. During the years ended December 31, 2020 and 2019, there was no capitalized interest. During the year ended December 31, 2018, capitalized interest was $3.4 million.

As of December 31, 2020, 2019 and 2018, property and equipment was comprised of the following:

| | Estimated Useful Life (in years) | December 31, | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| Land | | $78,506 | $35,146 | $31,437 |
| Land improvements | 3-40 | 29,965 | 24,372 | 23,305 |
| Building and improvements | 3-40 | 635,145 | 458,111 | 364,561 |
| Equipment | 3-10 | 125,667 | 104,245 | 87,503 |
| Furniture and fixtures | 3-10 | 30,277 | 22,764 | 18,715 |
| Construction in process | | 8,799 | 1,806 | 1,632 |
| Total property, plant and equipment | | 908,359 | 646,444 | 527,153 |
| Less: Accumulated depreciation | | (159,330) | (136,008) | (111,005) |
| Property and equipment, net | | $749,029 | $510,436 | $416,148 |

Construction in process relates to costs capitalized in conjunction with major improvements that have not yet been placed in service, and accordingly are not currently being depreciated. The construction in process balance at December 31, 2020 included costs associated with various capital projects in process, primarily at Hard Rock Biloxi and Dover Downs.

Depreciation expense relating to property and equipment was $33.0 million, $26.5 million and $16.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

*Leases*

The Corporation 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 ASC 842, *Leases*, the Corporation elected to account for lease and non-lease components as a single component for all classes of underlying assets. Additionally, the Corporation elected to not recognize short-term leases (defined as leases that are less than 12 months and do not contain purchase options) within the consolidated balance sheets.

The Corporation 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 Corporation's leases include renewal options and escalation clauses; renewal options are included in the calculation of the lease liabilities and right of use assets when the Corporation determines it is reasonably certain to exercise the options. Variable expenses generally represent the Corporation's share of the landlord's operating expenses and CPI increases. The Corporation does not have any leases classified as financing leases. Rent expense associated with the Corporation's long and short term leases and their associated variable expenses are reported in total operating costs and expenses within the consolidated statements of operations.

*Goodwill*

Goodwill represents the excess of reorganization value over the fair market value of Twin River Casino Hotel net assets on the Emergence Date and the excess of the purchase prices over the fair values of

tangible and identifiable assets acquired and liabilities assumed for all other reporting units. Goodwill is not amortized, but is reviewed for impairment annually, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value, by comparing the fair value of each reporting unit to its carrying value, including goodwill.

When assessing goodwill for impairment, first, qualitative factors are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Items that are considered in the qualitative assessment include, but are not limited to, the following: macroeconomic conditions, industry and market conditions and overall financial performance. If the results of the qualitative assessment are not conclusive, or if the Corporation elects to bypass the qualitative assessment, a quantitative goodwill test is performed. The quantitative goodwill test compares the estimated fair value of each reporting unit with its estimated net book value (including goodwill and identifiable intangible assets). If the reporting unit's estimated fair value exceeds its estimated net book value, goodwill is not impaired. An impairment is recognized if the estimated fair value of a reporting unit is less than its estimated net book value, in an amount not to exceed the carrying value of the reporting unit's goodwill. Refer to Note 7 "Goodwill and Intangible Assets" for further information.

*Intangible Assets*

As a result of "fresh start accounting", the Corporation adjusted Twin River Casino Hotel's intangible assets to reflect their fair values on the Emergence Date. Intangible assets consist of a Rhode Island VLT license, the Contract with the Division of Lotteries for the State of Rhode Island and the State of Rhode Island Department of Transportation, as amended, the Twin River trade name and the Twin River Casino Hotel rated player relationships. The Rhode Island VLT license has an indefinite life and therefore is not being amortized. The Contract for the VLTs, the Twin River Casino Hotel rated player relationships and the Twin River trade name are being amortized using the straight-line method based on their estimated useful lives from the Emergence Date.

The Corporation's other intangible assets primarily consist of gaming licenses, trademarks, rated player relationships, and hotel and conference pre-bookings, which have all been obtained through acquisition, as well as a Naming rights intangible asset obtained through the Sinclair Agreement.

The Corporation considers its gaming licenses, VLT licenses and the Bally's trade name to be indefinite lived based on future expectations of operating its gaming properties indefinitely and continuing to brand its corporate name and certain properties under the Bally's trade name indefinitely. Intangible assets not subject to amortization are reviewed for impairment annually as of October 1 and between annual test dates whenever events or changes in circumstances may indicate that the carrying amount of the related asset may not be recoverable.

The Corporation establishes a useful life upon initial recognition of its finite-lived intangible assets based on the period over which the asset is expected to contribute to the future cash flows of the Corporation and periodically evaluates the remaining useful lives to determine whether events and circumstances warrant a revision to the remaining amortization period. Finite-lived intangible assets are amortized over their remaining useful lives on a straight-line basis.

Refer to Note 7 "Goodwill and Intangible Assets" for further information.

*Long-lived Assets*

The Corporation reviews its long-lived assets, other than goodwill and intangible assets not subject to amortization, 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.

*Debt Issuance Costs and Debt Discounts*

Debt issuance costs and debt discounts incurred by the Corporation in connection with obtaining and amending financing have been included as a component of the carrying amount of debt in the consolidated balance sheets.

Debt issuance costs and debt discounts are amortized over the contractual term of the debt to interest expense. Debt issuance costs of the revolving credit facility are amortized on a straight-line basis, while all

other debt issuance costs and debt discounts are amortized using the effective interest method. Amortization of debt issuance costs and debt discounts included in interest expense was $4.6 million, $2.7 million and $3.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

*Self-Insurance Reserves*

The Corporation is self-insured for employee medical insurance coverage up to an individual stop loss of $100,000 in 2020, 2019 and 2018. Self-insurance liabilities are estimated based on the Corporation'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 self-insurance liabilities are included in "Accrued liabilities" in the consolidated balance sheets. Such amounts were $3.3 million, $1.3 million and $1.0 million as of December 31, 2020, 2019 and 2018, respectively.

*Share-Based Compensation*

The Corporation accounts for its share-based compensation in accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718"). The Corporation has two share-based employee compensation plans, which are described more fully in Note 13 "Equity Plans". Share-based compensation consists of stock options, time-based restricted stock units ("RSUs"), restricted stock awards ("RSAs"), and performance-based restricted stock units ("PSUs"). The grant date closing price per share of the Corporation's stock is used to estimate the fair value of RSUs and RSAs. Stock options are granted at exercise prices equal to the fair market value of the Corporation's stock at the dates of grant. The Corporation recognizes share-based compensation expense on a straight-line basis over the requisite service period of the individual grants. The Corporation's Chief Executive Officer and certain of its other executive officers or members of senior management have been granted PSUs which vest, when and if earned, in accordance with the terms of the related PSU award agreements. The Corporation recognizes share-based compensation expense based on the target number of shares of common stock that may be earned pursuant to the award and the Corporation's stock price on the date of grant and subsequently adjusts expense based on actual and forecasted performance compared to planned targets. Forfeitures are recognized as reductions to share-based compensation when they occur.

In the second quarter of 2019, the Corporation changed its accounting principle for reporting share-based compensation expense in the consolidated statements of operations. The new principle is to record compensation expense for share-based compensation awards which contain only a service condition, i.e. time-based awards, using the straight-line method of accounting recognizing compensation expense over the requisite service period and treating all tranches as one award. The Corporation previously recorded share-based compensation expense for awards with graded vesting over the requisite service period on an accelerated basis, as if each tranche were a separate award. The straight-line method of accounting was adopted to better align the Corporation's recognition of share-based compensation expense with its peers and to expense RSUs in a consistent manner that is representative of the requisite service period. This change in accounting principle was retrospectively applied, but had an immaterial effect on the consolidated balance sheets, consolidated statements of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows. As a result of this change in accounting principle, share-based compensation expense was reduced by $0.5 million for the year ended December 31, 2019. Net income for the year ended December 31, 2019 increased by approximately $0.4 million, or $0.01 per diluted share.

*Warrant/Option Liabilities*

The Corporation accounts for the warrants and options issued to Sinclair under the Sinclair Agreement in accordance with ASC 815-40, *Contracts in an Entity's Own Equity*. The Penny Warrants are classified in equity because they are indexed to the Corporation's own stock and meet all conditions for equity classification. The Performance Warrants and Options were classified as liabilities as of December 31, 2020 because they could have been required to be settled in cash, outside the Corporation's control, prior to formal stockholder approval. The warrants and options were initially recorded at their fair values on the date of issuance, and the Performance Warrants and Options are marked to market each reporting period, with changes in fair value recorded in "Other income (expense)" in the consolidated statement of operations. Refer to Note 9 "Sinclair Agreement" for further information.

*Sequencing Policy*

Under ASC 815-40-35, the Corporation has adopted a sequencing policy to determine equity or asset/liability classification for contracts involving the Corporation's own equity that require cash settlement if sufficient shares are not available to settle the contracts in equity. Under this policy, the Corporation has elected to allocate available shares to contracts based on the order in which they become exercisable.

*Revenue*

The Corporation accounts for revenue earned from contracts with customers under ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). The Corporation generates revenue from five principal sources: gaming services, hotel, racing, food and beverage and other. Refer to Note 4 "Revenue Recognition" for further information.

*Gaming Expenses*

Gaming expenses include, among other things, payroll costs and expenses associated with the operation of VLTs, slots and table games, including gaming taxes payable to jurisdictions in which the Corporation operates outside of Rhode Island and Delaware.

*Racing Expenses*

Racing expenses include payroll costs, OTB commissions and other expenses associated with the operation of live racing and simulcasting.

*Advertising Expense*

The Corporation expenses advertising costs as incurred. For the years ended December 31, 2020, 2019 and 2018, advertising expense was $4.5 million, $7.6 million and $5.9 million, respectively.

*Expansion and Pre-opening Expenses*

Expansion and pre-opening expenses are charged to expense as incurred. The Corporation defines pre-opening expenses as costs incurred before the property commences commercial operations and defines expansion expenses as costs incurred in connection with the opening of a new facility or significant expansion of an existing property. Costs classified as expansion and pre-opening costs consist primarily of marketing, master planning, conceptual design fees and legal and professional fees that are not eligible for capitalization. Expansion and pre-opening costs for the years ended December 31, 2020 and 2018 were $0.9 million and $2.7 million, respectively. There were no expansion and pre-opening costs for the year ended December 31, 2019.

*Storm Related Losses, Net of Insurance Recoveries*

Storm related losses, net of insurance recoveries, relate to costs incurred resulting from storms impacting the Corporation's properties, net of insurance recovery proceeds. During the year ended December 31, 2020, the Corporation recorded storm related losses, net of insurance recoveries of $14.1 million primarily attributable to the effects of Hurricane Zeta which made landfall in Louisiana shutting down the Corporation's Hard Rock Biloxi property for three days during the fourth quarter of 2020. During the year ended December 31, 2019, the Corporation recorded a gain on insurance recoveries of $1.2 million for proceeds received on a damaged roof at the Corporation's Arapahoe Park racetrack in Aurora, Colorado.

*Interest Expense*

Interest expense is comprised of interest costs for the Corporation's debt, amortization of deferred financing fees and original issue discount, net of amounts capitalized for construction projects. Interest expense recorded in the consolidated statements of operations totaled $63.2 million, $39.8 million and $23.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. The increase in interest expense for the year ended December 31, 2020 compared to 2019 is primarily due to increased borrowings and higher interest rates year-over-year.

*Income Taxes*

The Corporation prepares its income tax provision 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate change is enacted. 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 consolidated financial statements reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts.

*Comprehensive (Loss) Income*

Comprehensive (loss) income includes changes in equity that result from transactions and economic events from non-owner sources. Comprehensive (loss) income consists of net (loss) income and changes in defined benefit pension plan, net of tax.

*Earnings (Loss) Per Share*

Basic (loss) earnings per common share is calculated in accordance with ASC 260, Earnings Per Share, which requires entities that have issued securities other than common stock that participate in dividends with common stock ("participating securities") to apply the two-class method to compute basic (loss) earnings per common share. The two-class method is an earnings allocation method under which basic (loss) earnings per common share is calculated for each class of common stock and participating security as if all such earnings had been distributed during the period. To calculate basic (loss) earnings per share, the earnings allocated to common shares is divided by the weighted average number of common shares outstanding, contingently issuable warrants, and RSUs, RSAs, and PSUs for which no future service is required as a condition to the delivery of the underlying common stock (collectively, basic shares).

Diluted earnings per share includes the determinants of basic earnings per share and, in addition, reflects the dilutive effect of the common stock deliverable for stock options, using the treasury stock method, and for RSUs, RSAs and PSUs for which future service is required as a condition to the delivery of the underlying common stock.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net (loss) income applicable to common stockholders | $(5,487) | $55,130 | $72,078 |
| Weighted average shares outstanding, basic | 31,315,151 | 37,705,179 | 36,938,943 |
| Weighted average effect of dilutive securities | — | 114,438 | 1,612,765 |
| Weighted average shares outstanding, diluted | 31,315,151 | 37,819,617 | 38,551,708 |
| Per share data | | | |
| Basic | $(0.18) | $1.46 | $1.95 |
| Diluted | $(0.18) | $1.46 | $1.87 |
| Anti-dilutive shares excluded from the calculation of diluted earnings per share | 4,919,326 | 3,251 | — |

On November 18, 2020, the Corporation issued penny warrants, performance-based warrants, and options which participate in dividends with the Corporation's common stock subject to certain contingencies. In the period in which the contingencies are met, those instruments are participating securities to which income will be allocated using the two-class method. The warrants and options do not participate in net losses. The penny warrants were considered exercisable for little to no consideration and are therefore, included in basic shares outstanding at their issuance date. For the year ended December 31, 2020, the Corporation reported a net loss, and as a result, all of the shares underlying the performance warrants and options were anti-dilutive. Refer to Note 9 "Sinclair Agreement" for further information.

*Treasury Stock*

The Corporation records the repurchase of shares of common stock at cost based on the settlement date of the transaction. These shares are classified as treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

*Business Combinations*

The Corporation accounts for its acquisitions in accordance with ASC 805, *Business Combinations*. The Corporation initially allocates the purchase price of an acquisition to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of consideration transferred recorded as goodwill. If the estimated fair value of net assets acquired and liabilities assumed exceeds the purchase price, the Corporation records a gain on bargain purchase in earnings in the period of acquisition. The results of operations of acquisitions are included in the consolidated financial statements from their respective dates of acquisition. Costs incurred to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and are charged to

acquisition, integration and restructuring expense as they are incurred. Refer to Note 5 "Acquisitions" and Note 10 "Acquisition, Integration and Restructuring Expense" for further information.

*Segments*

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. Certain operating segments are aggregated into reportable segments. Refer to Note 18 "Segment Reporting" for further information.

*Statement of Cash Flows*

The Corporation has presented the consolidated statements of cash flows using the indirect method, which involves the reconciliation of net income to net cash flow from operating activities.

*Fair Value Measurements*

Fair value is determined using the principles of ASC 820, *Fair Value Measurement*. Fair value is described as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes and defines the inputs to valuation techniques as follows:

- Level 1: Observable quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs are observable for the asset or liability either directly or through corroboration with observable market data.
- Level 3: Unobservable inputs.

The Corporation's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates fair value due to the short-term nature of these instruments. The carrying value of the Corporation's term loans and revolving credit facilities, including the current portion, approximate fair value as the terms and conditions of these loans are consistent with comparable market debt issuances. These measurements fall with Level 3 of the fair value hierarchy.

The inputs used to measure the fair value of an asset or a liability are categorized within levels of the fair value hierarchy. The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. There were no transfers made among the three levels in the fair value hierarchy for the years ended December 31, 2020, 2019 and 2018.

## 3. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

*Recently Issued Accounting Pronouncements*

<u>Standards implemented</u>

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous United States Generally Accepted Accounting Principles ("US GAAP"). For public companies, ASU 2016-02 was effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods, which for the Corporation was the first quarter of 2019) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carry-forward accounting conclusions under previous US GAAP. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities an optional transition method to apply the guidance under ASC 842 as of the adoption date, rather than as of the earliest period presented. The Corporation adopted ASC 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the entire package of practical expedients described above. Based on the analysis, on January 1, 2019, the Corporation recorded right of use assets and a corresponding lease liability of approximately $18.8 million. There was no impact to opening retained earnings.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which changes the recognition and presentation

requirements of hedge accounting, including eliminating the requirement to separately measure and report hedge ineffectiveness and presenting all items that affect earnings in the same income statement line item as the hedged item. The ASU also provides new alternatives for applying hedge accounting to additional hedging strategies, measuring the hedged item in fair value hedges of interest rate risk, reducing the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method and reducing the risk of a material error correction if a company applies the shortcut method inappropriately. This ASU is effective for public companies in fiscal years beginning after December 15, 2018, which for the Corporation was the first quarter of 2019. The Corporation adopted this ASU in the first quarter of 2019, with no impact to its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments–Credit Losses (Topic 326)–Measurement of Credit Losses on Financial Instruments* ("ASC 326"). This standard amends several aspects of the measurement of credit losses on financial instruments, including trade receivables. The standard replaces the existing incurred credit loss model with the Current Expected Credit Losses ("CECL") model and amends certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination. Under CECL, the allowance for losses for financial assets that are measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of the financial assets, based on historical experience, current conditions and forecasts that affect the collectability of the reported amount. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses*, to clarify that receivables arising from operating leases are not within the scope of ASC 326 and should instead, be accounted for in accordance with ASC 842, *Leases*. The standard is effective for annual and interim periods beginning after December 15, 2019. Adoption is through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (a modified-retrospective approach). The Corporation adopted this ASU in the first quarter of 2020 and recorded a $58,000 negative adjustment to retained earnings as of January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820),–Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement*, which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Corporation adopted this ASU in the first quarter of 2020, with no impact to its consolidated financial statements.

<u>Standards to be implemented</u>

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 Corporation anticipates adopting this amendment during the first quarter of 2021 and does not expect it to have a significant impact on the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes*. This amendment serves to simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, *Income Taxes*. The amendment also improves the consistent application of ASC Topic 740 by clarifying and amending existing guidance. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted for periods for which financial statements have not yet been issued. The Corporation is currently in the process of evaluating the impact of the future adoption of this amendment on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivatives scope exception, which will permit more equity contracts to qualify for it. ASU 2020-06 also simplifies the diluted net income per share calculation in certain areas. The amendments in ASU 2020-06 are effective for fiscal years beginning after December 15, 2021 and interim periods within those fiscal years, with early adoption

permitted. The Corporation is currently in the process of evaluating the impact of this amendment on its consolidated financial statements.

## 4 . REVENUE RECOGNITION

The Corporation accounts for revenue earned from contracts with customers under ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). The Corporation generates revenue from five principal sources: gaming services, hotel, racing, food and beverage and other.

Gaming revenue includes the share of VLT revenue for Twin River Casino Hotel and Tiverton Casino Hotel, in each case, as determined by each property's respective VLT contracts with the State of Rhode Island. Twin River Casino Hotel is entitled to a 28.85% share of VLT revenue on the initial 3,002 units and a 26.00% share on VLT revenue generated from units in excess of 3,002 units. Tiverton Casino Hotel is, and Newport Grand was, entitled to receive a percentage of VLT revenue that is equivalent to the percentage received by Twin River Casino Hotel. Gaming revenue also includes Twin River Casino Hotel's and Tiverton Casino Hotel's share of table games revenue. Twin River Casino Hotel and Tiverton Casino Hotel each were entitled to an 83.5% share of table games revenue generated as of December 31, 2020 and 2019. Revenue is recognized when the wager is complete, which is when the customer has received the benefits of the Corporation's gaming services and the Corporation has a present right to payment. The Corporation records revenue from its Rhode Island operations on a net basis which is the percentage share of VLT revenue received as the Corporation acts as an agent in operating the gaming services on behalf of the State of Rhode Island.

Gaming revenue also includes Dover Downs' share of revenue as determined under the Delaware State Lottery Code from the date of its acquisition. Dover Downs is authorized to conduct video lottery, sports wagering, table game and internet gaming operations as one of three "Licensed Agents" under the Delaware State Lottery Code. Licensing, administration and control of gaming operations in Delaware is under the Delaware State Lottery Office and Delaware's Department of Safety and Homeland Security, Division of Gaming Enforcement. As of December 31, 2020 and 2019, Dover Downs was entitled to an approximate 42% share of VLT revenue and 80% share of table games revenue. Revenue is recognized when the wager is complete, which is when the customer has received the benefits of the Corporation's gaming services and the Corporation has a present right to payment. The Corporation records revenue from its Delaware operations on a net basis, which is the percentage share of the VLT and table games revenue received, as the Corporation acts as an agent in operating the gaming services on behalf of the State of Delaware.

Gaming revenue also includes the casino revenue of Hard Rock Biloxi, the Black Hawk Casinos, Casino KC and Casino Vicksburg, beginning July 1, 2020, Bally's Atlantic City, beginning November 18, 2020, and Shreveport, beginning December 23, 2020, which is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs, for chips outstanding and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to the anticipated payout of progressive jackpots. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of credits played, are charged to revenue as the amount of the progressive jackpots increase.

Gaming services contracts have two performance obligations for those customers earning incentives under the Corporation's player loyalty programs and a single performance obligation for customers who do not participate in the programs. The Corporation applies a practical expedient by accounting for its gaming contracts on a portfolio basis as such wagers have similar characteristics and the Corporation 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 Corporation 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.

The estimated retail value related to goods and services provided to guests without charge or upon redemption under the Corporation's player loyalty programs included in departmental revenues, and therefore reducing gaming revenues, are as follows for the years ended December 31, 2020, 2019 and 2018:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Hotel | $15,099 | $19,939 | $11,697 |
| Food and beverage | 18,548 | 31,569 | 23,051 |
| Other | 3,031 | 7,594 | 5,772 |
| | $36,678 | $59,102 | $40,520 |

During 2020, the Corporation has entered into several multi-year agreements with third-party operators for online sports betting and iGaming market access in the states of Colorado and New Jersey, from which the Corporation has received or expects to receive one-time, up front market access fees in cash or equity securities (specific to one operator agreement) and certain other fees in cash generally based on a percentage of the gross gaming revenue generated by the operator, with certain annual minimum guarantees due to the Corporation. The one-time market access fees received have been recorded as deferred revenue and will be recognized as revenue ratably over the respective contract terms, beginning with the commencement of operations of each respective agreement. During the second quarter of 2020, operations related to certain agreements in the state of Colorado commenced, resulting in the recognition of $2.0 million of gaming revenue for the year ended December 31, 2020. Deferred revenue associated with third-party operators for online sports betting and iGaming market access was $2.0 million as of December 31, 2020.

Racing revenue includes Twin River Casino Hotel's, Tiverton Casino Hotel's (upon its opening on September 1, 2018), Newport Grand's (until its closing on August 28, 2018), Mile High USA's and Dover Downs' share of wagering from live racing and the import of simulcast signals. Racing revenue is recognized when the wager is complete based on an established take-out percentage. The Corporation functions as an agent to the pari-mutuel pool. Therefore, fees and obligations related to the Corporation's share of purse funding, simulcasting fees, tote fees, pari-mutuel taxes, and other fees directly related to the Corporation's racing operations are reported on a net basis and included as a deduction to racing revenue.

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 Corporation-operated outlets.

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

Sales tax and other taxes collected on behalf of governmental authorities are accounted for on a net basis and are not included in revenue or operating expenses.

The following table provides a disaggregation of total revenue by segment (in thousands):

| Years Ended December 31, | Rhode Island | Mid-Atlantic | Southeast | West | Other | Total |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Gaming | $110,292 | $50,904 | $86,851 | $43,611 | $— | $291,658 |
| Racing | 811 | 872 | — | — | 4,729 | 6,412 |
| Hotel | 1,225 | 9,321 | 14,196 | — | — | 24,742 |
| Food and beverage | 9,573 | 9,538 | 10,262 | 2,719 | 40 | 32,132 |
| Other | 10,127 | 3,041 | 3,523 | 1,002 | 155 | 17,848 |
| Total revenue | $132,028 | $73,676 | $114,832 | $47,332 | $4,924 | $372,792 |
| **2019** | | | | | | |
| Gaming | $239,836 | $43,865 | $84,247 | n/a | $— | $367,948 |
| Racing | 3,536 | 931 | — | n/a | 8,647 | 13,114 |
| Hotel | 6,675 | 12,228 | 20,085 | n/a | — | 38,988 |
| Food and beverage | 33,124 | 19,799 | 16,886 | n/a | 95 | 69,904 |
| Other | 23,135 | 3,983 | 6,214 | n/a | 291 | 33,623 |
| Total revenue | $306,306 | $80,806 | $127,432 | n/a | $9,033 | $523,577 |
| **2018** | | | | | | |
| Gaming | $246,126 | n/a | $81,614 | n/a | $— | $327,740 |
| Racing | 3,796 | n/a | — | n/a | 9,362 | 13,158 |
| Hotel | 1,361 | n/a | 19,978 | n/a | — | 21,339 |
| Food and beverage | 29,922 | n/a | 18,342 | n/a | 116 | 48,380 |
| Other | 21,447 | n/a | 5,203 | n/a | 270 | 26,920 |
| Total revenue | $302,652 | n/a | $125,137 | n/a | $9,748 | $437,537 |

Revenue included in operations from Dover Downs from the date of its acquisition, March 28, 2019, through December 31, 2020, and Bally's Atlantic City from the date of its acquisition, November 18, 2020, through December 31, 2020, is reported in the "Mid-Atlantic" segment. Revenue included in operations from the Black Hawk Casinos, from the date of their acquisition, January 23, 2020, through December 31, 2020, and Casino KC from the date of its acquisition, July 1, 2020, through December 31, 2020, is reported in the "West" segment. Revenue included in operations of Casino Vicksburg, from the date of its acquisition, July 1, 2020, through December 31, 2020, and Shreveport from the date of its acquisition, December 23, 2020, through December 31, 2020, is reported in the "Southeast" segment. Refer to Note 5 "Acquisitions" for further information.

The Corporation's receivables related to contracts with customers are primarily comprised of marker balances and other amounts due from gaming activities, amounts due for hotel stays, and amounts due from tracks and off track betting ("OTB") locations. The Corporation's receivables related to contracts with customers were $12.0 million, $16.0 million and $13.3 million as of December 31, 2020, 2019 and 2018, respectively. The Corporation has the following liabilities related to contracts with customers: liabilities for loyalty programs, deposits made in advance for goods and services yet to be provided, unpaid wagers, and deferred revenue associated with third-party operators for online sports betting and iGaming market access. Loyalty program incentives earned by customers are typically redeemed within one year from when they are earned and expire if a customer's account is inactive for more than twelve months; therefore, the majority of these incentives outstanding at the end of a period will either be redeemed or expire within the next twelve months. The Corporation's contract liabilities related to loyalty programs were $15.5 million, $12.4 million and $9.5 million as of December 31, 2020, 2019 and 2018, respectively, and are included in "Accrued liabilities" in the consolidated balance sheets. The Corporation recognized $5.5 million, $10.0 million and $8.2 million of revenue related to loyalty program redemptions for the years ended December 31, 2020, 2019 and 2018, respectively. Deferred revenue associated with third-party operators for online sports betting and iGaming market access was $2.0 million as of December 31, 2020, the short and long-term portions of which are included in "Accrued liabilities" and "Other long-term liabilities" in the consolidated balance sheets, respectively.

Advance deposits are typically for future banquet events and to reserve hotel rooms. These deposits are usually received weeks or months in advance of the event or hotel stay. The Corporation's contract liabilities related to deposits from customers were $1.0 million, $1.4 million and $0.6 million as of December 31,

2020, 2019 and 2018, respectively, and are included in "Accrued liabilities" in the consolidated balance sheets.

Unpaid wagers include unpaid pari-mutuel tickets and unpaid sports bet tickets. Unpaid pari-mutuel tickets not claimed within twelve months by the customer who earned them are escheated to the state. The Corporation's contract liabilities related to unpaid tickets were $0.9 million, $1.1 million and $0.9 million as of December 31, 2020, 2019 and 2018, respectively, and are included in "Accrued liabilities" in the consolidated balance sheets.

## 5. ACQUISITIONS

Recent Acquisitions

*Dover Downs Gaming & Entertainment, Inc.*

On July 22, 2018, the Corporation entered into a merger agreement with Dover Downs pursuant to which, among other things, on March 28, 2019, a subsidiary of the Corporation merged with and into Dover Downs with Dover Downs becoming an indirect wholly-owned subsidiary of the Corporation. The merger resulted in Dover Downs' shareholders exchanging their Dover Downs stock for Corporation common shares representing 7.225% of the outstanding shares of common stock in the combined company at closing. A total of 2,976,825 shares of common stock were issued at the transaction closing on March 28, 2019 and the valuation of those shares was based on the closing price of Dover Downs' common stock on March 27, 2019.

| *(in thousands, except share and per share data)* | **March 28, 2019** |
|---|---|
| Dover Downs shares outstanding | 33,125,997 |
| Closing Dover Downs share price on March 27, 2019 | $2.62 |
| Total fair value of Dover Downs stock purchased* | $86,790 |
| Cash paid by the Corporation at closing, including amounts to retire Dover Downs debt, inclusive of accrued interest | $29,096 |
| Consideration transferred | $115,886 |

* Shares issued at approximately $29.15 per share when considering the fair value of stock purchased and number of Corporation shares issued in conjunction with the acquisition.

The total consideration paid by the Corporation in connection with the Dover Downs merger was approximately $115.9 million, or $96.4 million, net of cash acquired of $19.5 million. This purchase price excludes transaction costs. During the year ended December 31, 2020, the Corporation incurred $0.1 million of transaction costs related to the merger and becoming a publicly traded company, compared to $7.9 million during the year ended December 31, 2019. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

The identifiable intangible assets recorded in connection with the closing of the merger based on final valuations include trademarks of $3.9 million, rated player relationships of $0.8 million and hotel and conference pre-bookings of $0.4 million, which are being amortized on a straight-line basis over estimated useful lives of approximately ten years, eight years, and three years, respectively. The fair value of the identifiable intangible assets acquired was determined by using an income approach. Significant assumptions utilized in the income approach were based on company-specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance.

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

The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed based on final valuations as of December 31, 2019.

| *(in thousands)* | **As of March 28, 2019** |
|---|---|
| Cash | $19,500 |
| Accounts receivable | 5,674 |
| Due from State of Delaware | 2,535 |
| Inventory | 1,393 |
| Prepaid expenses and other assets | 2,479 |
| Property and equipment | 98,279 |
| Right of use asset | 1,333 |
| Intangible assets | 5,110 |
| Deferred income tax assets | 11,879 |
| Other assets | 320 |
| Goodwill | 1,047 |
| Accounts payable | (7,373) |
| Purses due to horseman | (2,613) |
| Accrued and other current liabilities | (13,513) |
| Lease obligations | (1,333) |
| Pension benefit obligations | (6,613) |
| Other long-term liabilities | (2,218) |
| Total purchase price | $115,886 |

Dover Downs' revenue and net income for the year ended December 31, 2020 was $65.0 million and $3.3 million, respectively, and $80.8 million and $6.0 million for the year ended December 31, 2019, respectively.

The following table represents unaudited supplemental *pro forma* consolidated revenue and net income based on Dover Downs' historical reporting periods as if the acquisition had occurred as of January 1, 2018:

| | **Year Ended** | |
|---|---|---|
| *(in thousands, except per share data)* | **December 31, 2019** | **December 31, 2018** |
| Revenue | $546,634 | $534,140 |
| Net income | $61,945 | $62,792 |
| Net income applicable to common stockholders | $61,945 | $63,432 |
| Net income per share, basic | $1.64 | $1.59 |
| Net income per share, diluted | $1.64 | $1.53 |

*Black Hawk Casinos*

On January 23, 2020, the Corporation acquired a subsidiary of Affinity Gaming ("Affinity") that owns three casino properties located in Black Hawk, Colorado: Golden Gates, Golden Gulch and Mardi Gras (the "Black Hawk Casinos").

The total consideration paid by the Corporation in connection with the Black Hawk Casinos acquisition was approximately $53.8 million, or $50.5 million net of cash acquired, excluding transaction costs. The Corporation incurred $1.0 million and $1.7 million of transaction costs during the years ended December 31, 2020 and 2019, respectively. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

The Corporation accounted for the acquisition of the Black Hawk Casinos as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. Under this method of accounting, the purchase price has been allocated to Black Hawk Casinos' assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date.

The identifiable assets recorded in connection with the closing of the Black Hawk Casinos acquisition include trademarks of $2.1 million and rated player relationships of $0.6 million, which are being amortized

on a straight-line basis over estimated useful lives of approximately 10 years and 6 years, respectively. The Corporation also recorded an intangible asset related to gaming licenses of approximately $3.3 million, with an indefinite life. However, in connection with the impairment testing discussed in Note 7 "Goodwill and Intangible Assets", the asset was deemed fully impaired and its value was written down to zero as of March 31, 2020. The fair value of the identifiable intangible assets acquired was determined by using an income approach. Significant assumptions utilized in the income approach were based on company-specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance.

Revenue included in operations from the Black Hawk Casinos, from the date of their acquisition, January 23, 2020, through December 31, 2020 was $17.8 million.

*Casino KC and Casino Vicksburg*

On July 1, 2020, the Corporation completed its acquisition of the operations and real estate of Casino KC and Casino Vicksburg from affiliates of Eldorado.

The total consideration paid by the Corporation in connection with the acquisition was approximately $229.9 million, or $225.5 million net of cash acquired, excluding transaction costs. The Corporation recorded acquisition costs related to the acquisition of Casino KC and Casino Vicksburg of $1.8 million during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

The Corporation accounted for the acquisition of Casino KC and Casino Vicksburg as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. Under this method of accounting, the purchase price has been allocated to Casino KC's and Casino Vicksburg's assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date.

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

| | **As of July 1, 2020** | | |
|---|---|---|---|
| | **Preliminary as of July 1, 2020** | **Year to Date Adjustments** | **Preliminary as of December 31, 2020** |
| Cash | $4,362 | $— | $4,362 |
| Accounts receivable | 594 | (12) | 582 |
| Inventory | 164 | — | 164 |
| Prepaid expenses and other assets | 709 | (23) | 686 |
| Property and equipment | 60,574 | 291 | 60,865 |
| Right of use asset | 41,971 | (31,656) | 10,315 |
| Intangible assets | 139,760 | (1,600) | 138,160 |
| Other assets | 118 | (1) | 117 |
| Goodwill | 52,285 | 1,611 | 53,896 |
| Accounts payable | (614) | — | (614) |
| Accrued and other current liabilities | (4,003) | 91 | (3,912) |
| Lease obligations | (65,381) | 30,929 | (34,452) |
| Deferred income tax liabilities | (233) | 233 | — |
| Other long-term liabilities | (306) | — | (306) |
| Total purchase price | $230,000 | $(137) | $229,863 |

Revenue and net income included in operations from Casino KC and Casino Vicksburg from the date of acquisition, July 1, 2020, through December 31, 2020 was $40.1 million and $8.5 million, respectively.

*Bally's Atlantic City*

On November 18, 2020, the Corporation completed its acquisition of Bally's Atlantic City from Caesars Entertainment, Inc. ("Caesars") and Vici Properties, Inc. In connection with the Bally's Atlantic City acquisition, the Corporation paid cash of approximately $24.7 million at closing, or $16.1 million, net of cash acquired, excluding transaction costs. The Corporation recorded a liability of $2.0 million for a net working capital adjustment which is reflected in "Accrued liabilities' in the consolidated balance sheets as of December 31, 2020.

In connection with the approval of the Corporation's interim gaming license in the state of New Jersey, the Corporation committed to the New Jersey Casino Control Commission to spend $90 million 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, the Corporation reached an agreement with Caesars, whereby Caesars would reimburse the Corporation for $30.0 million of the capital expenditure commitment by December 31, 2021. This commitment from Caesars to the Corporation 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 $27.7 million, 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 the consolidated balance sheets. This contingent consideration asset resulted in an adjusted purchase price of $(0.9) million.

The Corporation incurred $4.4 million of transaction costs related to Bally's Atlantic City during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expenses" in the consolidated statements of operations.

The Corporation 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 ASC 805. Under this method of accounting, the purchase price has been allocated to Bally's Atlantic City's assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date.

The identifiable intangible assets recorded in connection with the closing of the Bally's Atlantic City acquisition based on preliminary valuations include rated player relationships of $0.9 million and hotel and conference pre-bookings of $0.2 million, which are being amortized on a straight-line basis over estimated useful lives of approximately 8 years and 3 years, respectively. The Corporation determined that the value of and intangible asset related to gaming licenses was de minimus, primarily due to the previously mentioned capital expenditure commitment required to obtain the license. The preliminary fair value of the identifiable intangible assets acquired was determined by using a cost approach and an income approach for the rater player relationships and pre-bookings, respectively.

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

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

Based on the preliminary purchase price allocation, the fair value of the assets acquired and liabilities assumed exceed the purchase price consideration and therefore, a bargain purchase gain of $32.6 million was recorded during the three months ended December 31, 2020. The Corporation 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 Corporation by the New Jersey Casino Control Commission, which would have been imposed on the seller had they not divested the property. This gain is included in "Gain on bargain purchases" in the consolidated statements of operations.

Revenue included in operations from Bally's Atlantic City from the date of their acquisition, November 18, 2020, through December 31, 2020 was $8.7 million.

*Eldorado Resort Casino Shreveport*

On December 23, 2020, the Corporation completed its acquisition of Eldorado Resort Casino Shreveport in Shreveport, Louisiana ("Shreveport"). The total purchase price was approximately $137.2 million. Cash paid by the Corporation at closing, net of $5.0 million cash acquired and offset by a receivable of $0.8 million resulting from a networking capital adjustment, was $133.1 million, excluding transaction costs. The Corporation recorded acquisition costs related to the acquisition of Shreveport of $3.1 million during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations for the year ended December 31, 2020.

The Corporation accounted for the acquisition of Shreveport as a business combination using the acquisition method with Bally's as the accounting acquirer in accordance with ASC 805. Under this method of accounting, the purchase price has been allocated to Shreveport's assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date.

The identifiable intangible assets recorded in connection with the closing of the Shreveport acquisition based on preliminary valuations include gaming licenses of $57.7 million with an indefinite life and rated player relationships of $0.4 million, which is being amortized on a straight-line basis over estimated useful lives of approximately 8 years. The preliminary fair value of the identifiable intangible assets acquired was determined by using an income approach. Significant assumptions utilized in the income approach were based on company-specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance.

The following table summarizes the consideration paid and the preliminary fair values of the assets acquired and liabilities assumed in connection with the acquisition of Shreveport on December 23, 2020. Due to the fact that the transaction only recently closed, the purchase price allocation is preliminary and will be finalized when valuations are complete and final assessments of the fair value of other acquired assets and assumed liabilities are completed. There can be no assurance that such finalizations will not result in material changes from the preliminary purchase price allocations. The Corporation's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date),

as the Corporation finalizes the valuations of certain tangible and intangible asset acquired and liabilities assumed.

| | Preliminary as of December 23, 2020 |
|---|---|
| Cash | $4,980 |
| Accounts receivable | 1,936 |
| Inventory | 495 |
| Prepaid expenses and other assets | 245 |
| Property and equipment | 125,822 |
| Right of use asset | 9,260 |
| Intangible assets | 58,140 |
| Other assets | 403 |
| Accounts payable | (931) |
| Accrued and other current liabilities | (5,207) |
| Lease obligations | (14,540) |
| Deferred income tax liabilities | (11,457) |
| Other long-term liabilities | (680) |
| Net assets acquired | 168,466 |
| Bargain purchase gain | (31,276) |
| Total purchase price | $137,190 |

Based on the preliminary purchase price allocation, the fair value of the assets acquired and liabilities assumed exceed the purchase price consideration and therefore, a bargain purchase gain of $31.3 million was recorded during the three months ended December 31, 2020. The Corporation believes that it was able to acquire the net assets of Shreveport for less than fair value as a result of a distressed sale whereby Eldorado was required by the Federal Trade Commission to divest the Shreveport property prior to its merger with Caesars coupled with the timing of the agreement to purchase which was in the middle of industry wide COVID related shutdowns of all casinos in the United States. This gain is presented in "Gain on bargain purchases" in the consolidated statements of operations for the year ended December 31, 2020.

Revenue and net income included in operations from Shreveport from the date of acquisition, December 23, 2020, through December 31, 2020 was $2.5 million and $1.9 million, respectively.

*Supplemental Proforma Consolidated Information*

The following table represents unaudited supplemental proforma consolidated revenue and net (loss) income based on Casino KC, Casino Vicksburg and Shreveport's historical reporting periods as if the acquisitions had occurred as of January 1, 2019:

| | Year Ended | |
|---|---|---|
| *(in thousands, except per share data)* | December 31, 2020 | December 31, 2019 |
| Revenue | $465,685 | $722,136 |
| Net (loss) income | $(7,450) | $92,713 |
| Net (loss) income per share, basic | $(0.24) | $2.46 |
| Net (loss) income per share, diluted | $(0.24) | $2.45 |

Pending Acquisitions

*MontBleu*

The Corporation entered into an agreement with Eldorado and certain of its affiliates to purchase MontBleu Resort Casino & Spa in Lake Tahoe, Nevada ("MontBleu") for an aggregate purchase price of $15.0 million, payable one year form the closing date and subject to customary post-closing adjustments.

The acquisition is subject to receipt of required state regulatory approvals and satisfaction of other customary closing conditions.

The Corporation recorded acquisition costs related to the pending acquisition of MontBleu of $1.1 million during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

*Jumer's Casino & Hotel*

On September 30, 2020, the Corporation entered into an agreement with Delaware North Companies Gaming & Entertainment, Inc. to acquire Jumer's Casino & Hotel ("Jumer's") in Rock Island, Illinois for a purchase price of $120.0 million in cash, subject to customary post-closing adjustments. The transaction is subject to receipt of required state regulatory approvals and satisfaction of other customary closing conditions. The Corporation paid a deposit of $4.0 million related to this transaction during the third quarter of 2020, $2.0 million of which is nonrefundable.

The Corporation recorded acquisition costs related to the pending acquisition of Jumer's of $1.0 million during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

*Tropicana Evansville*

On October 27, 2020, the Corporation and certain affiliates entered into an agreement with Caesars and certain of its affiliates to acquire the operations of Tropicana Evansville casino for $140.0 million, subject to customary post-closing adjustments. The transaction is subject to receipt of required state regulatory approvals and satisfaction of other customary closing conditions.

The Corporation recorded acquisition costs related to the pending acquisition of Tropicana Evansville of $0.7 million during the year ended December 31, 2020. These costs are included in "Acquisition, integration and restructuring expense" in the consolidated statements of operations.

In connection with the acquisition of the Tropicana Evansville casino operations, an affiliate of Gaming & Leisure Properties, Inc. ("GLPI") agreed to acquire the real estate associated with the Tropicana Evansville Casino for $340.0 million and lease it back to the Corporation for $28.0 million per year, subject to escalation. GLPI also agreed to acquire the real estate associated with the Corporation's Dover Downs casino for $144.0 million and lease it back to the Corporation for $12.0 million per year, subject to escalation. Both leases are governed by a master lease agreement with GLPI which has an initial term of 15 years with four, five-year renewal options.

Consummation of the Corporation's proposed acquisition of the Tropicana Evansville is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals for the purchase of the casino by the Corporation. The Corporation's obligation to sell the Dover Downs real estate to GLPI is conditioned on, among other things, satisfaction of the conditions to the Corporation's obligation to close on its acquisition of the Tropicana Evansville. The Corporation's obligation to consummate the acquisition of the Tropicana Evansville is not conditioned on the closing of the sale of the Dover Downs real estate to GLPI.

*Bet.Works*

On November 18, 2020, the Corporation and Bet.Works Corp. ("Bet.Works") entered into a definitive agreement pursuant to which the Corporation will acquire Bet.Works (the "Bet.Works Acquisition") for $62.5 million in cash and 2,528,194 of the Corporation's common shares, subject in each case to customary adjustments. The shareholders of Bet.Works will not transfer any shares of Corporation common stock received in the Bet.Works Acquisition prior to the one-year anniversary of the closing and, for the next year thereafter, may transfer only up to 1% of the Corporation's common stock per quarter. Consummation of the Bet.Works Acquisition is subject to customary conditions, including receipt of required regulatory approvals.

Subsequent Events

*Monkey Knife Fight*

On January 22, 2021, the Corporation entered into an agreement to acquire Monkey Knife Fight ("MKF") for (1) immediately exercisable penny warrants to purchase up to 984,450 of the Corporation's common shares (subject to adjustment) at closing and (2) contingent penny warrants to purchase up to 787,550 additional common shares half of which is issuable on each of the first and second anniversary of closing. The contingency relates to MKF's continued operations in jurisdictions in which it operates at closing.

*SportCaller*

On February 5, 2021, the Corporation acquired Horses Mouth Limited ("SportCaller") for $24.0 million in cash and 221,391 of the Corporation's common shares at closing, pending adjustment, and up to $12.0 million in value of additional shares if SportCaller meets certain post-closing performance targets (calculated based on an exchange ratio of 0.8334). The Corporation will account for the this acquisition as a business combination under the acquisition method of accounting. As such, the purchase price will be allocated to the net assets acquired, inclusive of intangible assets, with any excess fair value recorded to goodwill. Since the closing date of the acquisition occurred subsequent to the end of the reporting period, the allocation of purchase price to the underlying net assets has not yet been completed. The Corporation will reflect the preliminary purchase price allocation in its consolidated financial statements for the year ending December 31, 2021.

## 6. SALE OF NEWPORT GRAND

On January 17, 2018, Newport Grand entered into a Purchase and Sale Agreement (the "Sale Agreement") with a third party (the "Buyer"), pursuant to which the Buyer acquired the land and building relating to the Newport Grand Casino for $10.2 million in a transaction that closed on May 1, 2018. The Corporation leased back the Newport Grand Casino from May 1, 2018 until November 1, 2018 at which time it vacated the property. This lease is accounted for as an operating lease. On August 28, 2018, Newport Grand was closed, and Tiverton Casino Hotel was opened on September 1, 2018.

As of January 17, 2018, Newport Grand met the accounting guidance for assets held for sale, thus the Corporation recorded impairment losses of $4.2 million for the difference between the fair value and the carrying value of the land, building and building improvements included in the Sale Agreement. The Corporation also recorded an expense of $2.4 million, in accordance with ASC 450, *Contingencies*, as the amount due for certain brokerage fees associated with the sale of Newport Grand became probable and reasonably estimable on this date. The move from Newport Grand to Tiverton Casino Hotel occurred on September 1, 2018.

The following sets forth the calculation of the Newport Grand disposal loss for the year ended December 31, 2018:

| | |
|---|---|
| Sale price | $10,150 |
| Land, building and improvement costs sold or written off | (12,993) |
| Transaction costs | (669) |
| Impairment loss | (3,512) |
| Participation fees | (2,373) |
| Land, building and improvement disposal loss | (5,885) |
| Equipment written-off upon facility closure | (629) |
| Newport Grand disposal loss | $(6,514) |

The sale of the Newport Grand assets did not qualify as a discontinued operation as the sale was not a strategic shift that had a major effect on the Corporation's operations and financial results.

## 7. GOODWILL AND INTANGIBLE ASSETS

*2019 Annual Impairment Assessments*

As of October 1, 2019, the Corporation performed a qualitative analysis for the annual assessment of goodwill (commonly referred to as "Step Zero") for all of its reporting units, which did not result in any impairment charges to goodwill or other intangible assets.

*2020 Interim Impairment Assessments*

Late in the first quarter of 2020, as a result of the economic and market conditions surrounding the COVID-19 pandemic and the decline in its stock price and market capitalization the Corporation experienced at the time, the Corporation determined that it was more likely than not that the carrying value of all of its reporting units exceeded these units' fair value and performed an interim quantitative impairment test of goodwill.

The Corporation estimated the fair values of all reporting units using both the market approach, applying a multiple of earnings based on guidelines for publicly traded companies, and the income approach, discounting projected future cash flows based on management's expectations of the current and future operating environment for each reporting unit. The calculation of the impairment charge includes substantial fact-based determinations and estimates including weighted average cost of capital, future revenue, profitability, cash flows and fair values of assets and liabilities. The rates used to discount projected future cash flows under the income approach reflect a weighted average cost of capital in the range of 10% to 15%, which considered guidelines for publicly traded companies, capital structure and risk premiums, including those reflected in the current market capitalization. The Corporation corroborated the reasonableness of the estimated reporting unit fair values by reconciling to its enterprise value and market capitalization. Based on this analysis, the Corporation determined that only the carrying value of its Black Hawk Casinos reporting unit exceeded its fair value by an amount that exceeded the assigned goodwill and indefinite lived intangibles as of the acquisition date. As a result, the Corporation recorded a total impairment charge of $8.7 million for the year ended December 31, 2020, which is included in the Corporation's "West" reportable segment, and was allocated between goodwill and intangible assets with charges of $5.4 million and $3.3 million, respectively.

The goodwill impairment charge adjustment recorded in the second quarter of 2020 was attributable to changes in the preliminary fair value of net assets, which affected the initial goodwill resulting from the Black Hawk Casinos acquisition. The goodwill impairment charge is reflected in goodwill and asset impairment (adjustment) in the consolidated statements of operations and comprehensive income. The goodwill impairment charge reflects all of the Black Hawk Casinos reporting unit goodwill, based on the preliminary acquisition date assigned fair values.

*2020 Annual Impairment Assessments*

As of October 1, 2020, the Corporation performed a qualitative analysis for the annual assessment of goodwill (commonly referred to as "Step Zero") for all reporting units with the exception of its Twin River Casino Hotel and Tiverton Casino Hotel reporting units which together comprise the "Rhode Island" reportable segment. From a qualitative perspective, in evaluating whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, relevant events and circumstances are taken into account, with greater weight assigned to events and circumstances that most affect the fair value or the carrying amounts of its assets. Items that were considered included, but were not limited to, the following: macroeconomic conditions, industry and market conditions and overall financial performance. After assessing these and other factors, the Corporation determined that it was more likely than not that the fair value of each reporting unit exceed their carrying amounts as of October 1, 2020. If future results vary significantly from current estimates and related projections, the Corporation may be required to record impairment charges.

As of October 1, 2020, the Corporation bypassed its option to perform a qualitative analysis for the annual assessment of goodwill for its Rhode Island reportable segment, and instead performed a quantitative analysis. The Corporation estimated the fair values of each reporting unit using both the income approach, discounting projected future cash flows based on management's expectations of the current and future operating environment for each reporting unit. The calculation of the impairment charge includes substantial fact-based determinations and estimates including weighted average cost of capital, future revenue, profitability, cash flows and fair values of assets and liabilities. The rates used to discount projected future cash flows under the income approach reflect a weighted average cost of capital of 10%, which considered guidelines for publicly traded companies, capital structure and risk premiums, including those reflected in the current market capitalization. Based on this analysis, the Corporation determined that the fair values of the Twin River Casino Hotel and Tiverton Casino Hotel exceeded their carrying values by significant margins and that impairment did not exist. If future results vary significantly from current estimates and related projections, the Corporation may be required to record impairment charges.

The change in carrying value of goodwill by reportable segment for the years ended December 31, 2020 and 2019 is as follows:

| | Rhode Island | Mid-Atlantic | Southeast | West | Total |
|---|---|---|---|---|---|
| Goodwill as of December 31, 2018 | $83,101 | $— | $48,934 | $— | $132,035 |
| Goodwill from current year business combinations | — | 1,047 | — | — | 1,047 |
| Goodwill as of December 31, 2019 | $83,101 | $1,047 | $48,934 | $— | $133,082 |
| Goodwill from current year business combinations | — | — | 6,053 | 53,204 | 59,257 |
| Impairment charges | — | — | — | (5,360) | (5,360) |
| Goodwill as of December 31, 2020 | $83,101 | $1,047 | $54,987 | $47,844 | $186,979 |

There was no change in the carrying value of goodwill during the year ended December 31, 2018.

The change in intangible assets, net for the years ended December 31, 2020, 2019 and 2018 is as follows:

| | |
|---|---|
| Intangible assets, net as of December 31, 2017 | $115,367 |
| Other intangibles acquired | 208 |
| Less: Accumulated amortization | (5,471) |
| Intangible assets, net as of December 31, 2018 | $110,104 |
| Intangible assets from current year business combinations | 5,110 |
| Other intangibles acquired | 1,092 |
| Less: Accumulated amortization | (5,933) |
| Intangible assets, net as of December 31, 2019 | $110,373 |
| Intangible assets from current year business combinations | 203,380 |
| Other intangibles acquired[(1)] | 357,793 |
| Impairment charges | (3,299) |
| Less: Accumulated amortization | (4,852) |
| Intangible assets, net as of December 31, 2020 | $663,395 |

(1) Includes Naming rights and Bally's trade name.

The Corporation's identifiable intangible assets consist of the following:

| (in thousands, except years) | Weighted average remaining life (in years) | December 31, 2020 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | | |
| Naming rights – Sinclair[(1)] | 10.0 | $338,241 | $— | $338,241 |
| Rhode Island contract for VLT's | 0.0 | 29,300 | (29,300) | — |
| Trade names | 8.6 | 21,600 | (16,475) | 5,125 |
| Hard Rock license | 26.5 | 8,000 | (1,576) | 6,424 |
| Rated player relationships | 5.8 | 10,515 | (5,483) | 5,032 |
| Other | 3.7 | 1,950 | (750) | 1,200 |
| Total amortizable intangible assets | | 409,606 | (53,584) | 356,022 |
| Intangible assets not subject to amortization: | | | | |
| Gaming licenses | Indefinite | 287,108 | — | 287,108 |
| Bally's trade name | Indefinite | 19,052 | — | 19,052 |
| Novelty game licenses | Indefinite | 1,213 | — | 1,213 |
| Total unamortizable intangible assets | | 307,373 | — | 307,373 |
| Total intangible assets, net | | $716,979 | $(53,584) | $663,395 |

(1) Amortization will begin upon the commencement date of the re-branded Sinclair regional sports networks which had not occurred as of December 31, 2020. As such, there was no amortization expense for the year ended December 31, 2020.

| (in thousands, except years) | Weighted average remaining life (in years) | December 31, 2019 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | | |
| Rhode Island contract for VLT's | 0.6 | $29,300 | $(27,629) | $1,671 |
| Trade names | 7.0 | 19,500 | (14,576) | 4,924 |
| Hard Rock license | 27.5 | 8,000 | (1,333) | 6,667 |
| Rated player relationships | 5.1 | 7,765 | (4,660) | 3,105 |
| Other | 3.2 | 1,220 | (534) | 686 |
| Total amortizable intangible assets | | 65,785 | (48,732) | 17,053 |
| Intangible assets not subject to amortization: | | | | |
| Rhode Island VLT license | Indefinite | 92,108 | — | 92,108 |
| Novelty game licenses | Indefinite | 1,212 | — | 1,212 |
| Total unamortizable intangible assets | | 93,320 | — | 93,320 |
| Total intangible assets, net | | $159,105 | $(48,732) | $110,373 |

| (in thousands, except years) | Weighted average remaining life (in years) | December 31, 2018 | | |
|---|---|---|---|---|
| | | Gross Carrying Amount | Accumulated Amortization | Net |
| Amortizable intangible assets: | | | | |
| Rhode Island contract for VLT's | 1.6 | $29,300 | $(24,611) | $4,689 |
| Trade names | 1.8 | 15,600 | (12,724) | 2,876 |
| Hard Rock license | 28.5 | 8,000 | (1,091) | 6,909 |
| Rated player relationships | 5.4 | 6,945 | (4,014) | 2,931 |
| Other | 4.2 | 680 | (359) | 321 |
| Total amortizable intangible assets | | 60,525 | (42,799) | 17,726 |
| Intangible assets not subject to amortization: | | | | |
| Rhode Island VLT license | Indefinite | 92,108 | — | 92,108 |
| Novelty game licenses | Indefinite | 270 | — | 270 |
| Total unamortizable intangible assets | | 92,378 | — | 92,378 |
| Total intangible assets, net | | $152,903 | $(42,799) | $110,104 |

Amortization of intangible assets was approximately $4.9 million, $5.9 million and $5.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Refer to Note 5 "Acquisitions" for further information about the preliminary purchase price allocation and provisional goodwill and intangible balances added from current year business combinations. Refer to Note 9 "Sinclair Agreement" for intangible assets added through the Sinclair Agreement.

The following table shows the remaining amortization expense associated with finite lived intangible assets as of December 31, 2020:

| (in thousands) | |
|---|---|
| 2021 | $27,610 |
| 2022 | 36,005 |
| 2023 | 35,924 |
| 2024 | 35,274 |
| 2025 | 35,274 |
| Thereafter | 185,935 |
| | $356,022 |

## 8. ACCRUED LIABILITIES

As of December 31, 2020, 2019 and 2018, accrued liabilities consisted of the following:

| | December 31, | | |
|---|---|---|---|
| *(in thousands)* | 2020 | 2019 | 2018 |
| Gaming liabilities | $33,795 | $23,908 | $18,740 |
| Compensation | 21,708 | 13,849 | 16,622 |
| Bally's trade name accrual, current portion | 9,475 | — | — |
| Insurance reserve | 7,188 | — | — |
| Transaction services and net working capital accrual | 7,174 | — | — |
| Purses due to horsemen | 5,726 | 7,868 | — |
| Property taxes | 3,486 | 2,920 | 2,582 |
| Interest payable | 3,076 | 2,291 | 238 |
| Construction accruals | 2,151 | — | 3,677 |
| Legal | 1,761 | 833 | 3,784 |
| Other | 24,515 | 19,180 | 12,135 |
| Total accrued liabilities | $120,055 | $70,849 | $57,778 |

## 9. SINCLAIR AGREEMENT

On November 18, 2020, the Corporation entered into the Sinclair Agreement, which provides for a long-term strategic relationship between the Corporation and Sinclair combining Bally's integrated, proprietary sports betting technology with Sinclair's portfolio of local broadcast stations and live regional sports networks and its Tennis Channel, Stadium sports network and STIRR streaming service, whereby the Corporation will receive naming rights to the regional sports networks and certain integrations to network programming in exchange for annual fees paid in cash, the issuance of warrants and options, and an agreement to share in certain tax benefits resulting from the Transactions with Sinclair (the "TRA"). The initial term of the agreement is 10 years from the commencement of date of the re-branded Sinclair regional sports networks and can be renewed for one additional 5-year term unless either the Corporation or Sinclair elect not to renew.

*Naming Rights Intangible Asset*

The Corporation accounted for this transaction as an asset acquisition in accordance with the "Acquisition of Assets Rather Than a Business" subsections of ASC 805-50 using a cost accumulation model. The Corporation acquired a Naming rights intangible asset, the value of which was determined to be $332.3 million on the November 18, 2020 acquisition date, representing the consideration transferred on the acquisition date which was comprised of the present value of annual naming rights fees, the fair value of the warrants and options and an estimate of the TRA payments, as discussed in further detail below. The Naming rights intangible asset will be amortized on a straight-line basis over a useful life of 10 years, which has been determined to be the period of anticipated benefit and is consistent with the term of the Sinclair Agreement. Amortization will begin upon the commencement date of the re-branded Sinclair regional sports networks which had not occurred as of December 31, 2020. As such, there was no amortization expense for the year ended December 31, 2020.

*Annual Naming Rights Fees*

Under the terms of the Sinclair Agreement, the Corporation will be required to pay annual naming rights fees to Sinclair for naming rights of the regional sports networks which escalate annually and total $88.0 million over the ten-year term of the agreement and begin on the commencement date of the re-branded Sinclair regional sports networks. The present value of the annual naming rights fees was recorded as a liability and will be accreted through interest expense over the life of the agreement. The value of the liability as of December 31, 2020 was $56.6 million, of which $54.6 million and $2.0 million is presented as "Naming rights liabilities" and "Accrued liabilities" in the consolidated balance sheets, respectively. Accretion expense for the year ended December 31, 2020 was $0.5 million and was reported in "Interest expense, net of amounts capitalized" in the consolidated statements of operations.

*Warrants and Options*

The Corporation has issued to Sinclair (i) an immediately exercisable warrant to purchase up to 4,915,726 shares of the Corporation at an exercise price of $0.01 per share ("the Penny Warrants"), (ii) a warrant to purchase up to a maximum of 3,279,337 additional shares of the Corporation at a price of $0.01 per share subject to the achievement of various performance metrics ("the Performance Warrants"), and (iii) an option to purchase up to 1,639,669 additional shares in four tranches with purchase prices ranging from $30.00 to $45.00 per share, exercisable over a seven-year period beginning on the fourth anniversary of the November 18, 2020 closing ("the Options"). The exercise and purchase prices and the number of shares issuable upon exercise of the warrants and options are subject to customary anti-dilution adjustments. The issuance pursuant to the warrants and options of shares in excess of 19.9% of the Corporation's currently outstanding shares was subject to the approval of the Corporation's stockholders in accordance with the rules of the New York Stock Exchange ("NYSE") as of December 31, 2020, and prior to stockholder approval the Corporation would have been required to pay cash to Sinclair in lieu of Sinclair being permitted to purchase, pursuant to the exercise of warrants or options, greater than 19.9% of the Corporation's outstanding common shares. The Corporation formally obtained stockholder approval on January 27, 2021.

As of both November 18, 2020 and December 31, 2020, the Corporation evaluated the classification of the Penny Warrants, Options and Performance Warrants under ASC 815-40 to determine whether equity classification was precluded for one or more of the warrants and options as a result of the requirement to net cash settle any option of the contracts that result in the delivery of shares in excess of the 19.9% threshold prior to obtaining stockholder approval. Since a portion of the warrants and options could be settled in shares below this threshold, the Corporation adopted a sequencing policy as prescribed in ASC 815-40-35 whereby it would allocate available shares under the 19.9% cap to contracts based on the order in which they become exercisable. This resulted in the allocation of available shares to the immediately exercisable Penny Warrants first, the Performance Warrants second and the Options, which contain a four-year vesting period, third. This policy results in there being a sufficient number of shares below the 19.9% cap to settle the Penny Warrants, but an insufficient number of shares to settle the Performance Warrants and Options.

The Corporation accounted for the Penny Warrants as an equity classified instrument because they are indexed to the Corporation's own stock and meet the conditions to be classified in equity under ASC 815, including sufficient available shares for the Corporation to settle the exercise of the warrants in shares. The fair value of the Penny Warrants approximates the fair value of the underlying shares and was $150.4 million on November 18, 2020 at issuance, recorded to "Additional paid-in-capital" in the consolidated balance sheets, with an offset to the Naming rights intangible asset.

The Performance Warrants were accounted for as a derivative liability because the underlying performance metrics represent an adjustment to the settlement amount that is not indexed to the Corporation's own stock and thus equity classification is precluded under ASC 815. The fair values of the Performance Warrants as of November 18, 2020 and December 31, 2020 were $55.2 million and $88.1 million, respectively, and were calculated using an option pricing model, considering the Corporation's estimated probabilities of achieving the performance milestones for each tranche. Inputs to this valuation approach include volatility between 55% and 60%, risk free rates between 0.34% and 0.52%, the Corporation's common stock price of $30.61 and $50.23, and expected terms between 4.4 and 6.0 years. The initial fair value as of November 18, 2020 was recorded as a liability with an offset to the Naming rights intangible asset. The fair value as of December 31, 2020 was reported in "Naming rights liabilities" in the consolidated balance sheets The increase in fair value of the Performance Warrants from November 18, 2020 through December 31, 2020 was $32.9 million and resulted in a mark to market loss, reported in "Change in value of naming rights liabilities" in the consolidated statements of operations.

The Options were accounted for as a derivative liability because the Options could have been required to be settled in cash, outside the Corporation's control, prior to formal stockholder approval. Until stockholder approval is obtained, the Options will be recorded at their fair value with changes in fair value recognized in the statement of operations. The fair value of the options was initially measured as a liability on November 18, 2020 upon issuance with an offset to the Naming rights intangible asset. The fair values were based on Black-Scholes models using Level 2 inputs, including volatility of 60% and 55%, a risk free rate of 0.95% and 0.99%, the Corporation's common stock price of $30.61 and $50.23 and the term of 11.0 years and 10.9 years, which resulted in total values of $33.4 million and $58.2 million as of November 18, 2020 and December 31, 2020, respectively. The fair value of the Options was reported in "Naming rights liabilities" in the consolidated balance sheets as of December 31, 2020. The increase in fair

value of the Options from November 18, 2020 through December 31, 2020 was $24.8 million and resulted in a mark to market loss, reported in "Change in value of naming rights liabilities" in the consolidated statements of operations.

The Options met the criteria to be classified as equity upon stockholder approval on January 27, 2021, at which point the Options were adjusted to fair value and $59.7 million was reclassified from Naming rights liabilities to "Additional paid-in-capital" in the consolidated balance sheet. The Performance Warrants are expected to continue to be classified as liability awards, with changes in fair value reported in earnings.

*Tax Receivable Agreement*

The Corporation entered into the TRA with Sinclair as an additional form of consideration for the acquisition of the Naming Rights Intangible Asset. Under the TRA, the Corporation is required to share 60% of the tax benefit the Corporation receives from the Penny Warrants, the Options, the Performance Warrants and payments under the TRA, which are payable to Sinclair over the remaining term of the agreement once the tax benefit amounts become finalized through the filing of the Corporation's annual tax returns. The Corporation accounted for the obligations due under the TRA as contingent consideration in the acquisition of the Naming Rights intangible asset pursuant to ASC 805 and has recorded a liability of $37.1 million as of the acquisition date of November 18, 2020. Subsequent to the acquisition date, changes in the TRA liability due to estimates of the tax benefits to be realized as well as tax rates in effect at the time among other changes are treated as an adjustment of the acquired Naming Rights intangible asset. As of December 31, 2020, the estimate of the TRA liability was $43.0 million, reflecting an increase of as of $5.9 million from the acquisition date, which was recorded as an increase to the Naming rights intangible asset. The ending Naming rights intangible asset as of December 31, 2020 was $338.2 million. The TRA liability is reported in "Naming rights liabilities" in the consolidated balance sheets.

## 10. ACQUISITION, INTEGRATION AND RESTRUCTURING EXPENSE

The following table reflects acquisition, integration and restructuring expense the Corporation recorded during the years ended December 31, 2020, 2019 and 2018:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Acquisition and integration costs: | | | |
| Bally's Atlantic City | $4,373 | $— | $— |
| Eldorado Resort Casino Shreveport | 3,108 | — | — |
| Casino KC and Casino Vicksburg | 1,828 | 1,293 | — |
| MontBleu | 1,052 | — | — |
| Black Hawk Casinos | 1,021 | 1,724 | 208 |
| Jumer's Hotel & Casino | 1,003 | — | — |
| Tropicana Evansville | 661 | — | — |
| Centre County, PA | 132 | — | — |
| Dover Downs merger and going public expenses | 59 | 7,883 | 6,636 |
| Total | 13,237 | 10,900 | 6,844 |
| Restructuring expense | 20 | 1,268 | — |
| Total acquisition, integration and restructuring expense | $13,257 | $12,168 | $6,844 |

*Restructuring Expense*

During the year ended December 31, 2019, the Corporation incurred restructuring expenses of $0.8 million related to severance costs incurred attributable to the acquisition of Dover Downs in the first quarter of 2019, as well as $0.4 million related to severance costs incurred at the Corporation's Twin River Casino Hotel property. The following table summarizes the restructuring liability accrual activity during the years ended December 31, 2020 and 2019 related to the Rhode Island and Mid-Atlantic reportable segments.

| | **Severance** | | |
|---|---|---|---|
| *(in thousands)* | **Rhode Island** | **Mid-Atlantic** | **Total** |
| Restructuring liability as of December 31, 2018 | $— | $— | $— |
| Additions | 425 | 843 | 1,268 |
| Payments | (425) | (820) | (1,245) |
| Restructuring liability as of December 31, 2019 | — | 23 | 23 |
| Additions | — | 20 | 20 |
| Payments | — | (43) | (43) |
| Restructuring liability as of December 31, 2020 | $— | $— | $— |

## 11. LONG-TERM DEBT

As of December 31, 2020, 2019 and 2018, long term debt consisted of the following:

| | **December 31,** | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Term Loan Facility | $569,125 | $298,500 | $342,439 |
| Revolving Credit Facility | 35,000 | — | 55,000 |
| 6.75% Senior Notes due 2027 | 525,000 | 400,000 | — |
| Less: Unamortized original issue discount | (11,771) | (2,014) | (1,027) |
| Less: Unamortized deferred financing fees | (17,499) | (12,885) | (2,239) |
| Long-term debt, including current portion | 1,099,855 | 683,601 | 394,173 |
| Less: Current portion of Term Loan and Revolving Credit Facility | (5,750) | (3,000) | (3,595) |
| Long-term debt, net of discount and deferred financing fees; excluding current portion | $1,094,105 | $680,601 | $390,578 |

*May 2019 Senior Secured Credit Facility*

On May 10, 2019, the Corporation entered into a credit agreement ("the "Credit Agreement") with Citizens Bank, N.A., as administrative agent, (the "Agent"), and the lenders party thereto (the "Credit Facility"), consisting of a $300 million Term B Loan facility (the "Term Loan Facility") and a $250 million revolving credit facility (the "Revolving Credit Facility"). The Corporation's obligations under the Revolving Credit Facility will mature on May 10, 2024. The Corporation's obligations under the Term Loan Facility will mature on May 10, 2026. Beginning September 30, 2019, the Corporation is required to make quarterly principal payments of $750,000 on the Term Loan Facility on the last business day of each fiscal quarter. In addition, the Corporation is required to make mandatory payments of amounts outstanding under the Credit Facility with the proceeds of certain casualty events, debt issuances, and asset sales and, commencing with the fiscal year beginning January 1, 2020, the Corporation is required to apply a portion of its excess cash flow to repay amounts outstanding under the Credit Facility.

Borrowings under the Credit Facility bear interest at a rate equal to, at the Corporation's option, either (1) LIBOR determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs and subject to a floor of 0.00% or (2) a base rate determined by reference to the greatest of the federal funds rate plus 0.50%, the prime rate as determined by the Agent, the one-month LIBOR rate plus 1.00%, and subject to a floor of 1.00%, in each

case plus an applicable margin. In the event that the LIBOR rate is no longer available or no longer used to determine the interest rate of loans, the Corporation and the Agent will amend the Credit Agreement to replace LIBOR with an alternate benchmark rate that has been broadly accepted by the syndicated loan market in the United States in lieu of LIBOR and until such amendment has become effective, loans will be based on the base rate. In addition, on a quarterly basis, the Corporation is required to pay each lender under the Revolving Credit Facility a 0.50% commitment fee, in respect of commitments under the Revolving Credit Facility, which may be subject to one or more step-downs based on the Corporation's total net leverage ratio. As of December 31, 2020, the interest rate for the Term Loan Facility was 3.00%.

The Credit Facility allows the Corporation to (1) establish additional Term B Loans and/or establish one or more new tranches of term loans and/or (2) increase commitments under the Revolving Credit Facility and/ or add one or more new tranches of revolving facilities, in an aggregate amount not to exceed the greater of (x) $195 million and (y) 100% of consolidated EBITDA for the most recent four-quarter period plus or minus certain amounts as specified in the Credit Agreement, including an unlimited amount subject to compliance with a consolidated total secured net leverage ratio as set out in the Credit Agreement.

The Corporation's obligations under the Credit Facility are guaranteed by each of the Corporation's existing and future wholly owned domestic restricted subsidiaries, subject to certain exceptions, and are secured by a first priority lien on substantially all of the Corporation's and each of the guarantors' existing and future property and assets, subject to certain exceptions.

On March 16, 2020, the Corporation borrowed under its Revolving Credit Facility the full available amount of $250 million to increase its cash position and liquidity to facilitate financial flexibility in light of the then uncertainty in the global markets and the Corporation's business resulting from the COVID-19 pandemic. These borrowings were repaid as part of the increase in the Term Loan Facility mentioned below. As of December 31, 2020 and 2018, there were $35 million and $55 million of outstanding borrowings under the Revolving Credit Facility.

On March 9, 2021, the Corporation amended its Credit Agreement to increase the aggregate principal amount of the Revolving Credit Facility to $325 million, an increase of $75 million pursuant to an incremental revolving facility. Borrowings under the new incremental revolving facility will be subject to the same terms and conditions of the existing Revolving Credit Facility under the Credit Agreement.

*May 2020 Term Loan*

On May 11, 2020, the Corporation closed on an amendment to its Credit Facility to increase its Term Loan Facility by $275 million. Borrowings under the increased portion of the Term Loan Facility will bear interest at LIBOR + 8.00% per annum with a 1.00% LIBOR floor through the May 10, 2026 maturity date. Following the amendment, the Corporation repaid the full $250 million outstanding under its Revolving Credit Facility. This new term loan satisfied the financing contingency in the purchase agreement to acquire Shreveport and MontBleu from affiliates of Eldorado.

*6.75% Senior Notes due 2027*

On May 10, 2019, the Corporation, issued $400 million aggregate principal amount of 6.75% unsecured senior notes due June 1, 2027 (the "Senior Notes"). On October 9, 2020, the Corporation issued an additional $125 million aggregate principal amount of 6.75% unsecured senior notes due June 1, 2027 (the "Additional Notes" and, together with the Initial Notes, the "Senior Notes"). The Additional Notes, other than with respect to the date of issuance and issue price, are identical to the Initial Notes, and are treated as a single class with the Initial Notes for all purposes under the indenture governing the Senior Notes (the "Indenture"). Immediately after giving effect to the issuance and sale of the Additional Notes, the Corporation had $525 million in aggregate principal amount of Senior Notes outstanding. Interest on the Senior Notes is paid semi-annually in arrears on June 1 and December 1. The Corporation used a portion of the net proceeds from the Initial Notes, together with a portion of the proceeds from its Term Loan Facility, to repay borrowings under the Corporation's prior credit agreement (the "Former Credit Facility").

The Credit Facility and the Indenture each contain covenants that limit the ability of the Corporation and its restricted subsidiaries to, among other things, incur additional indebtedness, pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments, enter into certain transactions with affiliates, sell or otherwise dispose of assets, create or incur liens, and merge, consolidate or sell all or substantially all of the Corporation's assets, in each case, subject to certain exceptions and qualifications. In addition, if more than 30% of the capacity of the Revolving Credit Facility is utilized, as was the case at March 31, 2020 (but not June 30, 2020, September 30, 2020 or December 31, 2020), the Corporation must comply with a maximum total net leverage ratio, which is

currently set at 5.50:1.00. These covenants are subject to exceptions and qualifications set forth in the Credit Facility and the Indenture, and as described below under "Financial Covenant Relief", were modified as of April 24, 2020. The Corporation was in compliance with all such covenants as of December 31, 2020.

On February 4, 2021, the Corporation announced that it had obtained the consent of the Senior Notes holders to amend the indenture governing the Senior Notes. The amendment to the Indenture amended the "Incurrence of Indebtedness and Issuance of Subsidiary Preferred Stock" covenant contained in Section 4.09 of the Indenture to increase the fixed dollar prong of the credit facility basket from "$745.0 million" to "$975.0 million." Except for this amendment, all the existing terms of the Senior Notes remain unchanged.

The Corporation may redeem some or all of the Senior Notes at any time prior to June 1, 2022 at a redemption price equal to 100% of the aggregate principal amount of the Senior Notes to be redeemed plus a "make-whole" premium and accrued and unpaid interest. In addition, prior to June 1, 2022, the Corporation may redeem up to 40% of the original principal amount of the Senior Notes with proceeds of certain equity offerings at a redemption price equal to 106.75% of the aggregate principal amount of such Senior Notes plus accrued and unpaid interest. On or after June 1, 2022, the Corporation may redeem some or all of the Senior Notes at the redemption prices set forth in the Indenture plus accrued and unpaid interest. The Senior Notes are subject to disposition and redemption requirements imposed by gaming laws and regulations of applicable gaming regulatory authorities.

The Senior Notes are guaranteed, jointly and severally, by each of the Corporation's restricted subsidiaries that guarantee the Corporation's obligations under the Credit Facility.

*Former Credit Agreements*

The Credit Facility replaced the Former Credit Facility, which was entered into on July 10, 2014, and included a term loan ("Former Term Loan") in the principal amount of $480 million and an original issue discount of 1%, payable in quarterly installments of $1.2 million with the balance payable upon maturity on July 10, 2020 and a revolving credit facility ("Former Revolving Credit Facility") with an original capacity of $40 million and a capacity on March 31, 2019 of $150 million as a result of several amendments, the last of which occurred on March 26, 2019 and increased the capacity from $100 million to $150 million to, among other things, help retire debt of Dover Downs at the closing of the acquisition on March 28, 2019.

The interest rate for the Former Term Loan and the Former Revolving Credit Facility was based on LIBOR, with a LIBOR floor of 1.00% on the Former Term Loan, plus a 3.50% interest rate margin per annum in the case of both the Former Term Loan and Former Revolving Credit Facility. Both the Former Term Loan and the Former Revolving Credit Facility were pre-payable at any time, provided notice was given.

As of December 31, 2018, the Former Revolving Credit Facility balance was $55.0 million. The Corporation repaid the Former Revolving Credit Facility and the Former Term Loan during the second quarter of 2019 with a portion of the proceeds from the Term Loan Facility and the Initial Notes. There were no letters of credit issued as of December 31, 2018. The weighted average interest rate on outstanding borrowings on the Former Revolving Credit facility was 6.26% on December 31, 2018.

*Debt Maturities*

As of December 31, 2020, the contractual annual principal maturities of long-term debt, including the Revolving Credit Facility, are as follows:

| *(in thousands)* | |
|---|---|
| 2021 | $5,750 |
| 2022 | 5,750 |
| 2023 | 5,750 |
| 2024 | 40,750 |
| 2025 | 5,750 |
| Thereafter | 1,065,375 |
| | $1,129,125 |

*Financial Covenant Relief*

On April 24, 2020, the Corporation and its lenders amended the financial covenants and certain other terms of the Corporation's Credit Facility to provide financial covenant relief from the effects of the COVID-19

pandemic. Until the date on which the Corporation is required to deliver its compliance certificate and financial statements for the three months ending March 31, 2021 (the "Leverage Ratio Covenant Relief Period") (unless the Corporation elects to terminate the covenant relief period earlier), the Corporation will not be required to comply with the maximum total net leverage ratio covenant applicable under the Credit Facility, but instead will be required to comply with a minimum liquidity covenant tested at the last day of each month during the Leverage Ratio Covenant Relief Period. Under the minimum liquidity requirement, the Corporation will be required to have unrestricted cash on hand at the end of each month in the following amounts: (1) $75.0 million at April 30, 2020 and May 31, 2020, (2) $65.0 million at June 30, 2020, (3) $55.0 million at July 31, 2020, and (4) $50.0 million at each month-end thereafter through March 31, 2021. The Corporation is not permitted to declare or pay dividends on its common stock or make other restricted payments (including repurchases of shares of its common stock), complete investments or acquisitions (other than those previously announced) during the Leverage Ratio Covenant Relief Period, and the interest rate on the Revolving Credit Facility borrowings is LIBOR + 2.75% during the Leverage Ratio Covenant Relief Period. Additionally, the amendment permanently changed the minimum LIBOR on revolver borrowings from 0.00% to 0.75%. The Corporation was in compliance with all debt covenants, as amended, as of December 31, 2020.

On March 5, 2021, the Corporation and its lenders amended the financial covenants and certain other terms of its Credit Agreement to provide deemed consolidated EBITDA numbers for certain fiscal quarters of 2021 and to permit the annualization of consolidated EBITDA for the 2021 fiscal year for purposes of calculating compliance with the consolidated total net leverage ratio, to the extent we are required to comply with it. In accordance with the terms of the previous amendment to the Corporation's Credit Facility, restrictions on the Corporation's ability to declare or pay dividends on its common stock or make other restricted payments (including repurchases of shares of its common stock), and complete investments or acquisitions (other than those previously announced) ends upon the expiration of the leverage covenant relief period which occurs on March 31, 2021.

## 12. LEASES

*Operating Leases*

The Corporation is committed under various operating lease agreements primarily related to submerged tidelands, property and equipment. Additionally, certain of the Corporation's subsidiaries lease office space, parking space, memorabilia and equipment under agreements classified as operating leases that expire on various dates through 2027.

Hard Rock Biloxi has an agreement with the State of Mississippi for the lease and use of approximately five acres of submerged tidelands for a primary term of thirty years, expiring September 30, 2037. Upon expiration of the primary term, Hard Rock Biloxi will have an option to extend the lease for a renewal term of thirty years; the renewal option has not been included in the calculation of the lease liability or right of use asset as the Corporation is not reasonably certain to exercise the option. Annual rent for the lease, as of December 31, 2020, is approximately $1.2 million and adjusts annually by the increase in the consumer price index ("CPI"). Future changes to the CPI are treated as variable lease payments and are recognized in the period in which the obligation for those payments is incurred.

Hard Rock Biloxi also has a Lease and Air Space agreement with the City of Biloxi. The agreement grants the Corporation rights to a parking area, and to the airspace above two defined parcels of land along with certain support structure rights for the construction of a parking garage. The arrangement has a 40-year term expiring November 18, 2043 with one 25-year renewal option at the Corporation's option; the renewal option has not been included in the calculation of the lease liability or right of use asset as the Corporation is not reasonably certain to exercise the option. Monthly rent escalates every 5 years based on CPI, and we are responsible for property taxes. Future changes to the CPI are treated as variable lease payments and are recognized in the period in which the obligation for those payments is incurred.

In connection with the acquisition of Casino KC, the Corporation is party to a sublease with the Port Authority of Kansas City, Missouri, which has leased the property from the City of Kansas City. Our sublease expires on October 18, 2021, but on that date will automatically renew for five additional periods of five years each. The lease agreement provides for minimum annual rent paid in advance and subject to increases in the CPI every five years. Current minimum annual rent payments are $3.1 million per year. In addition, the agreement calls for quarterly percentage rent payments equal to 3.25% of gross revenues, less the minimum annual rent payment. Casino KC is obligated to operate Casino KC at all times. If Casino KC fails to do so, it must pay the Port Authority, in lieu of percentage rent, a sum equal to 50% of the then-applicable base rent during the time Casino KC is not operating.

In connection with the acquisition of Shreveport, the Corporation is party to a ground lease with the City of Shreveport, Louisiana. The Corporation's initial lease will expire on November 30, 2021, but as of that date the Corporation can renew for five additional periods of five years each. The renewal options have been included in the measurement of the lease liability as the Corporation has determined it is reasonably certain of exercising the options. The lease agreement provides for minimum annual rent, subject to 15% increases with each renewal term. In addition, the agreement calls for monthly percentage rent of 1.0% of adjusted gross revenues, subject to an annual minimum of $0.5 million.

During the year ended December 31, 2020, three equipment leases were terminated via purchase of the underlying assets.

At December 31, 2020, the Corporation had operating lease liabilities of $63.5 million and right of use assets of $36.1 million, which were included in the consolidated balance sheets.

The Corporation's total lease cost under ASC 842 for the years ended December 31, 2020 and 2019 is as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(in thousands)* | **2020** | **2019** |
| Operating leases: | | |
| Operating lease cost | $3,256 | $2,430 |
| Variable lease cost | 56 | 66 |
| Operating lease expense | 3,312 | 2,496 |
| Short-term lease expense | 2,158 | 1,830 |
| Total lease expense | $5,470 | $4,326 |

Rent expense for the year ended December 31, 2018 was determined under ASC 840, which excludes variable lease cost and was $2.0 million.

Supplemental cash flow and other information for the year ended December 31, 2020 and 2019, related to operating leases is as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(in thousands)* | **2020** | **2019** |
| Cash paid for amounts included in the lease liability – operating cash flows from operating leases | $5,235 | $2,440 |
| Right of use assets obtained in exchange for operating lease liabilities | $9,376 | $18,771 |
| Weighted average remaining lease term | 24.3 years | 16.7 years |
| Weighted average discount rate | 7.3% | 6.8% |

As of December 31, 2020, future minimum rental commitments under noncancelable operating leases are as follows:

| *(in thousands)* | **2020** |
|---|---|
| 2021 | $6,204 |
| 2022 | 5,960 |
| 2023 | 5,917 |
| 2024 | 5,866 |
| 2025 | 5,633 |
| Thereafter | 109,713 |
| Total | 139,293 |
| Less: present value discount | (75,748) |
| Operating lease obligations | $63,545 |

Future operating lease payments as shown above include $108.1 million related to extension options that are reasonably certain of being exercised.

The Corporation also has leasing arrangements with third-party lessees at its properties. Leasing arrangements for which the Corporation acts as a lessor are not deemed material as of December 31, 2020.

## 13. EQUITY PLANS

The Corporation has two equity incentive plans: the 2010 BLB Worldwide Holdings, Inc. Stock Option Plan (the "2010 Option Plan") and the 2015 Stock Incentive Plan ("2015 Incentive Plan").

The 2010 Option Plan provided for options to acquire 2,455,368 shares of the Corporation's common stock. Options granted to employees, officers and directors of the Corporation under the 2010 Option Plan vested on various schedules by individual as defined in the individual participants' option agreements. Vested options can generally be exercised all or in part at any time until the tenth anniversary of the date of grant. Effective December 9, 2015, it was determined that no new awards would be granted under the 2010 Option Plan.

The 2015 Incentive Plan provides for the grant of stock options, RSAs, RSUs and other stock-based awards (including those with performance-based vesting criteria) to employees, directors or consultants of the Corporation. The 2015 Incentive Plan provides for the issuance of up to 1,700,000 shares of the Corporation's common stock. As of December 31, 2020, 576,076 shares were available for grant under the 2015 Incentive Plan.

The Corporation recognized total share-based compensation expense of $17.7 million and $3.8 million for the years ended December 31, 2020 and 2019, respectively, compared to a benefit of $1.5 million for the year ended December 31, 2018. The increase in share-based compensation expense was directly attributable to the Corporation's annual grant of restricted stock awards to eligible employees and executive management which occurred during the first quarter of 2020 with one-third of the restricted stock award vesting during the first quarter of 2020 and one-third vesting at the end of the 2020 year. Additionally, the Corporation issued other stock based awards ("OSBAs") to eligible employees in the form of immediately vested common stock on December 30, 2020. See "*Other Stock Based Awards"* section below.

The total income tax benefit (expense) for share-based compensation arrangements was $6.9 million, $0.9 million, and $(0.4) million, for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, there was $15.3 million of unrecognized compensation cost related to outstanding share-based compensation arrangements (including stock options, RSA, RSU and PSU arrangements) which is expected to be recognized over a weighted average period of 1.4 years.

***Stock Options***

Stock option activity under the 2010 Option Plan for the year ended December 31, 2020 is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2018 ......... | 109,564 | $4.31 | | |
| Outstanding at December 31, 2019 ......... | 109,564 | $4.31 | | |
| Exercised.................................................. | (19,564) | $4.31 | | |
| Outstanding at December 31, 2020 ......... | 90,000 | $4.31 | 2.7 years | $4.1 million |
| Exercisable at December 31, 2020 .......... | 90,000 | $4.31 | 2.7 years | $4.1 million |

There were no stock options granted during the years ended December 31, 2020, 2019 or 2018.

The total intrinsic value of options exercised or unvested options put to the Corporation (see discussions below) and cancelled was $0.4 million and $40.5 million for the years ended December 31, 2020 and 2018, respectively. There were no options exercised for the year ended December 31, 2019.

All stock option awards were vested as of December 31, 2017. Accordingly, there was no remaining compensation cost relating to unvested stock options as of December 31, 2020, 2019 or 2018.

Exercises and Related Notes Receivable and Puts

In July and November 2015, certain employees and directors exercised a combined total of 1,864,428 outstanding stock options (the "Financed Options") and executed promissory notes to TRMG in connection with those exercises to finance the exercise price and associated income taxes. The notes are considered nonrecourse for accounting purposes. As such, (i) the purchases of common stock with a promissory note continued to be accounted for as stock options and (ii) no receivable for amounts due under the promissory notes for the exercise price of the Financed Options were recorded on the Corporation's consolidated balance sheets.

On August 19, 2015, all previously issued option agreements under the 2010 Option Plan were amended (the "Put Amendment"), allowing the participant to request purchase by the Corporation ("Put") during April or October each year beginning in 2016 ("Put Periods") of up to one-third of any previously issued shares or vested but unexercised options under the 2010 Option Plan for Fair Market Value, as defined therein, less the applicable exercise price in the case of vested but unexercised options. Participants seeking to exercise the Put were required to be employed by the Corporation or serving as a director of the Corporation at the time of the request. Any purchases by the Corporation during a Put Period were subject to limitations contained in the credit agreements related to the Corporation's indebtedness that were outstanding at the time. In March 2018, the Corporation revised the Put Periods from April and October to four periods in each year, subject to anticipated blackout periods. In December 2018, all outstanding options under the 2010 Option Plan were amended to remove the Put rights.

Certain employees and directors Put a total of 331,112 Financed Options to the Corporation at $23.50 per share and paid the related promissory notes with a portion of the proceeds during the year ended December 31, 2018. The shares were included in Treasury stock in the consolidated balance sheets after the respective Put dates. During the year ended December 31, 2018, in addition to the Put shares discussed above, promissory notes related to 1,439,984 Financed Options were paid. On the date the promissory notes are paid, the options are considered exercised and the common stock is considered issued for accounting purposes. As of December 31, 2020, 2019 and 2018, there were no Financed Options outstanding.

Exercises for Cash and Puts of Unexercised Options

During 2017, 13,336 vested but unexercised options were Put to the Corporation at $24.38 per share and 54,976 options were exercised, with cash paid for the exercise price. During the years ended December 31, 2018 and 2019, no vested but unexercised options were Put to the Corporation and no options, excluding the Financed Options, were exercised.

In December 2018, when the Put rights were removed, the awards were reclassified from liability classified awards to equity classified awards. Upon the modification of the awards, the intrinsic value of the outstanding stock options of $2.9 million was moved from the stock options liability to additional paid in capital in the consolidated balance sheets. For the year ended December 31, 2018 the Corporation recorded a reduction to compensation expense of $3.2 million to adjust the stock options to the intrinsic value as of the date the stock options were exercised or reclassified to equity classified awards.

***Restricted Stock Units and Performance-Based Restricted Stock Units***

Under the 2015 Incentive Plan, RSUs and PSUs have been awarded to eligible employees, members of the Corporation's senior management and certain members of its Board of Directors. Each RSU and PSU represents the right to receive one share of the Corporation's common stock. RSUs generally vest in one-third increments over a three year period, and compensation cost is recognized over the respective service periods based on the grant date fair value. PSUs generally vest over a two or three year period depending on the individual award agreement and become eligible for vesting upon attainment of performance objectives for the performance period. The number of PSUs that may become eligible for vesting varies and is dependent upon whether the performance targets are met, partially met or exceeded each year. The fair value of RSUs and PSUs issued subsequent to the Corporation becoming publicly traded in 2019 are determined based on the number of units granted and the quoted price of the Corporation's common stock as of the grant date. Refer to "*Valuation of Equity Compensation Awards"* below for the valuation methodology used for awards issued prior to 2019.

Under the terms of the above awards, shares of the Corporation's stock are issued upon vesting of the awards, unless deferral is elected by the participant at the time of the award. The Corporation removed the Put rights from the award agreements in December 2018; prior to that time, at the election of the

participant, issued shares could be Put to the Corporation at fair value during any Put Period that was at least three years following the vesting date.

Equity-Classified Awards

The following summary presents information of equity-classified RSU and PSU activity for the year ended December 31, 2020:

| | Restricted Stock Units | Performance Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| Outstanding at December 31, 2019 | 76,343 | 53,613 | $28.57 |
| Granted | 762,670 | 48,209 | 31.27 |
| Vested | (422,962) | (53,617) | 26.17 |
| Forfeited | (1,642) | (16,727) | 26.52 |
| Outstanding at December 31, 2020 | 414,409 | 31,478 | $36.12 |

The weighted average grant date fair value for RSUs and PSUs was $31.27, $30.68, and $27.15 in 2020, 2019, and 2018, respectively.

The total intrinsic value of RSUs vested, but not deferred, during the year ended December 31, 2020 was $23.7 million, $5.4 million and $0.6 million, for the years ended December 31, 2020, 2019 and 2018, respectively.

For PSU awards, performance objectives for each year are established no later than 90 days following the start of the year. As the performance targets have not yet been established for the PSUs that are eligible to be earned in 2021, a grant date has not yet been established for those awards in accordance with ASC 718, *Compensation—Stock Compensation*. The grant date for the 2020, 2019 and 2018 performance periods have been established and, based upon achievement of the performance criteria for the years ended December 31, 2020 and 2019, 31,478 and 48,525 PSUs, respectively, became eligible for vesting. For the 2018 performance period the Corporation did not achieve the performance target, thus no shares became eligible to vest.

Liability-Classified Awards

On January 1, 2018, the Corporation granted RSU's to certain employees with a cash settlement feature. The actual amount of cash will be determined by the number of RSUs to be settled in cash multiplied by the share price of the Corporation's common stock at the time of settlement. These awards vest in one-third increments as of December 31, 2018, 2019 and 2020.

The following summary presents liability-classified RSU activity for the year ended December 31, 2020:

| | Restricted Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at December 31, 2019 | 9,572 | $25.50 |
| Vested and settled for cash | (9,572) | 25.50 |
| Forfeited | — | 25.50 |
| Outstanding at December 31, 2020 | — | $25.50 |

The 9,572 cash-settled vested RSUs were settled for $0.5 million cash in January 2021 and 9,568 cash-settled vested RSUs were settled for $0.2 million of cash in January 2020.

***Other Stock Based Awards***

On December 30, 2020, the Corporation issued OSBAs in the form of immediately vested common stock to eligible employees, members of the Corporation's senior management and certain members of its Board of Directors under the 2015 Incentive Plan. These OSBAs were awarded in recognition of the strategic

accomplishments of individuals and the Corporation as a whole for fiscal 2020 in lieu of potential cash incentive compensation. The Corporation elected to utilize stock as form of compensation in an effort to preserve liquidity for the Corporation in light of COVID-19 and its impact on operations. Total net shares awarded on December 30, 2020 were 131,046 and the associated expense recognized was $6.3 million for the year ended December 31, 2020.

***Valuation of Equity Compensation Awards***

Prior to the Corporation becoming publicly traded in 2019, the fair values of the shares of common stock underlying the Corporation's liability classified awards, RSUs and PSUs were estimated on each grant date by the Board of Directors. In order to determine the fair value, the Corporation's Board of Directors considered, among other things, valuations of its common stock in accordance with the guidance provided by the American Institute of Certified Public Accountants 2013 Practice Aid, Valuation of Privately Held Corporation Equity Securities Issued as Compensation, or the Practice Aid. Given the absence of a public trading market of the Corporation's common stock, its Board of Directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of its common stock. The Board of Directors used an income approach, weighted 50%, and a market approach, weighted 50%.

For the income approach, the Corporation performed a discounted cash flow analysis, which utilized projected cash flows as well as a residual value, which were discounted to the present value in order to arrive at an enterprise value. The Corporation relied on the following key assumptions for the income approach, in addition to management projections for the business:

- a weighted average cost of capital (WACC), which served as the discount rate applied to forecasted future cash flows to calculate the present value of those cash flows; and
- a long-term growth rate assumption, which was used to calculate the residual value of the Corporation before discounting to present value.
- For the market approach, the Corporation utilized the guideline company method and comparable transaction method by analyzing separately a population of comparable companies and comparable transactions and selected those companies considered to be the most comparable to the Corporation in terms of business description, size, growth, profitability, risk and return on investment, among other factors. The Corporation then used these guideline companies and comparable transactions to develop relevant market multiples and ratios, which were applied to the corresponding latest twelve months and forward financials to estimate total enterprise value. The Corporation relied on the following key assumptions for the market approach:
- the Corporation's projected financial results determined as of the valuation date based on its best estimates; and
- multiples of enterprise value to EBITDA, determined as of the valuation date, based on a group of comparable companies and comparable transactions.

## 14. STOCKHOLDERS' EQUITY

*Stock Dividend*

On January 18, 2019, the Board of Directors of the Corporation approved a common stock dividend, accounted for as a stock split. The stock split was effected through a stock dividend of three shares for each share outstanding as of the approval date. The effect of this dividend has been retroactively applied to the consolidated financial statements as of and for the period ended December 31, 2018 resulting in an increase in shares outstanding from 9,855,339 to 39,421,356. All share and per share information included in the consolidated financial statements have been retroactively adjusted to reflect the impact of the stock dividend. The shares of common stock authorized remained at 100,000,000, and the shares retained a par value of $0.01.

*Capital Return Program and Quarterly Cash Dividends*

On June 14, 2019, the Corporation announced that its Board of Directors approved a capital return program under which the Corporation may expend a total of up to $250 million for a share repurchase program and payment of dividends. Share repurchases may be effected in various ways, which could include open-market or private repurchase transactions, accelerated stock repurchase programs, tender offers or other transactions. The amount, timing and terms of any return of capital transaction will be determined based on prevailing

market conditions and other factors. The Corporation expects to fund any share repurchases and dividends from existing capital resources. There is no fixed time period to complete share repurchases.

On July 26, 2019, the Corporation completed a modified Dutch auction tender offer ("Offer"), purchasing 2,504,971 common shares at an aggregate purchase price of $73.9 million. The Offer was funded with cash on hand. During the year ended December 31, 2019, in addition to those shares purchased as part of the Offer, the Corporation repurchased 6,558,379 shares under the capital return program for an aggregate cost of $148.8 million.

On February 10, 2020, the Board of Directors approved an increase in the capital return program of $100 million.

Total share repurchase activity during the years ended December 31, 2020, 2019 and 2018 is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| *(in thousands, except share and per share data)* | **2020** | **2019** | **2018** |
| Number of common shares repurchased | 1,812,393 | 9,079,690 | 338,648 |
| Total cost | $33,292 | $223,075 | $7,958 |
| Average cost per share, including commissions | $18.37 | $24.57 | $23.50 |

All shares repurchased during the years ended December 31, 2020, 2019 and 2018 were transferred to treasury stock. The Corporation retired 10,892,083 shares of its common stock held in treasury during the year ended December 31, 2020. The Corporation retired 1,431,980 shares of its common stock held in treasury during the year ended December 31, 2019. The shares were returned to the status of authorized but unissued shares. As of December 31, 2020, there were no shares remaining in treasury.

During the years ended December 31, 2020 and 2019, the Corporation paid cash dividends of $0.10 and $0.20 per common share for a total cost of approximately $3.2 million and $7.6 million, respectively. As of December 31, 2020 and 2019, $84.9 million and $19.7 million, respectively, remained available for use under the above-mentioned capital return program. Pursuant to the terms of the amendment to the Credit Facility entered into on April 24, 2020, as noted in Note 10. "Long-term Debt," the Corporation may not declare or pay dividends on its common stock or make other restricted payments (including repurchases of shares of its common stock) during the Leverage Ratio Covenant Relief Period.

## 15. EMPLOYEE BENEFIT PLANS

### Multi-employer Defined Benefit Plans

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

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

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

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

The following table outlines the Corporation's participation in multi-employer pension plans for the years ended December 31, 2020, 2019 and 2018 and sets forth the calendar year contributions and accruals for each plan. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act zone status available in 2020, 2019 and 2018 relates to the plans' three most recent fiscal year-ends. The zone status is based on information that the Corporation received from the plans' administrators and is certified by each plan's actuary. Plans certified in the red zone are generally less than 65% funded, plans certified in the orange zone are both less than 80% funded and have an accumulated funding deficiency or are expected to have a deficiency in any of the next six plan years, plans certified in the yellow zone are less than 80% funded, and plans certified in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan ("FIP") for yellow/orange zone plans, or a rehabilitation plan ("RP")

for red zone plans, is either pending or has been implemented. As of December 31, 2020, 2019 and 2018, all plans that have either a FIP or RP requirement have had the respective plan implemented.

| Pension Fund | EIN/ Pension Plan Number | Pension Protection Act Zone Status | | | FIP/RP Status Pending/ Implemented | Contributions and Accruals (in $000's) | | | Corporation Contributions > 5% | Union Contract Expires |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | | 2020 | 2019 | 2018 | | |
| SEIU National Industry Pension Fund | 52-6148540 | Red | Red | Red | Yes/Implemented | $366 | $910 | $845 | No | 4/30/2022 |
| New England Carpenters Pension Fund [1] | 51-6040899 | Green | Green | Green | No | 91 | 121 | 138 | No | 6/2/2020[4] |
| Plumbers and Pipefitters Pension Fund | 52-6152779 | Yellow | Yellow | Yellow | Yes/Implemented | 171 | 299 | 311 | No | 8/29/2021 |
| Rhode Island Laborers Pension Fund | 51-6095806 | Green | Green | Green | No | 483 | 785 | 934 | Yes | 10/31/2022 |
| New England Teamsters Pension Fund | 04-6372430 | Red | Red | Red | Yes/Implemented | 230 | 361 | 582 | No | 6/30/2023 |
| The Legacy Plan of the UNITE HERE Retirement Fund [3] | 82-0994119/001 | Red | Red | Red | Yes/Implemented | 578 | 936 | 1,474 | No | 6/30/2021 |
| The Adjustable Plan of the UNITE HERE Retirement Fund [3] | 82-0994119/002 | N/A[2] | N/A[2] | N/A[2] | No | 5/31/ 2022 | | | | |
| Local 68 Engineers Union Pension Fund | 51-0176618 | Red | Red | Yellow | Yes/Implemented | 22 | — | — | No | 4/30/2022 |
| Northeast Carpenters Pension Fund | 11-1991772 | Green | Green | Green | No | 10 | — | — | No | 4/30/2022 |
| International Painters and Allied Trades Industry Pension Fund | 52-6073909 | Red | Red | Yellow | Yes/Implemented | 5 | — | — | No | 4/30/2022 |
| Total Contributions | | | | | | $1,956 | $3,412 | $4,284 | | |

(1) Effective January 1, 2018, the Rhode Island Carpenters Pension Fund (05-6016572) merged into the New England Carpenters Pension Fund.
(2) The Plan is not subject to the Pension Protection Act of 2016 zone status certification rule.
(3) Formerly listed as Hotel & Restaurant Employees International Pension Fund – Allocations of contributions between the two plans are determined by the plan administrator. Unions at both our Twin River Lincoln and Bally's Atlantic City properties participate in the UNITE HERE Retirement funds.
(4) Contract renewal is currently in negotiations

Contributions, based on wages paid to covered employees totaled approximately $2.0 million, $3.4 million and $4.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. These aggregate contributions were not individually significant to any of the respective plans. The Corporation's share of the unfunded vested liability related to its multi-employer plans, if any, other than the New England Teamsters and Trucking Industry Pension Fund discussed below, is not determinable.

Under the terms of certain collective bargaining agreements, the Corporation contributes to a number of multi-employer annuity funds. Contributions are made at a fixed rate per hour worked, in accordance with the collective bargaining agreements. These plans are not subject to the withdrawal liability provisions applicable to multi-employer defined benefit pension plans. Contributions made to these plans by the Corporation were $1.2 million, $2.6 million and $2.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

**Dover Downs Defined Benefit Pension Plans**

The Corporation acquired two defined pension plans with the acquisition of Dover Downs on March 28, 2019, the Dover Downs Gaming & Entertainment, Inc. Pension Plan ("Dover Downs Pension Plan") and the Dover Downs Gaming & Entertainment, Inc Excess Pension Plan ("Excess Plan"). The acquisition resulted in a revaluation of the benefit pension plan obligation as of the acquisition date.

Excess Plan

Dover Downs had historically maintained the Excess Plan, a non-qualified, non-contributory defined benefit pension plan for certain employees that had been frozen since July 2011. This Excess Plan provided benefits that would otherwise be provided under the qualified Dover Downs Pension Plan but for maximum benefit and compensation limits applicable under federal tax law. The cost associated with the Excess Plan is determined using the same actuarial methods and assumptions as those used for the qualified Dover Downs Pension Plan. The Excess Plan was settled as of March 31, 2019. The Corporation made a settlement

payment of $0.5 million during the three months ended March 31, 2019. The settlement payment is recorded within accrued liabilities on the opening balance sheet as of the acquisition date.

Dover Downs Pension Plan

Dover Downs maintained the Dover Downs Pension Plan, a non-contributory, tax qualified defined benefit pension plan that has been frozen since July 2011. All full-time employees, and part-time employees who worked over 1,000 hours per year, were eligible to participate in the Dover Downs Pension Plan. Benefits provided by the qualified pension plan were based on years of service and employees' remuneration over their term of employment. Compensation earned by employees up to July 31, 2011 is used for purposes of calculating benefits under the Dover Downs Pension Plan with no future benefit accruals after this date.

For the defined benefit pension plan, the accumulated benefit obligation is equal to the projected benefit obligation. The following tables present the benefit obligation, fair value of plan assets and funded status of the plan:

| | Year Ended December 31, | |
|---|---|---|
| *(in thousands)* | **2020** | **2019** |
| **Changes in Benefit Obligation** | | |
| Beginning benefit obligation | $27,849 | $24,067 |
| Service cost | — | — |
| Interest cost | 897 | 666 |
| Actuarial (gain) loss | 3,069 | 3,588 |
| Benefits paid | (880) | (472) |
| Benefit obligation at end of year | $30,935 | $27,849 |
| **Changes in Plan Assets** | | |
| Beginning fair value of plan assets | $19,162 | $17,454 |
| Actual return (loss) on plan assets | 2,653 | 1,815 |
| Employer contributions | 786 | 365 |
| Benefits paid | (880) | (472) |
| Settlement payments | — | — |
| Fair value of plan assets at end of year | $21,721 | $19,162 |
| Unfunded status at end of year | $(9,214) | $(8,687) |

Net periodic benefit (income) cost and other changes in plan assets and benefit obligations recognized consist of the following:

| | Year Ended December 31, | |
|---|---|---|
| *(in thousands)* | **2020** | **2019** |
| **Net Periodic Benefit (Income) Cost** | | |
| Interest cost | $897 | $666 |
| Expected return on plan assets | (1,428) | (967) |
| Net periodic benefit (income) cost | $(531) | $(301) |
| **Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income** | | |
| Net actuarial loss | $1,844 | $2,740 |
| Total expense recognized in other comprehensive income | $1,844 | $2,740 |
| Total expense recognized in net periodic benefit cost (income) and other comprehensive income (loss) | $1,313 | $2,439 |

The estimated net actuarial loss expected to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the Dover Downs Pension Plan for the year ending December 31, 2021 is $0.2 million.

Amounts recognized in the consolidated balance sheets as of December 31, 2020 and 2019 consist of non-current liabilities of $9.2 million and $8.7 million, respectively.

The principal assumptions used to determine net periodic pension benefit cost and benefit obligation under the Dover Downs Pension Plan as of December 31, 2020 consist of the following:

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| **Benefit obligation assumptions:** | | |
| Discount rate | 2.55% | 3.28% |
| **Net periodic benefit cost assumptions:** | | |
| Discount rate | 3.28% | 4.05% |
| Expected return on plan assets | 7.5% | 7.5% |
| Average future years of service | 8.9 | n/a |

The Corporation utilizes a spot rate approach to determine the benefit obligation and the subsequent years' interest cost component of the net periodic pension benefit. This method uses individual spot rates along the yield curve that correspond with the timing of each benefit payment and will provide a more precise measurement of the interest cost by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates. The Society of Actuaries' RP 2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and projected with Mortality Improvement Scale MP-2018 are also utilized.

For 2020, the assumed long-term rate of return on plan assets is 7.5%. In developing the expected long-term rate of return assumption, the Corporation reviewed asset class return expectations and long-term inflation assumptions and considered its historical compounded return, which was consistent with its long-term rate of return assumption.

The Corporation's investment goals for the Dover Downs Pension Plan assets are to achieve a combination of moderate growth of capital and income with moderate risk. Acceptable investment vehicles will include mutual funds, exchange-traded funds ("ETFs"), limited partnerships, and individual securities. Target allocations for plan assets are 60% equities and 40% fixed income. Of the equity portion, approximately 50% will be targeted to be invested in passively managed securities using ETFs and the other approximately 50% will be targeted to be invested in actively managed investment vehicles. Diversification is addressed by investing in mutual funds and ETFs which hold large, mid and small capitalization U.S. stocks, international (non-U.S.) equities, and emerging markets. A percentage of the investments are readily marketable in order to be available to fund benefit payment obligations as they become payable.

The asset allocation targets and the actual allocation of pension assets in the Dover Downs Pension Plan as of December 31, 2020 are as follows:

| Asset Category | Target | December 31, 2020 |
|---|---|---|
| Equity Securities | 60% | 64% |
| Debt Securities | 40% | 32% |
| Other | —% | 4% |
| Total | 100% | 100% |

The fair values of pension assets in the Dover Downs Pension Plan as of December 31, 2020 by asset category are as follows:

| (in thousands)<br>**Asset Category** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| Mutual funds/ETFs: | | | | |
| Equity-large cap | $7,986 | $7,986 | $— | $— |
| Equity-mid cap | 1,254 | 1,254 | — | — |
| Equity-small cap | 1,243 | 1,243 | — | — |
| Equity-international | 3,343 | 3,343 | — | — |
| Fixed income | 6,944 | 6,944 | — | — |
| Money market | 951 | 951 | — | — |
| Total mutual funds/ETFs | $21,721 | $21,721 | $— | $— |

Minimum pension contributions of $0.5 million are required to be made to the Dover Downs Pension Plan under the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”) in 2020. We expect to contribute approximately $0.7 million to the Dover Downs Pension Plan in 2021.

The estimated future benefit payments under the Dover Downs Pension Plan are as follows:

| (in thousands)<br>**Year Ending December 31,** | |
|---|---|
| 2021 | $944 |
| 2022 | 991 |
| 2023 | 1,081 |
| 2024 | 1,126 |
| 2025 | 1,179 |
| 2026-2030 | 6,398 |

***Supplemental Executive Retirement Plan***

The Corporation also acquired Dover Downs’ non-elective, non-qualified supplemental executive retirement plan (“SERP”) which provides deferred compensation to certain highly compensated employees of Dover Downs. The SERP is a discretionary defined contribution plan and contributions made to the SERP in any given year are not guaranteed and will be at the sole discretion of the committee responsible for administering the SERP. The liability for SERP pension benefits as of both the acquisition date and December 31, 2019, was de minimis.

***401(k) Plans***

The Corporation has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering non-union employees and certain union employees. The plan allows employees to 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. Dover Downs also maintains a defined contribution 401(k) plan, which permits participation by substantially all of its employees. Total employer contribution expense to both 401(k) profit-sharing plans were $0.7 million, $1.6 million and $1.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

***New England Teamsters and Trucking Industry Pension Fund***

The *New England Teamsters and Trucking Industry Pension Fund (the “Pension Fund”)* is in critical and declining status. On September 30, 2018, the Corporation entered into an agreement to withdraw from the Pension Fund and is not expected to have any further obligation to contribute to the Pension Fund following the withdrawal payment of $3.7 million the Corporation paid in October 2018. The Corporation recorded $3.7 million in “Advertising, general and administrative expense” in the consolidated statements of operations for the year ended December 31, 2018. On October 1, 2018, the Corporation entered into an agreement to re-enter the Pension Fund as a new employer and to contribute specified rates in the new agreement. The agreements have been ratified by the union and the trustees of the Pension Fund.

## 16. INCOME TAXES

The components of the provision for income taxes are as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Current taxes | | | |
| Federal | $(72,517) | $9,022 | $15,262 |
| State | 2,002 | 2,033 | 5,217 |
| | (70,515) | 11,055 | 20,479 |
| Deferred taxes | | | |
| Federal | 9,871 | 7,363 | 5,760 |
| State | (8,680) | 1,632 | 120 |
| | 1,191 | 8,995 | 5,880 |
| (Benefit) Provision for income taxes | $(69,324) | $20,050 | $26,359 |

The effective rate varies from the statutory U.S. federal tax rate as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Income tax expense at statutory federal rate | $(15,710) | $15,789 | $20,537 |
| State income taxes, net of federal effect | (5,276) | 2,883 | 4,308 |
| Nondeductible professional fees | (665) | 1,255 | 1,776 |
| Other permanent differences including lobbying expense | 279 | 424 | 236 |
| Share-based compensation | (922) | (261) | (718) |
| Gain on bargain purchases | (13,413) | — | — |
| CARES Act | (33,347) | — | — |
| Deferred tax impact of TCJA | — | — | 117 |
| Return to provision adjustments | (270) | (245) | 89 |
| Change in uncertain tax positions | — | 205 | 14 |
| Total (benefit) provision for income taxes | $(69,324) | $20,050 | $26,359 |
| Effective income tax rate on continuing operations | 92.7% | 26.7% | 27.0% |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred income taxes at December 31, 2020, 2019 and 2018 are as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Deferred tax assets: | | | |
| Accrued liabilities and other | $2,128 | $3,233 | $1,818 |
| Tax basis difference in property and equipment | — | 9,148 | 6,190 |
| Tax basis difference in share-based compensation | 914 | 1,800 | 1,694 |
| Tax basis difference in naming rights liabilities | 60,159 | — | — |
| Tax basis difference in self constructed assets | 3,953 | — | — |
| Federal tax net operating loss carryforwards | 648 | 121 | — |
| State tax net operating loss carryforwards | 7,816 | 310 | 131 |
| Total deferred tax assets, net | $75,618 | $14,612 | $9,833 |
| Deferred tax liabilities: | | | |
| Tax basis difference in land | $(5,053) | $(2,865) | $(1,848) |
| Tax basis difference in property and equipment | (4,998) | — | — |
| Change in accounting method | (16,234) | — | — |
| Tax basis difference in non-shareholder contribution | (6,766) | — | — |
| Tax basis difference in goodwill | (4,433) | (4,296) | (3,673) |
| Tax basis difference in amortizable assets | (75,117) | (21,241) | (21,838) |
| Total deferred tax liabilities | $(112,601) | $(28,402) | $(27,359) |
| Net deferred tax liabilities | $(36,983) | $(13,790) | $(17,526) |

The Corporation will only recognize a deferred tax asset when, based on available evidence, realization is more likely than not. Accordingly, no valuation has been established as of December 31, 2020, 2019 and 2018, respectively.

During 2019, the Corporation acquired Dover Downs Entertainment, Inc. in a stock acquisition. Pursuant to ASC 805, the Corporation recognized an acquisition of $11.9 million of deferred tax assets.

During 2020, the Corporation acquired the assets of Bally's Park Place LLC and Bally's Atlantic City LLC in an asset acquisition. Pursuant to ASC 805, the Corporation recognized an acquisition of $11.1 million of deferred tax liabilities.

During 2020, the Corporation acquired 100% membership interests of Eldorado Shreveport, #1 LLC and Eldorado Shreveport, #2 LLC in an equity acquisition treated as an asset acquisition for tax purposes. Pursuant to ASC Topic 805, *Business Combinations*, the Corporation recognized an acquisition of $11.5 million of deferred tax liabilities.

For the years ended December 31, 2020, 2019 and 2018 the net deferred tax liabilities increased by $23.2 million, decreased by $3.7 million and increased by $5.9 million, respectively. For the year ended December 31, 2020, an increase of $1.2 million was included in income from operations, an increase of $22.6 million was acquired from business combinations in 2020, and a decrease $0.6 million was included in other comprehensive loss. For the year ended December 31, 2019, an increase of $9.0 million was included in income from operations, a decrease of $11.9 million was acquired from the Dover Downs Entertainment, Inc., and a decrease of $0.9 million was included in other comprehensive loss. For the year ended December 31, 2018, an increase of $5.9 million was included in income from operations.

As of December 31, 2020, the Corporation has $3.1 million of federal net operating carryforwards subject to a section 382 limitation and $3.8 million of Delaware net operating loss carryforwards, both with an unlimited carryforward period. There was $0.6 million of federal net operating carryforwards subject to a section 382 limitation and $2.6 million of Delaware net operating loss carryforwards, both with an unlimited carryforward period, as of December 31, 2019. There was no federal or Delaware net operating loss carryforward as of December 31, 2018. As of December 31, 2020, 2019 and 2018, the Corporation has

$12.1 million, $3.6 million and $3.8 million, respectively, of Colorado net operating loss carryforwards which expire at various dates through 2037. In addition, at December 31, 2020, the Corporation has $22.7 million of Louisiana loss carryforwards, $15.5 million of Missouri loss carryforwards, $17.2 million of New Jersey loss carryforwards, and $65.3 million of Rhode Island loss carryforwards, which expire at various dates through 2040. There were no Louisiana, Missouri, New Jersey, or Rhode Island loss carryforwards at December 31, 2019 or 2018.

As of December 31, 2020, the Corporation anticipates sufficient taxable income to make utilization of these net operating losses more likely than not during the carryforward periods, and accordingly, no valuation allowance has been established.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees, including those that operate in the gaming area. Based on the Corporation's analysis of the CARES Act, the benefits the Corporation believes will be available to it include:

a. refund of federal income taxes due to five-year carryback of net operating loss incurred in 2020 when our 2020 tax return is filed;

b. relaxation of interest expense deduction limitation for income tax purposes;

c. the employee retention credit, providing a refundable federal tax credit equal to 50% of the first $10,000 of qualified wages and benefits, including qualified medical plan contributions, paid to employees while they are not performing services after March 12, 2020 and before January 1, 2021; and

d. deferral of all employer Federal Insurance Contributions Act ("FICA") taxes for the remainder of 2020, 50% payable by December 2021 and the remainder payable by December 2022.

The Corporation realized a tax benefit of $33.3 million in the 2020 provision. The Corporation intends to continue to review and consider any available potential benefits under the CARES Act for which it qualifies, including those described above. The Corporation cannot predict the manner in which such benefits or any of the other benefits described herein will be allocated or administered and the Corporation cannot provide assurances that it will be able to access such benefits in a timely manner or at all. If the U.S. government or any other governmental authority agrees to provide such aid under the CARES Act or any other crisis relief assistance, it may impose certain requirements on the recipients of the aid, including restrictions on executive officer compensation, dividends, prepayment of debt, limitations on debt and other similar restrictions that will apply for a period of time after the aid is repaid or redeemed in full.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to provide guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the "TCJA"). SAB 118 provides a measurement period that begins in the reporting period that includes the TCJA's enactment date and ends when an entity has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC 740, however in no circumstance should the measurement period extend beyond one year from the enactment date. In accordance with SAB 118, a company must reflect in its financial statements the income tax effects of those aspects of the TCJA for which the accounting under ASC 740 is complete. SAB 118 provides that to the extent that a company's accounting for certain income tax effects of the TCJA is incomplete, but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

In accordance with SAB 118, the Corporation has recorded a provisional estimated income tax benefit of $(0.1) million for the year ended December 31, 2019 related to the remeasurement of the Corporation's net deferred tax liability and other effects of the TCJA. As a result of the adoption of the TCJA, the Corporation remeasured the net deferred tax liability at the reduced federal corporate income tax rate. During the fourth quarter of 2018, the Corporation completed its analysis to determine the deferred tax effect of the TCJA and recorded immaterial adjustments as of December 22, 2018.

From time to time, the Corporation may be subject to audits covering a variety of tax matters by taxing authorities in any taxing jurisdiction where the Corporation conducts business. While the Corporation believes that the tax returns filed, and tax positions taken are supportable and accurate, some tax authorities may not agree with the positions taken. This can give rise to tax uncertainties which, upon audit, may not be resolved in the Corporation's favor. As of December 31, 2020, there were no tax contingency accruals

for uncertain tax positions, which would impact the effective tax rate, if recognized. There were no tax contingency accruals for uncertain tax positions recorded as of December 31, 2020. There was no unrecognized tax benefit recorded as of December 31, 2020. A reconciliation of the beginning and ending balances of the gross liability for uncertain tax positions is as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| *(in thousands)* | **2020** | **2019** | **2018** |
| Uncertain tax position liability at the beginning of the year | $— | $400 | $445 |
| Increases related to tax positions taken during prior period | — | — | 21 |
| Decreases related to tax positions taken during prior periods | — | (400) | — |
| Decreases related to settlements with taxing authorities | — | — | (66) |
| Uncertain tax position liability at the end of the year | $— | $— | $400 |

The Corporation and its subsidiaries file tax returns in several jurisdictions including the United States and the States of Colorado, Delaware, Louisiana, Mississippi, Missouri, New Jersey and Rhode Island. The Corporation remains subject to examination for U.S. federal income tax purposes for the years ended December 31, 2017 through 2020. The Corporation remains subject to examination for state tax purposes for the years ended December 31, 2012 through 2020. The Corporation is currently under audit by the State of Colorado for tax years ended December 31, 2012 through 2015. Based on the current status of the Colorado audit, the Corporation believes no additional reserves are necessary. In addition, the disallowance of a loss carryforward generated in a period outside of the normal statute of limitations is generally open until the statute of limitations expires in the year of the utilization of the loss.

The Corporation has a tax sharing agreement with its subsidiaries. Under the agreement, subsidiaries are required to satisfy their separate return liability and pay for benefits realized by virtue of filing a consolidated return. The Corporation and its subsidiaries made total cash tax payments during 2020, 2019 and 2018 of $3.8 million, $16.5 million and $22.2 million, respectively, to federal and state taxing authorities. Effective July 10, 2014, the tax sharing agreement was amended to comply with the credit agreement in place related to the Corporation's indebtedness. The amendment limits payments to any Unrestricted Subsidiaries, as defined in the credit agreement, to the actual payments of tax made by the unrestricted subsidiary directly or indirectly to the consolidated group. As of December 31, 2020, Mile High USA, Inc. and its subsidiaries are unrestricted subsidiaries.

## 17. COMMITMENTS AND CONTINGENCIES

*Litigation*

The Corporation is a party to various legal and administrative proceedings which have arisen in the ordinary course of its business. Estimated losses are accrued for these proceedings when the loss is probable and can be estimated. The current liability for the estimated losses associated with these proceedings is not material to the Corporation's consolidated financial condition and those estimated losses are not expected to have a material impact on results of operations. Although the Corporation maintains what it believes is adequate insurance coverage to mitigate the risk of loss pertaining to covered matters, legal and administrative proceedings can be costly, time-consuming and unpredictable.

Although no assurance can be given, the Corporation does not believe that the final outcome of these matters, including costs to defend itself in such matters, will have a material adverse effect on the company's consolidated financial statements. Further, no assurance can be given that the amount or scope of existing insurance coverage will be sufficient to cover losses arising from such matters.

*Hard Rock License Agreement*

Under the Hard Rock License agreement which runs through September 2025, with the option to renew for two successive ten-year terms, the Corporation is obligated to pay an annual fee plus fees based on non-gaming revenues. The Corporation will pay a "Continuing Fee" equal to 3% of the Licensing Fee Revenues and a marketing fee equal to 1% of the Licensing Fee Revenues during the term of the agreement. Fee expense under the license agreement for each of the years ended December 31, 2020, 2019 and 2018 was $2.2 million, $3.0 million and $3.0 million, respectively and is included in "Advertising, general and

administrative” expenses in the consolidated statements of operations. As of December 31, 2020, 2019 and 2018, $0.2 million had been accrued and recorded in “Accrued liabilities” in the consolidated balance sheets.

*Bally’s Trade Name*

On October 13, 2020, the Corporation announced we had acquired the Bally’s brand from Caesars. Total cost to acquire the brand was $20.0 million which is payable in cash in two equal installments of $10.0 million on the first and second anniversary of the purchase date. The present value of these amounts due are recorded within “Accrued liabilities” in the consolidated balance sheets as of December 31, 2020.

*Acquisition Commitments*

As noted in Note 5. “Acquisitions,” the Corporation had multiple pending acquisition agreements as of December 31, 2020, each of which, if terminated in certain circumstances as a result of the failure of the Corporation to obtain regulatory approvals, the Corporation may be obligated to pay a termination fee. The associated fee for MontBleu is $5.4 million, for Jumer’s is $4.0 million, in addition to the deposit already paid of $4.0 million, the fee for Tropicana Evansville is $16.8 million, and the fee for Bet.Works is $5.0 million.

*Master Video Lottery Terminal Contract*

The current term for the Twin River Casino Hotel contract with the Division of Lotteries of the Rhode Island Department of Revenue ends July 17, 2025, with one additional five-year option subject to Twin River Casino Hotel meeting minimum employment requirements.

The current term for the Tiverton Casino Hotel contract with the Division of Lotteries of the Rhode Island Department of Revenue ends November 23, 2025, with one additional five-year option subject to meeting minimum employment requirements. The contract was automatically assigned, pursuant to Rhode Island law, from Newport Grand to Tiverton Casino Hotel upon commencement of gaming operations at the new facility.

*Capital Expenditure Commitment – Bally’s Atlantic City*

As part of the regulatory approval process with the State of New Jersey, the Corporation committed to spend $90 million in capital expenditures over a five year period to invest in and improve the property. The commitment calls for expenditures of $25 million each in 2021, 2022, and 2023, $10 million in 2024, and $5 million in 2025. To help defray some of these committed costs, the Corporation entered into a separate agreement with Caesars whereby Caesars would be responsible for $30 million of the committed capital spend. The fair value of this agreement with Caesars was recorded as a reduction to the purchase price paid. Refer to Note. 5 “Acquisitions” for further information.

*Master Lease*

In connection with the acquisition of the Tropicana Evansville casino operations, an affiliate of Gaming & Leisure Properties, Inc. (“GLPI”) has agreed to acquire the real estate associated with the Tropicana Evansville Casino from the seller for $340.0 million and lease it back to the Corporation for $28.0 million per year, subject to escalation. GLPI has also agreed to acquire the real estate associated with our Dover Downs casino for a purchase price of $144.0 million and lease it back to the Corporation for $12.0 million per year, subject to escalation. Both leases are governed by a master lease agreement with GLPI which has an initial term of 15 years and includes four five-years options.

*Collective Bargaining Agreements*

As of December 31, 2020, we had approximately 5,455 employees. Most of our employees in Rhode Island and New Jersey are represented by a labor union and have collective bargaining agreements with us. As of such date, we had 19 collective bargaining agreements covering approximately 2,281 employees. Three collective bargaining agreements are scheduled to expire in 2021, and we are currently renegotiating one collective bargaining agreement that has expired. There can be no assurance that we will be able to extend or enter into replacement agreements. If we are able to extend or enter into replacement agreements, there can be no assurance as to whether the terms will be on comparable terms to the existing agreements.

## 18. SEGMENT REPORTING

As of December 31, 2020, the Corporation has ten operating segments, Twin River Casino Hotel, Hard Rock Biloxi, Tiverton Casino Hotel, Dover Downs, the Black Hawk Casinos, Casino KC, Casino Vicksburg,

Bally's Atlantic City, Shreveport and Mile High USA. Beginning in the third quarter of 2020, the Corporation changed its reportable segments to better align with its strategic growth initiatives in light of recent and pending acquisitions. The growth and diversification achieved through the Corporation's acquisitions has resulted in a change in the way the Corporation's chief operating decision maker makes operating decisions, assesses the performance of the business and allocates resources. As a result, the Corporation's operating segments are aggregated into four reportable segments: Rhode Island, Mid-Atlantic, Southeast and West. As of December 31, 2020, the Corporation's Rhode Island reportable segment includes Twin River Casino Hotel and Tiverton Casino Hotel, the Mid-Atlantic reportable segment includes Dover Downs and Bally's Atlantic City, the Southeast reportable segment includes Hard Rock Biloxi, Casino Vicksburg and Shreveport, and the West reportable segment includes Casino KC and the Black Hawk Casinos. As of December 31, 2020, and reflected in the table below, the "Other" category includes Mile High USA, an immaterial operating segment, and also includes interest expense for the Corporation and certain corporate operating expenses that are not allocated to the other segments, which include, among other expenses, share-based compensation, merger and acquisition costs, and certain non-recurring charges. Hard Rock Biloxi and Dover Downs were previously reported as "Biloxi" and "Delaware" reportable segments, respectively, and prior year amounts have been conformed into the new presentation. Black Hawk Casinos was previously included in the "Other' category since its acquisition on January 23, 2020.

The Corporation is currently evaluating the impact that its pending casino acquisitions and developments will have on its operating and reporting segments. It is expected that MontBleu will be reported with the West, but no determination has been made for Tropicana Evansville, Jumer's or the Centre City, Pennsylvania development project. In addition, the Corporation is expecting to create new reportable segment which would include SportCaller, Monkey Knife Fight and Bet.Works as the Bally's Interactive segment.

The Corporation's operations are all within the United States. The Corporation does not have any revenues from any individual customers that exceed 10% of total reported revenues.

The following table reflects revenues, income (loss), and identifiable assets for each of the Corporation's reportable segments and reconciles these to the amounts shown in the Corporation's consolidated financial statements.

| | Rhode Island | Mid-Atlantic | Southeast | West | Other | Total |
|---|---|---|---|---|---|---|
| Year Ended December 31, | | | | | | |
| **2020** | | | | | | |
| Total revenue | $132,028 | $73,676 | $114,832 | $47,332 | $4,924 | $372,792 |
| Income (loss) from operations | 9,894 | (1,341) | 9,681 | (4,409) | (32,211) | (18,386) |
| Net income (loss) | 20,276 | (241) | 10,486 | (712) | (35,296) | (5,487) |
| Depreciation and amortization | 17,310 | 6,082 | 10,037 | 4,104 | 309 | 37,842 |
| Interest expense, net of amounts capitalized | — | 132 | — | — | 63,116 | 63,248 |
| Change in value of naming rights liabilities | — | — | — | — | (57,660) | (57,660) |
| Gain on bargain purchases | — | — | — | — | 63,871 | 63,871 |
| Capital expenditures | 3,458 | 4,093 | 3,316 | 3,140 | 1,276 | 15,283 |
| **2019** | | | | | | |
| Total revenue | $306,306 | $80,806 | $127,432 | n/a | $9,033 | $523,577 |
| Income (loss) from operations | 102,080 | 9,039 | 23,242 | n/a | (19,735) | 114,626 |
| Net income (loss) | 71,124 | 6,031 | 18,165 | n/a | (40,190) | 55,130 |
| Depreciation and amortization | 18,473 | 3,996 | 9,743 | n/a | 180 | 32,392 |
| Interest expense, net of amounts capitalized | 3,274 | 147 | — | n/a | 36,409 | 39,830 |
| Capital expenditures | 16,649 | 3,984 | 6,355 | n/a | 1,249 | 28,237 |
| **2018** | | | | | | |
| Total revenue | $302,652 | n/a | $125,137 | n/a | $9,748 | $437,537 |
| Income (loss) from operations | 106,055 | n/a | 23,475 | n/a | (8,881) | 120,649 |
| Net income (loss) | 68,849 | n/a | 18,506 | n/a | (15,917) | 71,438 |
| Depreciation and amortization | 12,896 | n/a | 9,255 | n/a | 181 | 22,332 |
| Interest expense, net of amounts capitalized | 8,555 | n/a | 13 | n/a | 14,457 | 23,025 |
| Capital expenditures | 98,700 | n/a | 6,315 | n/a | 23,875 | 128,890 |

| | Rhode Island | Mid-Atlantic | Southeast | West | Other | Total |
|---|---|---|---|---|---|---|
| **As of December 31,** | | | | | | |
| **2020** | | | | | | |
| Goodwill | $83,101 | $1,047 | $54,987 | $47,844 | $— | $186,979 |
| Total assets | 494,994 | 197,395 | 508,325 | 281,436 | 447,705 | 1,929,855 |
| **2019** | | | | | | |
| Goodwill | $83,101 | $1,047 | $48,934 | n/a | $— | $133,082 |
| Total assets | 537,168 | 144,376 | 259,970 | n/a | 80,373 | 1,021,887 |
| **2018** | | | | | | |
| Goodwill | $83,101 | n/a | $48,934 | n/a | $— | $132,035 |
| Total assets | 535,795 | n/a | 245,376 | n/a | 1,181 | 782,352 |

## 19. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains quarterly financial information for the years 2020, 2019 and 2018. The Corporation believes that the following information reflects all normal recurring adjustments necessary for a fair statement of the information for the periods presented.

| *(in thousands, except per share data)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| **2020** | | | | |
| Total revenue | $109,148 | $28,924 | $116,624 | $118,096 |
| Total operating costs and expenses | 112,317 | 49,887 | 93,241 | 135,733 |
| (Loss) income from operations | (3,169) | (20,963) | 23,383 | (17,637) |
| Total other expense, net | (11,373) | (15,110) | (16,908) | (13,034) |
| (Loss) income before provision for income taxes | (14,542) | (36,073) | 6,475 | (30,671) |
| Benefit for income taxes | (5,664) | (12,518) | (248) | (50,894) |
| Net (loss) income | (8,878) | (23,555) | 6,723 | 20,223 |
| Net (loss) income per share | | | | |
| Basic | $(0.28) | $(0.77) | $0.22 | $0.62 |
| Diluted | $(0.28) | $(0.77) | $0.22 | $0.61 |
| **2019** | | | | |
| Total revenue | $120,631 | $143,218 | $129,309 | $130,419 |
| Total operating costs and expenses | 90,324 | 109,372 | 107,858 | 101,397 |
| Income from operations | 30,307 | 33,846 | 21,451 | 29,022 |
| Total other expense, net | (7,038) | (10,521) | (10,650) | (11,237) |
| Income before provision for income taxes | 23,269 | 23,325 | 10,801 | 17,785 |
| Provision for income taxes | 5,673 | 6,145 | 3,802 | 4,430 |
| Net income | 17,596 | 17,180 | 6,999 | 13,355 |
| Net income per share | | | | |
| Basic | $0.46 | $0.42 | $0.19 | $0.40 |
| Diluted | $0.46 | $0.42 | $0.18 | $0.40 |
| **2018** | | | | |
| Total revenue | $104,806 | $110,815 | $110,494 | $111,422 |
| Total operating costs and expenses | 79,929 | 79,391 | 80,843 | 76,725 |
| Income from operations | 24,877 | 31,424 | 29,651 | 34,697 |
| Total other expense, net | (5,699) | (5,068) | (5,364) | (6,721) |
| Income before provision for income taxes | 19,178 | 26,356 | 24,287 | 27,976 |
| Provision for income taxes | 6,544 | 6,056 | 7,913 | 5,846 |
| Net income | 12,634 | 20,300 | 16,374 | 22,130 |
| Net income per share | | | | |
| Basic | $0.34 | $0.55 | $0.44 | $0.60 |
| Diluted | $0.33 | $0.53 | $0.42 | $0.57 |

## 20. SUBSEQUENT EVENTS

On January 22, 2021, the Corporation entered into an agreement to acquire Monkey Knife Fight. Refer to Note 5 “Acquisitions” for further information.

On February 5, 2021, the Corporation acquired SportCaller. Refer to Note 5 “Acquisitions” for further information.

## 3. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Prospectus and this Supplementary Prospectus will be available for inspection on Bally's website at https://www.ballys.com/gamesys-documentation.htm or on Gamesys' website at https://www.gamesysgroup.com/investors/offer-for-gamesys/ or during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Supplementary Prospectus at the Corporation's principal executive office at 100 Westminster Street, Providence, Rhode Island, 02903.