

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 2019

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 001-32583

**FULL HOUSE RESORTS, INC.**  
(Exact Name of Registrant as specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3391527  
(I.R.S. Employer  
Identification No.)

One Summerlin, 1980 Festival Plaza Drive, Suite 680, Las Vegas, Nevada 89135  
(Address and zip code of principal executive offices)

(702) 221-7800

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.0001 per Share	FLL	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of Registrant's voting and non-voting common stock held by non-affiliates of the Registrant, as of June 28, 2019 (the last business day of the Registrant's most recently completed second fiscal quarter), was \$45.1 million. As of March 26, 2020, there were 27,075,962 shares of common stock, \$0.0001 par value per share, outstanding.

**Documents Incorporated By Reference**

The information required by Part III of this Form 10-K is incorporated by reference from the Registrant's definitive proxy statement relating to the annual meeting of stockholders to be held in 2020, which definitive proxy statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended December 31, 2019.

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**PART I****Item 1. Business.****Introduction**

Formed as a Delaware corporation in 1987, Full House Resorts, Inc. owns, leases, operates, develops, manages, and/or invests in casinos and related hospitality and entertainment facilities. References in this document to “Full House,” the “Company,” “we,” “our,” or “us” refer to Full House Resorts, Inc. and its subsidiaries, except where stated or the context otherwise indicates.

The following table presents selected information concerning our casino resort properties as of December 31, 2019:

<b>Property</b>	<b>Acquisition Date</b>	<b>Location</b>	<b>Slot Machines</b>	<b>Table Games</b>	<b>Hotel Rooms</b>
Silver Slipper Casino and Hotel	2012	Hancock County, MS (near New Orleans)	855	24	129
Bronco Billy’s Casino and Hotel	2016	Cripple Creek, CO (near Colorado Springs)	828	10	36
Rising Star Casino Resort	2011	Rising Sun, IN (near Cincinnati)	825	24	294
Stockman’s Casino	2007	Fallon, NV (one hour east of Reno)	219	4	—
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	2011	Incline Village, NV (North Shore of Lake Tahoe)	269	17	*

\* *We have agreements with Hyatt that allow us to provide rooms, as well as other amenities and services, to our guests at mutually agreeable rates to support our operations.*

We manage our casinos based on geographic regions within the United States. Accordingly, Stockman’s Casino and Grand Lodge Casino comprise our Northern Nevada business segment, while Silver Slipper Casino and Hotel, Bronco Billy’s Casino and Hotel, and Rising Star Casino Resort are currently distinct segments. Our corporate headquarters are in Las Vegas, Nevada.

Our mission is to maximize shareholder value. We seek to increase revenues by providing our customers with their favorite games and amenities, high-quality customer service, and appropriate customer loyalty programs. Our customers include nearby residents who represent a high potential for repeat visits, along with drive-in tourist patrons. We continuously focus on improving the operating margins of our existing properties through a combination of revenue growth and expense management efforts. The casino resort industry is capital-intensive, and we rely on the ability of our properties to generate operating cash flow to pay interest, repay debt, and fund maintenance and certain growth-related capital expenditures. We also assess the potential impact of growth and development opportunities, including capital investments at our existing properties, the development of new properties, and the acquisition of existing properties.

All of our casino properties are operated by us 24 hours each day, nearly every day of the year with the exception of Christmas morning for four to six hours at Rising Star Casino Resort. We also operate the hotel and food and beverage operations at Silver Slipper Casino and Hotel, Bronco Billy’s Casino and Hotel, Rising Star Casino Resort and Stockman’s Casino. At Grand Lodge Casino, the hotel and the food and beverage outlets are managed by Hyatt Regency Lake Tahoe Resort, Spa and Casino (“Hyatt Lake Tahoe”).

## **Operating Properties**

### ***Silver Slipper Casino and Hotel***

The Silver Slipper Casino and Hotel (“Silver Slipper”) is situated on the west end of the Mississippi Gulf Coast, near Bay St. Louis, Mississippi, and in addition to gaming space, includes 129 hotel rooms, a fine-dining restaurant, a buffet, a quick-service restaurant, an oyster bar, a casino bar and a beachfront bar. The property sits at the western end of an approximately eight-mile-long white sand beach, the closest such beach to the New Orleans and Baton Rouge metropolitan areas. Its customers are primarily from communities in southern Louisiana, including the North Shore of Lake Pontchartrain and the New Orleans and Baton Rouge metropolitan areas, and southwestern Mississippi. The Silver Slipper currently generates the most revenue and operating income of any of our properties. In August 2018, we added a sports book operation to the casino in partnership with a company specializing in race and sports betting.

The primary lease for the Silver Slipper includes approximately 38 acres, consisting of the seven-acre parcel on which the casino and hotel is situated and approximately 31 acres of marshlands. The lease term ends in April 2058. Through October 2027, we have the option to purchase the land site. Management believes that it will be economically favorable to exercise the buyout option and intends to do so, subject to our financial resources and future capital market conditions.

We also manage a nearby 37-space beachfront RV park under a management contract, which expires on March 31, 2025, unless canceled by either party.

### ***Bronco Billy’s Casino and Hotel***

Bronco Billy’s Casino and Hotel (“Bronco Billy’s”) occupies a significant portion of the key city block of Cripple Creek’s “casino strip” and in addition to gaming space, contains 36 hotel rooms, a steakhouse and four casual dining outlets. Bronco Billy’s also leases certain parking lots and buildings, including a portion of the hotel and casino, under a long-term lease. The lease has six renewal options in three-year increments to 2035, and we have the right to buy out the lease at any time during its term. We also commenced a three-year lease in August 2018 for the new Christmas Casino, which also includes an option to extend or buy out the lease. Bronco Billy’s customers are primarily from the Colorado Springs/Pueblo/Cañon City metropolitan area, the second-largest metropolitan area in Colorado, with a population of approximately 900,000 residents. Cripple Creek is approximately a one-hour drive from Colorado Springs, as well as a two-hour drive from the Denver metropolitan area, which has a population of approximately four million people.

In 2018, we began our expansion of Bronco Billy’s, which was designed to be completed in two phases. Phase One of the Bronco Billy’s expansion project includes the construction of a 319-space parking garage and connector building, the purchase of the Imperial Hotel in June 2018 and certain other nearby parcels of land, and the reopening and rebranding in November 2018 of the Imperial Casino and Imperial Hotel as the Christmas Casino & Inn. In March 2020, in light of the global coronavirus pandemic, we paused construction of the parking garage, which was in the early stages of construction. We do not yet know when or if conditions will warrant the resumption of such construction. Phase Two of the Bronco Billy’s expansion project is expected to include a new luxury hotel tower, spa, convention and entertainment space, two new restaurants, and a substantial remodeling of the casino. However, we do not intend to commence significant construction of Phase Two until Phase One is completed. Additionally, construction of Phase Two is contingent upon receipt of financing on acceptable terms, among other contingencies.

### ***Rising Star Casino Resort***

Rising Star Casino Resort (“Rising Star”) is located on the banks of the Ohio River in Rising Sun, Indiana, approximately one hour from Cincinnati, Ohio, within two hours of Indianapolis, Indiana, and also within two hours of Louisville and Lexington, Kentucky. Rising Star offers, in addition to casino space, a contiguous 190-room hotel, an adjacent leased 104-room hotel, a 56-space RV park, five dining outlets, and an 18-hole golf course. The 104-room hotel is leased pursuant to a finance lease agreement that expires in 2027 and contains a bargain purchase option, whereby we have the right to purchase the hotel and the landlord has the right to put the hotel to us, in both cases for \$1 if exercised upon maturity of the lease. We also own 1.3 acres of vacant land located in Burlington, Kentucky that is used as part of our ferry boat operations, as further described below.

In the second half of 2018, we completed several capital projects. In July 2018, we renovated the entry pavilion and the adjoining hotel's lobby and hallways. We also commenced operations for a 10-vehicle ferry boat service in September 2018 that connects the more populous Boone County, Kentucky to our Rising Star property in Indiana. In the second half of 2019, we renovated and rebranded the existing casual restaurant as the new Ben's Bistro. During recent years, Rising Star was adversely affected by the legalization of gaming in Ohio, where several new competitors are now located. All of such potential casinos in Ohio are now open.

#### ***Northern Nevada***

##### *Stockman's Casino*

Stockman's Casino ("Stockman's") is located approximately one hour from Reno, Nevada. In addition to gaming space, the facility has a bar, a fine-dining restaurant and a coffee shop. In 2018, we completed numerous external improvements to the property, including a new porte cochère. Stockman's primarily serves the local market of Fallon and surrounding areas, including the nearby Naval Air Station Fallon, the United States Navy's premier air-to-air and air-to-ground training facility, informally referred to as the "Top Gun" school.

##### *Grand Lodge Casino*

We operate the Grand Lodge Casino at the Hyatt Lake Tahoe under a lease with Hyatt Equities, L.L.C. ("Hyatt"), which ends on August 31, 2023. Grand Lodge Casino is located within the Hyatt Lake Tahoe Incline Village, Nevada on the north shore of Lake Tahoe and includes approximately 20,990 square feet of leased space. The Hyatt Lake Tahoe is one of three AAA Four Diamond hotels in the Lake Tahoe area. Its customers consist of both locals and tourists visiting the Lake Tahoe area.

#### **Government Regulation**

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules, and regulations of the jurisdiction in which it is located. These laws, rules, and regulations generally concern the responsibility, financial stability, and character of the owners, managers, and persons with financial interests in the gaming operations and include, without limitation, the following conditions and restrictions:

- Periodic license fees and taxes must be paid to state and local gaming authorities;
- Certain officers, directors, key employees, and gaming employees are required to be licensed or otherwise approved by the gaming authorities;
- Individuals who must be approved by a gaming authority must submit comprehensive personal disclosure forms and undergo an extensive background investigation, the costs for which must be borne by the applicant;
- Changes in any licensed or approved individuals must be reported to and/or approved by the relevant gaming authority;
- Failure to timely file the required application forms by any individual required to be approved by the relevant gaming authority may result in that individual's denial and the gaming licensee may be required by the gaming authority to disassociate with that individual; and
- If any individual is found unsuitable by a gaming authority, the gaming licensee is required to disassociate with that individual.

Violations of gaming laws in one jurisdiction could result in disciplinary action in other jurisdictions. A summary of the governmental gaming regulations to which we are subject is filed as Exhibit 99.1 and is herein incorporated by reference.

Our businesses are subject to various federal, state, and local laws and regulations, in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, smoking, environmental matters, employees, currency transactions, taxation, zoning and building codes, construction, land use, and marketing and advertising. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Such laws and regulations could change or could be interpreted differently in the future,

or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results. See “Item 1A – Risk Factors” for additional discussion.

#### ***Costs and Effects of Compliance with Environmental Laws***

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and non-hazardous substances and wastes. For example, our Indiana property is subject to the Indiana Department of Environmental Management for its riverboat, ferry boat and golf club operations, and our Mississippi property is located near environmental wetlands. Failure to comply with applicable laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of the property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, and may also incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent the property. To date, none of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, we cannot assure you that such matters will not have such an effect in the future.

#### **Competition**

The gaming industry is highly competitive. Gaming activities with which we compete include traditional commercial casinos and casino resorts in various states including on tribal lands and at racetracks, riverboat and dockside gaming, state-sponsored lotteries, video poker in restaurants, bars and hotels, pari-mutuel betting on horse and dog racing and jai alai, sports betting and card rooms. Furthermore, competition from Internet lotteries, sweepstakes, and other Internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings, could divert customers from our properties, and thus, adversely affect our business. All of our casinos, as well as other casinos that we may develop or acquire, compete with all these forms of gaming. We also compete with any new forms or jurisdictions of gaming that may be legalized, as well as with other types of entertainment. Some of our competitors have more personnel and greater financial or other resources than we do. The principal methods of competition are: location, with casinos located closer to their feeder markets at an advantage; casino, lodging, entertainment and other hospitality product quality in terms of facilities, customer service and ease of access; breadth of offerings, including the types of casino games and other non-gaming amenities; and marketing, including the amount and frequency of promotions offered to guests.

#### ***Silver Slipper Casino and Hotel***

Silver Slipper Casino and Hotel is the western-most casino on the Mississippi Gulf Coast and competes with two larger casinos located nearby, one of which completed a significant expansion in mid-2018. It also competes with casinos in Biloxi, Mississippi and New Orleans and Baton Rouge, Louisiana. Biloxi is one hour east of the Silver Slipper along Interstate 10. New Orleans and Baton Rouge are one and two hours, respectively, west of Silver Slipper.

Silver Slipper is the closest casino to most of St. Tammany Parish, one of the most affluent and fastest-growing parishes in Louisiana. Louisiana law permits 15 riverboat casinos, one land-based casino, four casinos at racetracks, and in certain areas, a limited number of slot machines at qualifying truck stops. The legislation permitting riverboat and truck stop casinos requires a local referendum and, at the time such legalization occurred, it was rejected by St. Tammany Parish voters. At this time, all licenses for riverboat casinos in Louisiana have been granted and are in operation, though it is possible for an existing licensee to relocate its casino (subject to state laws and approval in a local referendum). Mississippi, which has lower gaming tax rates than Louisiana, does not have a limitation on the number of casino licenses, but requires casinos in certain southern counties to be within approximately 800 feet of the shoreline, as defined by state law. There are occasionally proposals to relocate casinos within Louisiana or to develop new casinos in Mississippi, but there are considerable political and economic constraints on such potential competition, and management does not believe such efforts will be successful in the foreseeable future.

***Bronco Billy's Casino and Hotel***

Bronco Billy's is located in Cripple Creek, Colorado, which is a historic gold mining town located approximately one hour southwest of Colorado Springs, on the west side of Pikes Peak. Cripple Creek is one of only three cities in Colorado where commercial gaming is permitted. The other two cities are near Denver. Additionally, two Native American gaming operations exist in southwestern Colorado and there are tribal casinos in Oklahoma, but these are much further from Colorado Springs than Cripple Creek. As of December 31, 2019, we believe that Bronco Billy's was amongst the largest of the seven gaming facilities operating in Cripple Creek. Several of those competitors have announced their intent to expand, principally through the addition of new hotel rooms, with one of those projects having broken ground. Gaming in Colorado is "limited stakes," which restricts any single wager to a current maximum of \$100.

***Rising Star Casino Resort***

The Rising Star Casino Resort in Rising Sun, Indiana is one of three riverboat casinos located on the Ohio River in southeastern Indiana, approximately one hour from Cincinnati, Ohio, within two hours of Indianapolis, Indiana, and also within two hours of Louisville and Lexington, Kentucky. Its closest competitors are each approximately 15 miles away, near bridges crossing the Ohio River. There is no bridge at Rising Star, but in September 2018, we commenced a ferry boat service connecting Rising Sun, Indiana, to the more populous Northern Kentucky region. Rising Star also competes with casinos in Ohio; casinos elsewhere in Indiana; and two racetrack casinos near Indianapolis, Indiana.

A Kentucky Supreme Court decision in 2014 permits horse racing tracks in Northern Kentucky to install slot machine-like devices, although it has not yet done so. We also compete with racetracks in Louisville and Lexington, Kentucky, that recently installed such machines. In December 2019, our competitor near Louisville completed a significant investment to transition from its dockside riverboat casino to a new land-based casino. Additionally, on January 1, 2020, the racetrack casinos near Indianapolis (which were previously limited to slot machines) began offering live table games.

***Northern Nevada***

***Stockman's Casino***

Stockman's Casino is the largest of several casinos in Churchill County, which has a population of approximately 25,000 residents. Churchill County is also the home of Naval Air Station Fallon, the United States Navy's premier air-to-air and air-to-ground training facility, informally referred to as the "Top Gun" school. While we are not aware of any significant planned expansion to gaming capacity in the Churchill County area, additional competition may adversely affect our financial condition or results of operations. Furthermore, while the Navy appears to be currently expanding its base in Fallon, a reduction of its activities at the base has, in the past, and would likely have an adverse effect on Stockman's results of operations. Fallon is approximately 30 minutes east of the new large Tesla battery factory and other developments in the Tahoe-Reno Industrial Center.

***Grand Lodge Casino***

Grand Lodge Casino is one of four casinos located within a five-mile radius in the North Lake Tahoe area. A fifth casino, which has been closed for several years, was sold out of bankruptcy during 2017 and may re-open in the near future.

Grand Lodge Casino also competes with casinos in South Lake Tahoe and Reno. There are also numerous Native American casinos in California serving the Northern California market.

**Marketing**

Our marketing efforts are conducted through various means, including our customer loyalty programs and specialized marketing campaigns, such as our seasonal "Christmas Casino" event at Rising Star Casino Resort. We advertise through various channels, including radio, television, Internet, billboards, newspapers and magazines, direct mail, email and social media. We also maintain websites to inform customers about our properties and utilize social media sites to promote our brands, unique events, and special deals. Our customer loyalty programs include the Silver Slipper Casino Players Club, Bronco Billy's Mile

High Rewards Club, the Rising Star Rewards Club™, the Grand Lodge Players Advantage Club® and the Stockman’s Winner’s Club. Under these programs, customers earn points based on their volume of wagering that may be redeemed for various benefits, such as “free play,” cash back, complimentary dining, and hotel stays.

Our properties do not have coordinated loyalty programs. We do not currently believe that it would be economically advantageous given the disparate locations of our properties. Instead, our loyalty programs focus on providing each casino’s customers the amenities they most prefer.

**Employees**

As of March 1, 2020, we had 15 full-time corporate employees, three of whom are executive officers and one additional senior management employee. Our casino properties had 1,255 full-time and 315 part-time employees as follows:

	<b>Full-time</b>	<b>Part-time</b>
Silver Slipper Casino and Hotel	476	101
Bronco Billy’s Casino and Hotel	253	56
Rising Star Casino Resort	347	114
Grand Lodge Casino	92	38
Stockman’s Casino	87	6
Corporate	15	—
<b>Total Employees</b>	<b>1,270</b>	<b>315</b>

We believe that our relationship with our employees is excellent. None of our employees are currently represented by labor unions.

**Available Information**

Our principal executive offices are located at Full House Resorts, Inc., One Summerlin, 1980 Festival Plaza Drive, Suite 680, Las Vegas, Nevada 89135, and our telephone number is (702) 221-7800. Our website address is [www.fullhouserestorts.com](http://www.fullhouserestorts.com). We make available, free of charge, on or through our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet website and information contained on our Internet website are not part of this annual report on Form 10-K and are not incorporated by reference herein.



### Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) for which the Private Securities Litigation Reform Act of 1995 provides a safe harbor. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations and intentions and are not historical facts and typically are identified by use of terms such as “believes,” “expects,” “anticipates,” “estimates,” “plans,” “intends,” “objectives,” “goals,” “aims,” “projects,” “forecasts,” “possible,” “seeks,” “may,” “could,” “should,” “might,” “likely,” “enable,” or similar words or expressions, as well as statements containing phrases such as “in our view,” “we cannot assure you,” “although no assurance can be given,” or “there is no way to anticipate with certainty.” Specifically, this Annual Report on Form 10-K contains forward-looking statements relating to our plans, beliefs or expectations regarding our growth strategies; the impact of the coronavirus (COVID-19) pandemic and our expectations regarding the reopening of casinos and the length of time that state government authorities will require casinos in the respective states to remain closed; our development and expansion plans, including a planned expansion of Bronco Billy’s, our budget and ability to obtain financing for such expansion and the timing for commencement (or recommencement in the case of Phase One) or completion of each phase of such expansion; our investments in capital improvements and other projects, including the amounts of such investments, the timing of commencement or completion of such capital improvements and projects and the resulting impact on our financial results; our sports wagering agreements, including expected revenues and expenses, duration of terms and expected timing for launch, in the case of the Colorado agreements; the racetrack proposal and Waukegan proposal; management’s expectation to exercise its buyout option on the Silver Slipper Casino and Hotel; adequacy of our financial resources to fund operating requirements and planned capital expenditures and to meet our debt and contractual obligations; expected sources of revenue; cash interest expense in 2020; anticipated sources of funds; anticipated legislative pursuits; the operation of our ferry boat service at Rising Star Casino Resort; belief that Bronco Billy’s is amongst the largest of the seven gaming facilities operating in Cripple Creek; beliefs in connection with our marketing efforts; factors that affect the financial performance of our properties; adequacy of our insurance; competitive outlook; outcome of legal matters; impact of recently issued accounting standards; and estimates regarding certain accounting and tax matters, among others.

Various factors may affect the operation, performance, development and results of our business and could cause future outcomes to change significantly from those set forth in our forward-looking statements, including risks and uncertainties about the following:

- repayment of our substantial indebtedness;
- the adverse impact of the coronavirus pandemic outbreak on our business, constructions projects, financial condition and operating results, including on our ability to continue as a going concern;
- actions by government officials at the federal, state or local level with respect to steps to be taken, including, without limitation, temporary shutdowns, travel restrictions, social distancing and shelter-in place orders, in connection with the coronavirus outbreak;
- our ability to effectively manage and control expenses during temporary or extended shutdown periods;
- the impact of temporary or extended shutdowns on our ability to maintain compliance with the terms and conditions of our credit facilities and other material contracts;
- our ability to maintain strong relationships with our regulators, employees, lenders, suppliers, customers, insurance carriers, and other stakeholders;
- the impact of any uninsured losses;
- disruptions in our supply chain;
- disruptions or shortages in our labor supply;

- the adverse impact of cancellations and/or postponements of hotel stays and convention and trade shows on our business, market position, growth, financial condition and operating results.
- changes in guest visitation or spending patterns due to health or other concerns;
- substantial dilution related to our outstanding stock warrants and options;
- our ability to successfully implement our growth strategies, including the Bronco Billy's expansion, capital investments and potential acquisitions;
- commercial success and financial performance of our Bronco Billy's expansion, including the Christmas Casino & Inn, and our other capital projects;
- risks related to entering into sports betting operations, including our ability to establish and maintain relationships with key partners or vendors, the ability and/or willingness of our partners to sustain sports betting operations should they experience an extended period of unprofitability, and the ability to replace existing partners or vendors on similar terms as our existing revenue guarantees;
- risks related to entering into the sports wagering agreements, including the ability of the parties to perform their obligations under the respective agreements;
- the impact that any discontinuance, modification or other reform of LIBOR, or the establishment of alternative reference rates, may have on our LIBOR-based debt instruments such as our senior secured notes;
- commerciality of our ferry boat service and risks associated with ferry boat operations;
- the successful integration of acquisitions, if any;
- our ability to continue to comply with the covenants and terms of our debt instruments;
- risks associated with our development and construction activities;
- some of our casinos being on leased property;
- changes to anticipated trends in the gaming industries;
- changes in patron demographics;
- general market and economic conditions, including, but not limited to, the effects of housing and energy conditions on the economy in general and on the gaming and lodging industries in particular;
- access to capital and credit upon reasonable terms, including our ability to finance future business requirements and to repay or refinance debt as it matures;
- dependence on key personnel;
- our ability and the cost to hire, motivate and retain employees, given low unemployment rates and, in some jurisdictions, increases in minimum wages;
- availability of adequate levels of insurance;

- changes to federal, state, and local taxation and tax rates, and gaming and environmental laws, regulations and legislation;
- our ability to comply with existing laws and regulations to which we are subject;
- any violations of the anti-money laundering laws;
- cyber-security risks, including misappropriation of customer information or other breaches of information security;
- our ability to obtain and maintain gaming and other licenses, and obtain entitlements and other regulatory approvals for projects;
- impact of severe weather;
- lack of alternative routes to certain of our properties;
- the competitive environment, including increased competition in our target market areas;
- impact of the outcome of litigation matters;
- our ability to successfully estimate the impact of certain accounting and tax matters, including the effect on our company of adopting certain accounting pronouncements; and
- other factors described from time to time in this and our other Securities and Exchange Commission (“SEC”) filings and reports.

For a more detailed description of certain Risk Factors affecting our business, see Item 1A, “Risk Factors.”

We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions, except as required by law. New risks emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements.

#### **Item 1A. Risk Factors.**

An investment in our securities is subject to risks inherent to our business. We have described below what we currently believe to be the material risks and uncertainties in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this Annual Report on Form 10-K.

We also face other risks and uncertainties beyond what is described below. This Annual Report on Form 10-K is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of securities, including our common stock, could decline significantly. You could lose all or part of your investment.

***The outbreak of COVID-19 (coronavirus) has significantly impacted the global economy, including the gaming industry, and could have a material adverse effect on our results of operations, cash flows and liquidity.***

The coronavirus pandemic and the efforts to contain it have significantly impacted the global economy, including the gaming industry in the United States and abroad. The ongoing coronavirus outbreak has resulted in extended shutdowns of non-

essential businesses around the world. Furthermore, governments are discouraging all non-essential movement and/or ordering social distancing and sheltering-in-place in an effort to help control the transmission of the coronavirus.

The coronavirus can be detected in individuals. The testing kits and tools have not been widely available and it is uncertain as to when they will become widely available. It is also possible to test for antibodies to COVID-19, a sign that an individual may have had the disease and may be less susceptible to contracting it again. Such testing is not yet widely available and it is not clear when it might become widely available. Eventually, medical professionals expect that there will be a vaccine for COVID-19, but the availability of that vaccine may be months or even years away. There have been similar outbreaks in the recent past (SARS, Ebola, MERS, and H1N1, for example, as well as various other strains of the flu) and there could be other pandemics in the future that could be similar or worse than COVID-19.

As a precautionary measure against the ongoing spread of the coronavirus, various state governments ordered the temporary closure of all casinos in their respective states, including all the states in which we have casino operations. As previously disclosed, Rising Star Casino Resort temporarily suspended operations on March 16, 2020 until further notice, Silver Slipper Casino and Hotel temporarily suspended operations on March 17, 2020 until further notice, Bronco Billy's Casino and Hotel temporarily suspended operations on March 17, 2020 until April 30, 2020, and Grand Lodge Casino and Stockman's Casino temporarily suspended operations on March 18, 2020 for a period of 30 days. While these closures are expected to be temporary, the current circumstances are dynamic and the impacts of the coronavirus on our business operations, including the duration and impact on overall customer demand, cannot be reasonably estimated at this time. However, we anticipate this could have a material adverse impact on our business, results of operations, financial position and cash flows.

After our casinos are eventually allowed to reopen, some guests may choose for a period of time not to travel or visit our properties for health concerns, which could lead to lower occupancy and lower room rates at our hotels, potential hotel closures, or additional closures or disruptions in our casino business, any of which could have a negative impact on our business and operating results. If the coronavirus continues to spread in the United States, we may elect on a voluntary basis to again close (after their reopening) certain of our properties or portions thereof, or governmental officials may order additional closures or impose further restrictions on travel or on the number of people allowed in our casino or perhaps sitting at any specific table game or bank of slot machines. There may also be restrictions on concerts or special events that we have historically used to bring customers to our properties. Any of these events could result in significant disruptions to our operations and a drop in demand for our hotel-casino properties and could have a material adverse effect on us. Moreover, our operations could be negatively affected if employees elect to stay home or are quarantined as the result of exposure to the virus. In addition, our reliance on third-party suppliers for food and other services exposes us to volatility in the prices and availability of these and similar goods and services. Such operational disruptions could increase our costs, further decrease our operating efficiencies and have a material adverse effect on our business, results of operations, financial condition and cash flows. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain, including the duration and impact on overall customer demand, the timing of the reopening of our casinos, new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus or treat its impact, among others.

***A prolonged closure of our casinos would negatively impact our ability to remain in compliance with our debt covenants, which would raise substantial doubt about our ability to continue as a going concern.***

Our casinos are our primary sources of income and operating cash flows which we rely upon to remain in compliance with debt covenants under our senior secured notes due 2024 (the "Notes") and meet our obligations when due. As noted above, due to the coronavirus pandemic, our operations at our casinos and hotels have been temporarily suspended and there is uncertainty as to when we will be permitted to reopen them. Because we operate in several different jurisdictions, we may be able to reopen some, but not all, of our casinos within a certain time frame. Although we believe we have sufficient resources to fund our currently-reduced operations for a period of time that lasts substantially beyond the currently mandated closure periods, we have no control over and cannot predict the length of the closure of our casinos and hotels due to the pandemic. If we are unable to generate revenues from our casinos due to a prolonged period of closure or experience significant declines in business volumes upon reopening, this would negatively impact our ability to remain in compliance with our debt covenants and meet our payment obligations. In such an event, we would either seek covenant waivers or attempt to amend our covenants, though there is no certainty that we would be successful in such efforts. Additionally, we could seek additional liquidity through the issuance of new debt or equity, or through the sale of certain assets. Our ability to obtain additional financing would depend in part on factors outside of our control. If there is a prolonged closure of our casinos and hotels, or we are unable to obtain

additional capital, we may not be able to meet our debt covenants or pay our obligations as they become due and could risk default under the Notes, upon which the amount outstanding could be accelerated, which would raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include adjustments that might result from the outcome of this uncertainty.

***If we fail to maintain compliance with the continued listing requirements of The Nasdaq Capital Market, we could be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.***

Our common stock is currently listed on The Nasdaq Capital Market. To maintain the listing of our common stock on The Nasdaq Capital Market, we are required to meet certain continued listing requirements, which include, among others, a minimum closing bid price requirement of \$1.00 per share for 30 consecutive trading days and any of: (i) a minimum stockholders' equity of \$2.5 million; (ii) a market value of listed securities of at least \$35.0 million; or (iii) net income from continuing operations of \$500,000 in the most recently completed fiscal year or in the two of the last three fiscal years. As of March 27, 2020, our bid price was \$1.09 as a result of the unprecedented market disruptions caused by the coronavirus (COVID-19) pandemic. Such bid price was in compliance with the continued listing requirements.

In the event that the closing bid price of our common stock were below \$1.00 for 30 consecutive trading days, we could receive a notice from Nasdaq that we are not in compliance with its continued listing requirements. In connection with the market disruptions following September 11, 2001, Nasdaq temporarily suspended its minimum bid price and market float requirements in an effort to help companies remain listed in view of the extraordinary market conditions. There can be no assurance, however, that Nasdaq would provide similar temporary relief for companies failing to meet these requirements today.

If we fail to satisfy the continued listing requirements of The Nasdaq Capital Market, Nasdaq may take steps to delist our common stock, which could have a materially adverse effect on our ability to raise additional funds as well as the price and liquidity of our common stock. Such a delisting could have a negative effect on the price of our common stock and could impair our stockholders' ability to sell or purchase our common stock when they wish to do so.

In addition, the delisting of our common stock from a national exchange could have a material adverse effect on our access to capital markets, and any limitation on market liquidity or reduction in the price of our common stock as a result of that delisting could adversely affect our ability to raise capital on terms acceptable to us, or at all.

***The indenture governing our senior secured notes imposes restrictive covenants and limitations that could significantly affect our ability to operate our business and lead to events of default if we do not comply with our covenants.***

Our indenture governing the senior secured notes due 2024 (the "Notes") impose restrictive covenants on us and our subsidiaries that may limit our current and future operations. The restrictions that are imposed under the indenture include, among other obligations, limitations on our and our subsidiaries' ability to:

- incur additional debt and guarantee indebtedness;
- make payments on subordinated obligations;
- make dividends or distributions and repurchase stock;
- make investments;
- enter into transactions with affiliates;
- grant liens on our property to secure debt;
- sell assets or enter into mergers or consolidations;
- sell equity interest in our subsidiaries;
- make capital expenditures; or
- amend or modify our subordinate indebtedness without obtaining consent from the holders of our senior indebtedness.

These restrictions could adversely affect our ability to:

- obtain additional financing for our operations;

- make needed capital expenditures;
- make strategic acquisitions or investments or enter into alliances;
- withstand a continued and sustained downturn in our business or the economy in general;
- engage in business activities, including future opportunities, that may be in our interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

In addition, our indenture governing the Notes requires us, among other obligations, to maintain a total leverage ratio. Our ability to comply with the covenants in the indenture may be affected by general economic conditions, industry conditions, and other events beyond our control, including delay in the completion of new projects under construction. As a result, there can be no assurance that we will be able to comply with these covenants. Our failure to comply with the covenants contained in the indenture, or in any instrument governing future indebtedness, including failure to comply as a result of events beyond our control, could result in an event of default. If there were an event of default and it is not waived by the requisite holders (at their option), the trustee or holders could cause all outstanding Notes to be due and payable, subject to applicable grace periods, which could materially and adversely affect our operating results and our financial condition. Additionally, this could trigger cross-defaults under our other debt obligations. We cannot assure you that our assets or cash flow would be sufficient to repay our obligations under the Notes, or any future outstanding debt obligations, if accelerated upon an event of default, particularly in light of the impact of the coronavirus pandemic on our business, cash flows and liquidity, or that we would be able to borrow sufficient funds to refinance the Notes or any future debt instruments.

***To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures and expansion efforts, will depend upon our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including the impact of the coronavirus pandemic.

We cannot assure you that our business will generate sufficient cash flows from operations or asset sales, our anticipated growth in operations, including through our expansion efforts, will be realized, or that future borrowings will be available to us in amounts sufficient to enable us to repay the Notes and to fund our other liquidity needs. In addition, as we undertake substantial new developments or facility renovations or if we consummate significant acquisitions in the future, our cash requirements may increase significantly and we may need to obtain additional equity or debt financing or joint venture partners. Any increase in our level of indebtedness could impose additional cash requirements on us in order to support interest payments. If we incur additional debt, the related risks that we now face could intensify.

Under the terms of our former Second Lien Credit Agreement, the holders of certain warrants have registration rights and redemption rights which require us to repurchase approximately 1.0 million shares of our common stock. If the holders exercise their redemption rights for all or a portion of their warrants, we have the option to pay them in cash or with a four-year note, or to register and sell the shares related to the warrants through a public offering.

If we are not able to generate sufficient cash flows from operations to repay the Notes and satisfy our obligations under the former Second Lien Credit Agreement, as needed, or to obtain adequate additional financing, we may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures or selling assets.

***Our ability to obtain additional financing on commercially reasonable terms may be limited.***

Although we believe that our cash, cash equivalents and working capital, as well as future cash from operations will provide adequate resources to fund ongoing operating requirements over the next twelve months, we may need to refinance or seek additional financing to compete effectively or grow our business. These financing strategies may not be completed on satisfactory terms, if at all. In addition, certain states' laws to undertake certain financing transactions require approval of gaming regulatory authorities. Some requirements may prevent or delay us from obtaining necessary capital. We cannot assure you that

we will be able to obtain any additional financing, refinance our existing debt, or fund our growth efforts. If we are unable to obtain financing on commercially reasonable terms, it could:

- reduce funds available to us for purposes such as working capital, capital expenditures, strategic acquisitions and other general corporate purposes;
- restrict our ability to capitalize on business opportunities;
- increase our vulnerability to economic downturns and competitive pressures in the markets in which we operate; and
- place us at a competitive disadvantage.

***Our obligations to the holders of the Notes are collateralized by a security interest in substantially all of our assets, so if we default on those obligations, the holders of the Notes could foreclose on our assets. In addition, the existence of these security interests may adversely affect our financial flexibility.***

Our obligations under the Notes and the transaction documents relating to the Notes are secured by a security interest in substantially all of our assets. As a result, if we default under our obligations under the Notes or the transaction documents, the holders of the Notes, acting through their appointed agent, could foreclose on their security interests and liquidate some or all of these assets, which could harm our business, financial condition and results of operations and could require us to reduce or cease operations. In addition, the pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase.***

An increase in market interest rates would increase our interest expense arising on our existing and future floating rate indebtedness. Pursuant to the terms of our indenture governing the Notes, the Notes bear interest at the greater of the three-month London Interbank Offered Rate (“LIBOR”) or 1.0%, plus a margin rate of 7.0%. As a result, we are exposed to interest rate risk. Interest rates, including LIBOR, have recently increased and are expected to continue to increase in future periods. If interest rates continue to increase, our debt service obligations on our variable rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Furthermore, in an environment of increasing interest rates, it is likely that any future refinancing of our indebtedness will be either at fixed interest rates higher than our current fixed interest rates or at variable rates. We have purchased an interest rate cap that expires on March 31, 2021 to minimize the effect of interest rate increases on approximately half of our outstanding borrowings with a notional amount of \$50 million and strike rate of 3.00%, which resets every three months at the end of March, June, September, and December. However, we do not maintain interest rate caps with respect to all of our variable rate indebtedness, and our interest rate cap may not fully mitigate our interest rate risk.

***Uncertainty relating to the likely phasing out of LIBOR by 2021 may result in us paying increased interest under our debt instruments, such as our senior secured notes.***

On July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, announced its intention to phase out LIBOR by the end of 2021. As a result, the continuation of LIBOR on its current basis is not guaranteed after 2021, and currently, it appears likely that LIBOR will be discontinued or substantially modified by 2021. If LIBOR ceases to exist, we may need to renegotiate our debt agreements. The discontinuation or modification of LIBOR could result in significant increases in benchmark interest rates, substantially higher financing costs or a shortage of available debt financing, any of which could have an adverse effect on our operating results.

***We and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks described above.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture governing the Notes do not fully prohibit us or our subsidiaries from doing so. If new debt is added to our, or our subsidiaries', current debt levels, the related risks that we or they now face could intensify.

***We face significant competition from other gaming and entertainment operations.***

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants, including riverboat casinos, dockside casinos, land-based casinos, racetrack casinos, sports betting, video lottery, poker machines not located in casinos, Native American gaming, social gaming and other forms of gaming. Furthermore, competition from Internet lotteries, sweepstakes, and other Internet wagering gaming services, which allow their customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings, could divert customers from our properties and thus materially and adversely affect our business. Such Internet wagering services are often illegal under federal law, but operate from overseas locations and are, nevertheless, sometimes accessible to domestic gamblers. Additionally, there are often proposals to legalize Internet poker and other varieties of Internet gaming in a number of states and at the federal level. Several states, including Nevada, New Jersey, and Delaware, have enacted legislation authorizing intrastate Internet gaming and Internet gaming operations have begun in these states. Expansion of Internet gaming in other jurisdictions (both legal and illegal) could further compete with our traditional operations, which could have an adverse impact on our business and results of operations.

In a broader sense, our gaming operations face competition from all manner of leisure and entertainment activities, including other non-gaming resorts and vacation destinations, shopping, athletic events, television and movies, concerts, and travel. Legalized gaming is currently permitted in various forms throughout the U.S., in several Canadian provinces and on various lands taken into trust for the benefit of certain Native Americans in the U.S. and Canada. Other jurisdictions that border our operational locations, such as Ohio, have recently legalized and implemented gaming. In addition, established gaming jurisdictions could award additional gaming licenses or permit the expansion or relocation of existing gaming operations. New, relocated or expanded operations by other persons could increase competition for our gaming operations and could have a material adverse impact on us. Gaming competition is intense in most of the markets where we operate. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas. As competing properties and new markets are opened, our operating results may be negatively impacted. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. We expect each existing or future market in which we participate to be highly competitive. The competitive position of each of our casino properties is discussed in "Item 1. Business – Competition".

***We face extensive regulation from gaming and other regulatory authorities and the cost of compliance or failure to comply with such regulations may adversely affect our business and results of operations.***

***Licensing.*** The gaming industry is highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. The ownership, management and operation of gaming facilities are subject to extensive state and local regulation in the jurisdiction in which it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interest in the gaming operations. The regulatory authorities in jurisdictions where we operate have broad discretion, and may, for any reason set forth in the applicable legislation, rules and regulations, limit, condition, suspend, fail to renew or revoke a license or registration to conduct gaming operations. Furthermore, because we are subject to regulation in each jurisdiction in which we operate, and because regulatory agencies within each jurisdiction review our compliance with gaming laws in other jurisdictions, it is possible that gaming compliance issues in one jurisdiction may lead to reviews and compliance issues in other jurisdictions.

***Taxation and fees.*** We believe that the prospect of significant tax revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue-based taxes and fees in addition to normal federal, state, local and provincial income and employment taxes, and such taxes and fees are subject to increase at any time. We pay substantial taxes and fees with respect to our operations. From time to time, federal, state, local and



provincial legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, any downturn in economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our business, financial condition and results of operations.

*Compliance with other laws.* In addition to gaming regulations, we are also subject to various federal, state, and local laws and regulations affecting businesses in general. These laws and regulations include, but are not limited to, environmental matters, employment, currency transactions, taxation, construction, zoning, construction and land-use laws, marketing and advertising, smoking, and regulations governing the serving of alcoholic beverages.

The Bank Secrecy Act, enforced by the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Treasury Department, requires us to report currency transactions in excess of \$10,000 occurring within a gaming day, including identification of the guest by name and social security number, to the Internal Revenue Service (“IRS”). This regulation also requires us to report certain suspicious activity, including any transaction that exceeds \$5,000 that we know, suspect or have reason to believe involves funds from illegal activity or is designed to evade federal regulations or reporting requirements. Periodic audits by the IRS and our internal audit function assess compliance with the Bank Secrecy Act, and substantial penalties can be imposed against us if we fail to comply with this regulation. In recent years, the U.S. Treasury Department has increased its focus on Bank Secrecy Act compliance throughout the gaming industry. Recent public comments by FinCEN suggest that casinos should make efforts to obtain information on each customer’s sources of income. This could impact our ability to attract and retain casino guests.

We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violations of anti-money laundering laws or regulations by any of our properties could have an adverse effect on our financial condition, results of operations or cash flows. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted.

Our riverboat, as well as our ferry boat operations, at Rising Star must comply with certain federal and state laws and regulations with respect to boat design, on-board facilities, equipment, personnel and safety. In addition, we are required to have third parties periodically inspect and certify our casino riverboat for safety, stability and single compartment flooding integrity. All of our casinos also must meet local fire safety standards. We would incur additional costs, if any, if our gaming facilities are not in compliance with one or more of these regulations.

***Changes in legislation and regulation of our business could have an adverse effect on our financial condition, results of operations and cash flows.***

Regulations governing the conduct of gaming activities and the obligations of gaming companies in any jurisdiction in which we have or in the future may have gaming operations are subject to change and could impose additional operating, financial, competitive or other burdens on the way we conduct our business.

In particular, certain areas of law governing new gaming activities, such as the federal and state law applicable to sports betting, are new or developing in light of emerging technologies. New and developing areas of law may be subject to the interpretation of the government agencies tasked with enforcing them. In some circumstances, a government agency may interpret a statute or regulation in one manner and then reconsider its interpretation at a later date. No assurance can be provided that government agencies will interpret or enforce new or developing areas of law consistently, predictably, or favorably. Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results. For example, in January 2019, legal counsel for the U.S. Department of Justice (“DOJ”) issued a legal opinion on the Interstate Wire Act of 1961 (“Wire Act”), which stated that the Wire Act bans any form of online gambling if it crosses state lines and reversed a 2011 DOJ legal opinion that stated that the Wire Act only applied to interstate sports betting. The validity of the 2019 DOJ legal opinion and the conflicting interpretations of the Wire Act by DOJ is presently the subject of ongoing litigation.

***We may face revenue declines should discretionary consumer spending drop from an economic downturn.***

Our net revenues are highly dependent upon the volume and spending levels of customers at our properties and, as such, our business has been in the past, and could be in the future, adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by weakened general economic conditions such as, but not limited to, lackluster recoveries from recessions, pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus, high unemployment levels, higher income taxes, low levels of consumer confidence, weakness in the housing market, cultural and demographic changes, and increased stock market volatility may negatively impact our revenues and operating cash flow. For example, the coronavirus is expected to have indeterminable adverse effects on the global economy, including the United States, such as an economic slowdown and it is possible that it could cause a global recession. This could lead to a reduction in discretionary spending by our guests on entertainment and leisure activities, which could have a material adverse effect on our revenues, cash flow and results of operations. Furthermore, during periods of economic contraction, our revenues may decrease while many of our costs remain fixed and some costs may increase, resulting in decreased earnings.

***We cannot assure you that any of our contracted sports betting parties, through the use of our permitted website “skins,” will be able to compete effectively, that our contracted sports parties will have the ability and/or willingness to sustain sports betting operations should they experience an extended period of unprofitability, or that we will have the ability to replace existing partners or vendors on similar terms as our existing revenue guarantees.***

Our contracted sports betting parties, through the use of our permitted website “skins,” will compete in a rapidly evolving and highly competitive market against an increasing number of competitors. The success of their sports betting operations is dependent on a number of factors that are beyond our and their control, including the ultimate tax rates and license fees charged by jurisdictions across the United States; their ability to gain market share in a newly developing market; the timeliness and the technological and popular viability of their products, their ability to compete with new entrants in the market; changes in consumer demographics and public tastes and preferences; and the availability and popularity of other forms of entertainment. While our current agreements with our contracted sports betting parties provide us with guaranteed annual revenue upon their launch of operations, we cannot assure you that any of our contracted sports parties will be able to compete effectively or that they will have the ability or willingness to sustain sports betting operations for an extended period of unprofitability. Should any of our contracted sports betting parties cease operations, whether due to unprofitability or for other reasons, there can be no assurance that we will be able to replace them on similar terms as our existing revenue guarantees.

***Our business may be adversely affected by legislation prohibiting tobacco smoking.***

Legislation in various forms to ban indoor tobacco smoking has been enacted or introduced in jurisdictions in which we operate. Except for those in Colorado, the gaming areas of our properties are not currently subject to tobacco restrictions. While gaming areas have generally been exempted from these restrictions, if additional restrictions on smoking are enacted in jurisdictions in which we operate, we could experience a decrease in gaming revenue. This is particularly the case if such restrictions are not applicable to all competitive facilities in that gaming market.

***The exercise of outstanding stock warrants and options may result in substantial dilution and may depress the trading price of our common stock.***

In connection with the former Second Lien Credit Facility, we have warrants outstanding, representing rights to purchase approximately 1.0 million shares of our common stock at the option of the lenders. If our outstanding warrants and other options to purchase shares of our common stock are exercised and the underlying shares of common stock are issued upon such exercise are sold, our stockholders may experience substantial dilution and the market price of our shares of common stock could decline. Further, the perception that such securities might be exercised could adversely affect the trading price of our shares of common stock. During the time that such securities are outstanding, they may adversely affect the terms on which we could obtain additional capital.

The warrants also provide the holders with registration rights and redemption rights which allow them, at their option, to require us to repurchase all or a portion of the warrants upon the occurrence of certain triggering events. The refinancing of the Second Lien Credit Facility qualified as a triggering event. If the holders exercise their redemption rights, we have the option of paying them in cash or with a four-year note on terms stipulated in the warrant agreement, or by registering and selling the

shares related to the warrants through a public offering, which could result in substantial dilution and may adversely affect the market price of our shares.

***We depend on our key personnel.***

We are highly dependent on the services of our executive management team and other members of our senior management team. Our ability to attract and retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies, and our growth prospects. The loss of the services of any members of our senior management team could have a material adverse effect on our business, financial condition and results of operations.

***We may face disruption and other difficulties in integrating and managing facilities we have recently developed or acquired, or may develop or acquire in the future.***

We may face certain challenges as we integrate the operational and administrative systems of recently developed or acquired facilities into our business. As a result, the realization of anticipated benefits may be delayed or substantially reduced. Events outside of our control, including changes in state and federal regulations and laws as well as economic trends, also could adversely affect our ability to realize the anticipated benefits from the acquisition or future development.

We expect to continue pursuing expansion opportunities. For example, we plan to build an approximately 180-guest room hotel in Cripple Creek, Colorado, adjoining and integral with our existing Bronco Billy's. The expansion is expected to include a spa, parking garage, convention and entertainment space, and two new restaurants. As part of the expansion, we refurbished and reopened the Imperial Casino as the Christmas Casino and rebranded the Imperial Hotel as the Christmas Inn. We also regularly evaluate opportunities for acquisition and development of new properties. We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets. The integration of properties we may develop or acquire will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks, as well as the risks attendant to partnership deals on these development opportunities. In particular, in projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas, may require that we increase our management resources. We cannot assure you that we will be able to manage the combined operations effectively or realize any of the anticipated benefits of our acquisitions. We also cannot assure you that if acquisitions are completed, that the acquired businesses will generate returns consistent with our expectations.

Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior-level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected.

If we make new acquisitions or new investments, we may face additional risks related to our business, results of operations, financial condition, liquidity, ability to satisfy financial covenants and comply with other restrictive covenants under our indenture, and ability to pay or refinance our indebtedness.

The occurrence of some or all of the above described events could have a material adverse effect on our business, financial condition and results of operations.

***Our ferry boat service is highly regulated, which can adversely affect our operations.***

Our ferry boat service at the Rising Star Casino Resort is subject to stringent local, state and federal laws and regulations governing, among other things, the health and safety of our passengers and personnel, and the operation and insurance of our vessel. Many aspects of our ferry boat service are subject to regulation by a wide array of agencies, including the U.S. Coast Guard and other federal authorities, the State of Indiana and Commonwealth of Kentucky authorities, as well as local authorities in Ohio County, Indiana and Boone County, Kentucky. In addition, we are required by various governmental and quasi-governmental agencies to obtain, maintain and periodically renew certain permits, licenses and certificates with respect to our ferry boat service. Compliance with or the enforcement of applicable laws and regulations can be costly. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or, in certain cases, the suspension or termination of our ferry boat service.

***Marine transportation is inherently risky, and insurance may be insufficient to cover losses that may occur to our assets or result from our ferry boat operations.***

The operation of our vessel is subject to various inherent risks, including:

- catastrophic marine disasters and accidents;
- adverse weather conditions or natural disasters;
- mechanical failure or equipment damage;
- hazardous substance spills; and
- navigation and human errors.

The occurrence of any of these events may result in, among other things, damage to or loss of our vessel, damage to other vessels and the environment, loss of revenues, short-term or long-term interruption of ferry boat service; termination of our vessel charter or other contracts, fines, penalties or other restrictions on conducting business, damage to our reputation and customer relationships, and death or injury to personnel and passengers. Such occurrences may also result in a significant increase in our operating costs or liability to third parties.

***We derive our revenues and operating income from our casino resort properties located in Mississippi, Colorado, Indiana and Nevada, and are especially subject to certain risks, including economic and competitive risks, associated with the conditions in those areas and in the states from which we draw patrons.***

Because we derive our revenues and operating income from properties concentrated in four states, we are subject to greater risks from regional conditions than a gaming company with operating properties in a greater number of different geographic regions. A decrease in revenues from or increase in costs for one of these locations is likely to have a proportionally greater impact on our business and operations than it would for a gaming company with more geographically diverse operating properties. Risks from regional conditions include the following:

- regional economic conditions;
- regional competitive conditions, including legalization or expansion of gaming in Mississippi, Colorado, Indiana, Nevada, or in neighboring states;
- allowance of new types of gaming, such as the introduction of live table games at Indiana racinos;
- reduced land and air travel due to increasing fuel costs or transportation disruptions; and,
- increase in our vulnerability to economic downturns and competitive pressures in the markets in which we operate.

***Some of our casino resort operations are located on leased property. If the lessors exercise their buyout rights or if we default on one or more leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected casino.***

We lease certain parcels of land at our Silver Slipper Casino and Hotel in Mississippi, both land and buildings at Bronco Billy's Hotel and Casino in Colorado and one of the two hotels at our Rising Star Casino Resort in Indiana. We also lease casino space at our Grand Lodge Casino in Nevada. As a lessee, we have the right to use the leased land, hotel or space as applicable;

however, we do not hold fee ownership. Accordingly, unless we have a purchase option and exercise such option, we will have no interest in the improvements thereon at the expiration of the leases. We have such purchase options on the leased property at the Silver Slipper, Bronco Billy's and for the leased hotel at Rising Star, but it is either currently more advantageous for us to continue to lease rather than exercise the buyout option, or we have certain restrictions which only allow us to exercise the purchase option during certain future time periods. Under certain circumstances and at the expirations of the underlying leases, we might be forced to exercise our buyout options in order to continue to operate those properties. There is no certainty that the funds could be raised at that time at a reasonable cost, or at all, to exercise some or all of the buyout options. The operating lease at the Grand Lodge Casino includes certain lessor buyout rights based upon a multiple of EBITDA that, if exercised, could result in the lessor purchasing our leasehold interest and the operating assets on terms that may be less than fair market value or financially unfavorable to us. Since we do not completely control the land, buildings, hotel and space underlying our leased properties, a lessor could take certain actions to disrupt our rights under the long-term leases which are beyond our control. If the entity owning any leased land, buildings, hotel or space chose to disrupt our use either permanently or for a significant period of time, then the value of our assets could be impaired and our business and operations could be adversely affected. If we were to default on the lease, the lessor could terminate the affected lease and we could lose possession of the affected land, buildings, hotel or space and any improvements thereon. The loss of the lease through exercise of buyout rights or through termination upon default could have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities, which, in turn, may result in a default under our debt agreements.

*We are engaged from time to time in one or more construction and development projects, and many factors could prevent us from completing them as planned.*

Construction of major buildings has certain inherent risks, including the risks of fire, structural collapse, human error and electrical, mechanical and plumbing malfunction. In addition, projects entail additional risks related to structural heights and the required use of cranes. Our development and expansion projects are exposed to significant risks, including:

- shortage of materials;
- shortage of skilled labor or work stoppages;
- unforeseen construction scheduling, engineering, excavation, environmental or geological problems;
- increases in the cost of steel and other raw materials for construction, driven by U.S. tariffs on imports, demand, higher labor and construction costs and other factors, may cause price increases beyond those anticipated in the budgets for our development projects;
- natural disasters, hurricanes, weather interference, changes in river levels, floods, fires, earthquakes, the impacts of pandemic such as coronavirus, or other casualty losses or delays;
- unanticipated cost increase or delays in completing the project;
- delays in obtaining or inability to obtain or maintain necessary license or permits;
- lack of sufficient, or delays in the availability of, financing;
- changes to plans or specifications;
- performance by contractors and subcontractors;
- disputes with contractors;
- personal injuries to workers and other persons;
- disruption of our operations caused by diversion of management's attention to new development projects and construction at our existing properties;
- remediation of environmental contamination at some of our proposed construction sites, which may prove more difficult or expensive than anticipated in our construction budgets;
- failure to obtain and maintain necessary gaming regulatory approvals and licenses, or failure to obtain such approvals and licenses on a timely basis;
- requirements or government-established "goals" concerning union labor or requiring that a portion of the project expenditures be through companies controlled by specific ethnic or gender groups, goals that may not be obtainable, or may only be obtainable at additional project cost; and
- other unanticipated circumstances or cost increases.

The occurrence of any of the foregoing could increase the total costs, delay or prevent the construction, development, expansion or opening of a project. Escalating construction costs may cause us to modify the design and scope of projects from

those initially contemplated or cause the budgets for those projects to be increased. We generally carry insurance to cover certain liabilities related to construction, but not all risks are covered, and it is uncertain whether such insurance will provide sufficient payment in a timely fashion even for those risks that are insured and material to us.

Construction of our development projects exposes us to risks of cost overruns due to typical construction uncertainties associated with any project or changes in the designs, plans or concepts of such projects. For these and other reasons, construction costs may exceed the estimated cost of completion, notwithstanding the existence of any guaranteed maximum price construction contracts.

***We face a number of challenges prior to opening new or upgraded facilities.***

We have several development and improvement projects planned in the near future. No assurance can be given that, when we endeavor to open new or upgraded facilities, the expected timetables for opening such facilities will be met in light of the uncertainties inherent in the development of the regulatory framework, construction, the licensing process, legislative action and litigation. Delays in opening new or upgraded facilities could lead to increased costs and delays in receiving anticipated revenues with respect to such facilities and could have a material adverse effect on our business, financial condition and results of operations.

***Subsequent phases to certain of our existing projects and potential enhancements at our properties may require us to raise additional capital.***

We may need to access financial institution sources, capital markets, private sources or otherwise obtain additional funds to complete subsequent phases of our existing projects and to fund potential enhancements we may undertake at our facilities, such as our potential hotel development at Bronco Billy's. We do not know when or if financial institution sources, capital markets or private sources will permit us to raise additional funds for such phases and enhancements in a timely manner, on acceptable terms, or at all. Inability to access financial institution sources, capital markets or private sources, or the availability of capital only on less-than-favorable terms, may force us to delay, reduce or cancel our subsequent phases and enhancement projects.

Our ability to obtain financial institution sources, capital markets or private source financing for future offerings may also be limited by our financial condition, results of operations or other factors, such as our credit rating or outlook at the time of any such financing or offering and the covenants in our existing debt agreements, as well as by general economic conditions and contingencies and uncertainties that are beyond our control. As we seek additional financing, we will be subject to the risks of rising interest rates and other factors affecting the financial markets.

***The casino, hotel and resort industry is capital intensive and we may not be able to finance expansion and renovation projects, which could put us at a competitive disadvantage.***

Our properties have an ongoing need for renovations and other capital improvements to remain competitive, including replacement, from time to time, of furniture, fixtures and equipment. We may also need to make capital expenditures at our casino properties to comply with our debt covenants, lease agreements and applicable laws and regulations.

Renovations and other capital improvements at our properties require significant capital expenditures. In addition, renovations and capital improvements usually generate little or no cash flow until the projects are completed. We may not be able to fund such projects solely from existing resources and cash provided from operating activities. Consequently, we may have to rely upon the availability of debt or equity capital to fund renovations and capital improvements, and our ability to carry them out will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on, among other things, market conditions. We cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms. Our failure to renovate our properties may put us at a competitive disadvantage.

***Adverse weather conditions, road construction, gasoline shortages and other factors affecting our facilities and the areas in which we operate could make it more difficult for potential customers to travel to our properties and deter customers from visiting our properties.***

Our continued success depends upon our ability to draw customers from each of the geographic markets in which we operate. Adverse weather conditions or road construction can deter our customers from traveling to our facilities or make it difficult for them to frequent our properties. In recent years, there were severe cold temperatures that we believe adversely affected our Indiana and Mississippi properties' financial performance and historically low snow levels in the Lake Tahoe region adversely affected visitation and financial performance at the Grand Lodge Casino. Bronco Billy's in recent years was adversely affected by nearby forest fires, as well as the subsequent flooding of its access roads due to lack of vegetation (from the forest fires) on hills above such roads. Moreover, gasoline shortages or fuel price increases in regions that constitute a significant source of customers for our properties could make it more difficult for potential customers to travel to our properties and deter customers from visiting. Our dockside gaming facility in Indiana, as well as any additional riverboat or dockside casino properties that might be developed or acquired, are also subject to risks, in addition to those associated with land-based casinos, which could disrupt our operations. Although our Indiana casino vessel does not leave its moorings in normal operations, there are risks associated with the movement or mooring of vessels on waterways, including risks of casualty due to river turbulence, flooding, collisions with other vessels and severe weather conditions. Our new ferry boat that we operate at Rising Star has similar risks as our Indiana casino vessel, as well as additional risks related to ferry boat operations discussed above.

***Our results of operations and financial condition could be materially adversely affected by the occurrence of natural disasters, such as hurricanes, pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus pandemic, or other catastrophic events, including war, terrorism and gun violence.***

Natural disasters, such as major hurricanes, tornadoes, typhoons, floods, fires and earthquakes, could adversely affect our business and operating results. Hurricanes are common in the area in which our Mississippi property is located and the severity of such natural disasters is unpredictable. In 2017, Hurricane Nate resulted in the temporary closure of the Silver Slipper Casino and Hotel. In 2005, Hurricanes Katrina and Rita caused significant damage in the Gulf Coast region and damaged a casino that previously existed at our Mississippi site. Additionally, our Indiana property is at risk of flooding due to its proximity to the Ohio River.

If a pandemic, epidemic or outbreak of an infectious disease, such as the recent coronavirus pandemic, occurs in the United States or on a global scale, our business may be adversely affected. As described elsewhere in these Risk Factors, such events may result in closures of our properties, a period of business disruption, and in reduced operations, any of which could materially affect our business, financial condition and results of operations.

Catastrophic events, such as terrorist and war activities in the United States and elsewhere, when they occur, have had a negative effect on travel and leisure expenditures, including lodging, gaming and tourism. Gun violence has also occurred at casinos, including a mass shooting at a casino in Las Vegas in 2017. We cannot accurately predict the extent to which such events may affect us, directly or indirectly, in the future. There also can be no assurance that we will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist and violent acts and any losses that could result from these acts. If there is a prolonged disruption at our properties due to natural disasters, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

***Several of our properties, including Silver Slipper, Bronco Billy's and, to a lesser extent, Rising Star, are accessed by our customers via routes that have few alternatives.***

The Silver Slipper is located at the end of a dead-end road, with no other access. Bronco Billy's is accessed by most guests via a mountain pass; if that pass is closed for any reason, the alternative is longer. Rising Star's primary access from Cincinnati is via a road alongside the Ohio River; if this road were to close, the alternative routes involve more winding roads through the rolling hills inland from the river. If access to any of these roads is blocked for any significant period, our results of operations and financial condition could be materially affected.

***We may incur property and other losses that are not adequately covered by insurance, including adequate levels of Weather Catastrophe Occurrence/Named Windstorm, Flood and Earthquake insurance coverage for our properties.***

Although we maintain insurance that our management believes is customary and appropriate for our business, there can be no assurance that insurance will be available at reasonable costs in any given year or adequate to cover all losses and damage to which our business or our assets might be subjected. The lack of adequate insurance for certain types or levels of risk could expose us to significant losses in the event that a catastrophe occurred for which we are uninsured or under-insured. Any losses we incur that are not adequately covered by insurance may decrease our future operating income, require us to find replacements or repairs for destroyed property, and reduce the funds available for payments of our obligations. In addition, certain casualty events, such as labor strikes, nuclear events, acts of war, declines in visitation and loss of income due to fear of terrorism or other acts of violence, loss of electrical power due to catastrophic events, rolling blackouts or otherwise, deterioration or corrosion, insect or animal damage, and pollution, may not be covered at all under our policies. The occurrence of any of the foregoing could, therefore, expose us to substantial uninsured losses.

Because of significant loss experience caused by hurricanes and other natural disasters, a number of insurance companies may stop writing insurance in Class 1 hurricane areas, including Mississippi. Others may significantly limit the amount of coverage they will write in these markets and increase the premiums charged for this coverage. Additionally, uncertainty can occur as to the viability of certain insurance companies. While we believe that the insurance companies from which we have purchased insurance policies will remain solvent, there is no certainty that this will be the case.

***We may face risks related to our ability to receive regulatory approvals required to complete certain acquisitions, mergers, joint ventures, and other developments, as well as other potential delays in completing certain transactions.***

Our growth may be fueled, in part, by the acquisition of existing gaming and development properties. In addition to standard closing conditions, our material transactions, including but not limited to acquisitions, are often conditioned on the receipt of regulatory approvals and other hurdles that create uncertainty and could increase costs. Such delays could significantly reduce the benefits to us of such transactions and could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to obtain necessary government approvals in a timely manner, or at all, it can adversely impact our various expansion, development, investment and renovation projects.***

The scope of the approvals required for expansion, development, investment or renovation projects can be extensive and may include gaming approvals, state and local land-use permits and building and zoning permits. Unexpected changes or concessions required by local, state or federal regulatory authorities could involve significant additional costs and delay the scheduled openings of the facilities. We may not obtain the necessary permits, licenses, entitlements and approvals within the anticipated time frames, or at all.

***Insufficient or lower-than-expected results generated from our new developments and acquired properties may negatively affect our operating results and financial condition.***

We cannot assure you that the revenues generated from our new developments and acquired properties will be sufficient to pay related expenses if and when these developments are completed; or, even if revenues are sufficient to pay expenses, that the new developments and acquired properties will yield an adequate return or any return on our significant investments. As previously discussed, the development of new properties may involve construction, regulatory, legal and competitive risks or local opposition, any of which can significantly increase the anticipated cost of a project. Our projects, if completed, may not achieve the level of guest acceptance and patronage we anticipate and, for this or other reasons, may take significantly longer than we expect to generate returns, if any. If our new developments or acquired properties do not achieve the financial results anticipated, it could adversely affect our revenues and results of operations. Moreover, lower-than-expected results from the opening of a new facility may make it more difficult to raise capital.



***Higher wage and benefit costs could adversely affect our business.***

While the vast majority of our employees earn more than the minimum wage in the relative jurisdictions and receive medical plan benefits from us, changes in federal and state minimum wage laws and other laws relating to employee benefits, including the Patient Protection and Affordable Care Act, have in the past, and could in the future cause us to incur additional wage and benefits costs. Increased labor costs brought about by changes in minimum wage laws, other regulations or prevailing market conditions have recently, and could in the future, further increase our expenses, which could have an adverse impact on our profitability, or decrease the number of employees we are able to employ, which could decrease customer service levels at our gaming facilities and therefore adversely impact revenues. For example, the state of Colorado increased its minimum wage in January 2019, which adversely impacted Bronco Billy's operating results during 2019.

***Rising operating costs at our gaming properties could have a negative impact on our business.***

The operating expenses associated with our gaming properties could increase due to, among other reasons, the following factors:

- changes in federal, state or local tax or regulations, including state gaming regulations or gaming taxes, could impose additional restrictions or increase our operating costs;
- aggressive marketing and promotional campaigns by our competitors for an extended period of time could force us to increase our expenditures for marketing and promotional campaigns in order to maintain our existing customer base or attract new customers;
- as our properties age, we may need to increase our expenditures for repairs, maintenance, and to replace equipment necessary to operate our business in amounts greater than what we have spent historically;
- our reliance on slot play revenues and any additional costs imposed on us from vendors;
- availability and cost of the many products and services we provide our customers, including food, beverages, retail items, entertainment, hotel rooms, spa and golf;
- availability and costs associated with insurance;
- increases in costs of labor;
- our properties use significant amounts of electricity, natural gas and other forms of energy, and energy price increases may adversely affect our cost structure;
- our properties use significant amounts of water, and a water shortage may adversely affect our operations; and
- at Grand Lodge Casino, we rely on Hyatt Lake Tahoe to provide certain items at reasonable costs, including food, beverages, parking and rooms. Any change in their pricing or the availability of such items may affect our ability to compete.

If our operating expenses increase without any offsetting increase in our revenues, our results of operations would suffer.

***We extend credit to certain customers and we may not be able to collect gaming receivables from our credit players.***

Most of our casino play involves slot machines or lower limit table games. Nevertheless, we do conduct a portion of our gaming activities on a credit basis through the issuance of markers which are unsecured instruments. Table games players typically are extended more credit than slot players, and high-stakes players typically are extended more credit than players who tend to wager lower amounts. High-end gaming is more volatile than other forms of gaming and variances in win-loss results attributable to high-end gaming may have a significant positive or negative impact on cash flow and earnings in a particular quarter. We extend credit to those customers whose level of play and financial resources warrant, in the opinion of management, an extension of credit. These large receivables could have a significant impact on our results of operations if deemed uncollectible.

***We face the risk of fraud and cheating.***

Our gaming customers may attempt or commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with our employees. Internal acts of cheating could also be conducted by employees directly or through collusion with dealers, surveillance staff, floor managers or other

casino or gaming area staff. Failure to discover such acts or schemes in a timely manner could result in losses in our gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on our reputation, potentially causing a material adverse effect on our business, financial condition, results of operations and cash flows.

***Win rates for our gaming operations depend on a variety of factors, some beyond our control.***

The gaming industry is characterized by an element of chance. In addition to the element of chance, win rates are also affected by other factors, including players' skill and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume of bets played and the amount of time played. Our gaming profits are mainly derived from the difference between our casino winnings and the casino winnings of our gaming customers. Since there is an inherent element of chance in the gaming industry, we do not have full control over our winnings or the winnings of our gaming customers. If our winnings do not exceed the winnings of our gaming customers by enough to cover our operating costs, we may record a loss from our gaming operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power and if we experience damage or service interruptions, we may have to cease some or all of our operations, which will result in a decrease in revenue.***

Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security system and all of our slot machines are controlled by computers and reliant on electrical power to operate. A loss of electrical power or a failure of the technology services needed to run the computers could make us unable to run all or parts of our gaming operations. Any unscheduled interruption in our technology services or interruption in the supply of electrical power is likely to result in an immediate, and possibly substantial, loss of revenue due to a shutdown of our gaming operations. Although we have designed our systems around industry-standard designs to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events. Additionally, substantial increases in the cost of electricity and natural gas could negatively affect our results of operations.

***Our information technology and other systems are subject to cyber-security risk, misappropriation of customer information and other breaches of information security.***

We rely extensively on our computer systems to process customer transactions, manage customer data, manage employee data and communicate with third-party vendors and other third parties, and we may also access the Internet to use our computer systems. Our operations require that we collect and store customer data, including credit card numbers and other personal information, for various business purposes, including marketing and promotional purposes. We also collect and store personal information about our employees. Breaches of our security measures or information technology systems or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive personal information or confidential data about us, or our customers, or our employees including the potential loss or disclosure of such information as a result of hacking or other cyber-attack, computer virus, fraudulent use by customers, employees or employees of third party vendors, trickery or other forms of deception or unauthorized use, or due to system failure, could expose us, our customers, our employees or other individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation or brand names or otherwise harm our business. We rely on proprietary and commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of customer information, such as payment card, employee information and other confidential or proprietary information. Our data security measures are reviewed and evaluated regularly; however, they might not protect us against increasingly sophisticated and aggressive threats. The cost and operational consequences of implementing further data security measures could be significant and there is no certainty that such measures, if purchased, could thwart all threats.

Additionally, the collection of customer and employee personal information imposes various privacy compliance related obligations on our business and increases the risks associated with a breach or failure of the integrity of our information technology systems. The collection and use of personal information are governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Privacy regulations continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Compliance with applicable privacy laws and regulations may increase our

operating costs and/or adversely impact our ability to market our products, properties and services to our customers. In addition, non-compliance with applicable privacy laws and regulations by us (or in some circumstances non-compliance by third party service providers engaged by us) may also result in damage of reputation, result in vulnerabilities that could be exploited to breach our systems and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of personal information.

***We are subject to environmental laws and potential exposure to environmental liabilities.***

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and non-hazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions. We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect our ability to use, sell or rent property. There can be no assurances that these matters or other matters arising under environmental laws will not have a material adverse effect on our business, financial condition, or results of operations in the future.

***The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.***

A majority of our revenues are attributable to slot machines and related systems operated by us at our gaming facilities. It is important, for competitive reasons, that we offer popular and up-to-date slot machine games to our customers.

A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by only a few companies, and there has been recent consolidation activity within the gaming equipment sector.

In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements. Participation slot machine leasing arrangements typically often require the payment of a fixed daily rental or a percentage payment of coin-in or net win. Generally, a participation lease is substantially more expensive over the long term than the cost to purchase a new machine.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

***We are subject to litigation which, if adversely determined, could cause us to incur substantial losses.***

From time to time during the normal course of operating our businesses, we are subject to various litigation claims and legal disputes. Some of the litigation claims may not be covered under our insurance policies, or our insurance carriers may seek to deny coverage. As a result, we might also be required to incur significant legal fees, which may have a material adverse effect on our financial position. In addition, because we cannot accurately predict the outcome of any action, it is possible that, as a result of current and/or future litigation, we will be subject to adverse judgments or settlements that could significantly reduce our earnings or result in losses.

***The market price for our common stock may be volatile, and investors may not be able to sell our stock at a favorable price or at all.***

Many factors could cause the market price of our common stock to rise and fall, including:

- actual or anticipated variations in our quarterly results of operations;
- the impact of the coronavirus pandemic on our business;

- change in market valuations of companies in our industry;
- change in expectations of future financial performance;
- regulatory changes;
- fluctuations in stock market prices and volumes;
- issuance of common stock market prices and volumes;
- the addition or departure of key personnel; and
- announcements by us or our competitors of acquisitions, investments, dispositions, joint ventures or other significant business decisions.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to companies' operating performance, for example, as a result of the coronavirus epidemic. Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, shareholder derivative lawsuits and/or securities class-action litigation has sometimes been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources.

*Stockholders may be required to dispose of their shares of our common stock if they are found unsuitable by gaming authorities.*

While gaming authorities generally focus on shareholders with more than 5% and often 10% of a company's shares, such authorities generally can require that *any* beneficial owner of our common stock and other securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities. Our certificate of incorporation also provides us with the right to repurchase shares of our common stock from certain beneficial owners declared by gaming regulators to be unsuitable holders of our equity securities. The price we may pay to any such beneficial owner may be below the price such beneficial owner would otherwise accept for his or her shares of our common stock.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

Substantially all of our assets collateralize our indebtedness, as discussed in Note 6 to the consolidated financial statements set forth in "Item 8. Financial Statements and Supplementary Data."

*Silver Slipper Casino and Hotel*

We own the facilities and related improvements at the Silver Slipper Casino and Hotel in Hancock County, Mississippi. The property at year-end offered 855 slot machines and 24 table games, a surface parking lot, an approximately 800-space parking garage and a 129-room hotel. The casino and hotel are located on 38 acres of leased land, including 31 acres of protected marshlands. The lease expires on April 30, 2058 and contains a purchase option that can be exercised through October 2027. Rent under the lease was \$1.6 million in 2019 (see Note 9 to the consolidated financial statements set forth in "Item 8. Financial Statements and Supplementary Data"). We are able to exercise our buyout option for \$15.5 million plus a retained interest in the property's operations of 3% of net income (as defined in the lease), for 10 years from the purchase date. We also lease approximately 5.7 acres of land occupied by offices and warehouse space that are approximately four miles from our casino, as well as small parcels of land with a building and sign. We also manage a 37-space beachfront RV park under a management agreement, which expires on March 31, 2025, unless canceled by either party.

***Bronco Billy's Casino and Hotel***

Bronco Billy's Casino and Hotel is located on or near approximately 3.9 acres of owned land and 2.4 acres of leased land that we control in Cripple Creek, Colorado. The property includes 36 hotel rooms and several acres of surface parking. A portion of the casino and parking lots are subject to a long-term lease that includes renewal options in three-year increments to 2035 and a purchase option that can be exercised at any time during the lease term. The purchase price under such option remains at \$7.6 million throughout the lease. Base rent paid in 2019 was \$355,000, and such rent escalates through the term of the lease according to a defined schedule. During 2018, we purchased the operating historic Imperial Hotel and other nearby parcels of land. In August 2018, we commenced a lease of the freestanding Imperial Casino. As part of our planned expansion of Bronco Billy's, we refurbished and rebranded both the Imperial Hotel and Imperial Casino together as the Christmas Casino & Inn in November 2018. In terms of gaming devices located throughout our property, the Christmas Casino accounted for 15% of our slot machines at year-end, with the remaining 85% of slot machines at Bronco Billy's Casino. Combined, our Cripple Creek operations currently offer 828 slot machines and 10 table games as of year-end.

***Rising Star Casino Resort***

We own the Rising Star Casino Resort in Rising Sun, Indiana. At year-end, the property consisted of a dockside riverboat on the Ohio River offering 825 slot machines and 24 table games, a land-based pavilion with approximately 30,000 square feet of meeting and convention space, a 190-room hotel, a 56-space RV park, surface parking and an 18-hole golf course on approximately 311 acres. Additionally, we lease a 104-room hotel pursuant to a finance lease that expires in October 2027 and contains a bargain purchase option for \$1 if exercised upon maturity of the lease. We also own 1.3 acres in Burlington, Kentucky, from where we commenced ferry boat operations in September 2018; the ferry service connects our Rising Star property in Indiana to the more populous Boone County, Kentucky.

***Stockman's Casino***

Included as part of our Northern Nevada segment, we own Stockman's Casino, located on approximately five acres in Fallon, Nevada. The facility offers 219 slot machines and four table games as of year-end, a bar, a fine-dining restaurant and a coffee shop, and approximately 300 surface parking spaces.

***Grand Lodge Casino***

Included as part of our Northern Nevada segment, the Grand Lodge Casino at year-end offered 269 slot machines and 17 table games, and is integrated into the Hyatt Regency Lake Tahoe Resort, Spa and Casino in Incline Village, Nevada on the north shore of Lake Tahoe. We operate Grand Lodge Casino pursuant to a lease with Hyatt expiring on August 31, 2023 and own the personal property, including slot machines. The lease is secured by our interests under such lease, consisting of certain collateral (as defined and described in a security agreement), and is subordinate to our Notes due 2024. Currently, Hyatt has an option to purchase our leasehold interest and operating assets of the Grand Lodge Casino at a defined price based partially on earnings.

Additionally, we have agreements with Hyatt that allow us to provide rooms, as well as other amenities and services, to our guests at mutually agreeable rates to support our operations.

***Corporate***

We lease 4,479 square feet of corporate office space in Las Vegas, Nevada pursuant to a lease that expires in January 2025.

**Item 3. Legal Proceedings.**

We are subject to various legal and administrative proceedings relating to personal injuries, employment matters, commercial transactions and other matters arising in the normal course of business. We do not believe that the outcome of these matters will have a material adverse effect on our financial position, results of operations or cash flows. We maintain what we believe is adequate insurance coverage to further mitigate the risks of such potential negative effects.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is traded on the Nasdaq Capital Market under the symbol “FLL.”

On March 26, 2020, we had 76 “registered holders” of record of our common stock. We believe that a substantial number of shareholders hold their common stock in “street name” or are otherwise beneficial holders whose shares of record are held by banks, brokers, and other financial institutions. Such holders are not included in the number of “registered holders” above.

**Dividend Policy**

We have not paid any dividends on our common stock to date. The payment of dividends in the future will be at the discretion of our board of directors and will be contingent upon our revenues and earnings, if any; the terms of our indebtedness; our capital requirements; growth opportunities; and general financial condition. Our debt covenants restrict the payment of dividends and it is the present intention of our board of directors to retain all earnings, if any, for use in our business operations, debt reduction and growth initiatives, reinvesting such earnings on behalf of shareholders. Accordingly, we do not anticipate paying any dividends in the foreseeable future.

**Item 6. Selected Financial Data.**

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion of our results of operations and financial condition should be read together with the other financial information and consolidated financial statements included in this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in the forward-looking statements as a result of a variety of factors, including those discussed in Item 1A. “Risk Factors” and elsewhere in this report. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods. Full House Resorts, Inc., together with its subsidiaries, may be referred to as “Full House,” the “Company,” “we,” “our” or “us”.

**Executive Overview**

Our primary business is the ownership and/or operation of casino and related hospitality and entertainment facilities, which includes offering casino gambling, hotel accommodations, dining, golfing, RV camping, sports betting, entertainment and retail outlets, among other amenities. We own or operate five casino properties in four states – Mississippi, Colorado, Indiana and Nevada. We view our Mississippi, Colorado and Indiana properties as distinct operating segments and both of our Nevada properties as one operating segment.

Our portfolio consists of the following:

<b>Property</b>	<b>Acquisition Date</b>	<b>Location</b>
Silver Slipper Casino and Hotel	2012	Hancock County, MS (near New Orleans)
Bronco Billy's Casino and Hotel	2016	Cripple Creek, CO (near Colorado Springs)
Rising Star Casino Resort	2011	Rising Sun, IN (near Cincinnati)
Stockman's Casino	2007	Fallon, NV (one hour east of Reno)
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	2011	Incline Village, NV (North Shore of Lake Tahoe)

Our financial results are dependent upon the number of patrons that we attract to our properties and the amounts those guests spend per visit. While we provide credit at some of our casinos where we are permitted to by gaming regulations, most of our revenues are cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Our revenues are primarily derived from slot machines, but also include other gaming activities, along with table games, keno and sports betting. In addition, we derive a significant amount of revenue from our hotels and our food and beverage outlets. We also derive revenues from our golf course and ferry boat service at Rising Star, our recreational vehicle parks ("RV parks") as owned at Rising Star and managed at Silver Slipper, and retail outlets and entertainment.

We set minimum and maximum betting limits for our slot machines and table games based on market conditions, customer demand and other factors. Our gaming revenues are derived from a broad base of guests that includes both high- and low-stakes players. Our sports book operations at Silver Slipper Casino and Hotel is in partnership with a company specializing in race and sports betting. Our operating results may also be affected by, among other things, overall economic conditions affecting the disposable income of our guests, weather conditions affecting access to our properties, achieving and maintaining cost efficiencies, taxation and other regulatory changes, and competitive factors, including but not limited to, additions and improvements to the competitive supply of gaming facilities, as well as pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus.

We may experience significant fluctuations in our quarterly operating results due to seasonality, variations in gaming hold percentages and other factors. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of results in future periods.

Our market environment is highly competitive and capital-intensive. We rely on the ability of our properties to generate operating cash flow to pay interest, repay debt, and fund maintenance and certain growth-related capital expenditures. We continuously focus on improving the operating margins of our existing properties through a combination of revenue growth and expense management. We also assess growth and development opportunities, which include capital investments at our existing properties, the development of new properties, and the acquisition of existing properties.

#### *Recent Developments*

**Coronavirus.** Pursuant to state government orders to prevent the spread of the coronavirus, we temporarily closed all of our casino properties in March 2020. The extent to which our future results may be affected by the coronavirus will largely depend on future developments, which are highly uncertain and cannot be accurately predicted, including the timing of the reopening of our casinos and new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. For a more detailed discussion regarding casino closures and coronavirus-related impacts on our business, see "Liquidity and Capital Resources – Coronavirus" below.

**Sports Wagering in Indiana and Colorado.** In the second half of 2019, we entered into six sports wagering agreements with three different parties, each allowing such parties to conduct mobile and online sports wagering throughout Indiana and Colorado, as well as the operation of an on-site sportsbook with one of such entities at both Rising Star and Bronco

Billy's. By October 2019, we received \$3 million of the total contracted \$6 million in one-time market access fees. We received the remaining \$3 million once sports wagering in Colorado was ratified by voters in November 2019. Additionally, once online sports wagering operations has commenced for all six agreements, we anticipate these agreements will generate an aggregate of \$7 million in minimum annual revenues for us, based on the revenue-share structure of the contracting parties' sports wagering operations in Indiana and Colorado, with minimal ongoing expenses expected by us related to these revenues. If any one of the contracting parties generates annual revenues in excess of the minimum amount set forth in its respective sports wagering agreement, we should receive more than \$7 million per year. See further information below regarding the expected commencement dates of these agreements.

**Bronco Billy's Expansion.** In 2018, we began our expansion of Bronco Billy's, which was designed to be completed in two phases. Phase One of the Bronco Billy's expansion project includes the construction of a 319-space parking garage and connector building, the purchase of the Imperial Hotel (which we acquired in June 2018) and certain other nearby parcels of land, and the reopening and rebranding of the Imperial Casino and Hotel as the Christmas Casino & Inn (which occurred in November 2018). In March 2020, in light of the global coronavirus pandemic, we paused construction of the parking garage, which was in the early stages of construction. We do not yet know when or if conditions will warrant the resumption of such construction. Phase Two of the Bronco Billy's expansion project, which is expected to include a new luxury hotel tower, spa, convention and entertainment space, and two new restaurants, is contingent upon receipt of financing on acceptable terms, among other contingencies. We do not intend to commence construction of Phase Two until Phase One is completed.

**Waukegan Proposal.** On October 29, 2019, the Company submitted an Owners Gaming License Application to the Illinois Gaming Board ("IGB") to develop and operate American Place, a casino and entertainment destination in Waukegan, Illinois. In its first phase, American Place would include a world-class casino with a state-of-the-art sports book; a premium boutique hotel comprised of twenty luxurious villas, each ranging from 1,500 to 2,500 square feet with full butler service; a 1,500-seat live entertainment venue; and various food and beverage outlets. If awarded the license by the IGB, Full House would also develop and operate a temporary casino on that site while American Place is being constructed. American Place was one of three proposals certified by the Waukegan City Council at its October 17th special meeting. At that meeting, Waukegan Aldermen heard a presentation from the city's consultant, which ranked American Place the top proposal amongst the various submissions on numerous different criteria. No assurance can be given that the Company will be awarded the license by the IGB.

**Racetrack Proposal.** In 2018, the New Mexico Racing Commission (the "NMRC") announced a competitive process regarding the issuance of the state's sixth racing license. In accordance with that process, we formally presented our racetrack casino proposal ("La Posada del Llano") to the NRMC in October 2018 and answered additional questions regarding our project in November 2018. In early 2019, the NRMC announced that it would not issue the sixth racing license at this time, but may do so in the future. If selected by the NRMC, La Posada del Llano is expected to include a racetrack featuring a unique "Moving Grandstand," an 18-hole championship golf course, a casino with up to 750 slot machines, and a 300-guestroom hotel, among other amenities.

**Increase in Amount of Senior Secured Notes.** In May 2019, we sold an additional \$10 million in aggregate principal amount of senior secured notes due 2024 (the "Incremental Notes"), which were issued on the same day at a price of 99.01% of their face value (a 0.99% original issue discount) pursuant to the indenture (as amended and supplemented, the "Indenture"), dated as of February 2, 2018. The Indenture governs \$100 million of senior secured notes due 2024 (the "Original Notes") that we previously issued on February 2, 2018. The Incremental Notes have the same maturity date, interest rate, class and series as the Original Notes (collectively, the "Notes") for all purposes under the Indenture. Proceeds from the Incremental Notes have been used or are expected to be used to (i) provide additional liquidity for the construction of the Phase One parking garage at Bronco Billy's Casino and Hotel and other capital expenditures; (ii) pay fees and expenses incurred in connection with the Incremental Notes offering; and (iii) provide funds for general corporate purposes.



*Key Performance Indicators*

We use several key performance indicators to evaluate the operations of our properties. These key performance indicators include the following:

*Gaming revenue indicators:*

Slot coin-in is the gross dollar amount wagered in slot machines and table game drop is the total amount of cash or credit exchanged into chips at table games for use by our customers. Slot coin-in and table game drop are indicators of volume.

Slot win is the difference between customer wagers and customer winnings on slot machines. Table game hold is the difference between the amount of money or markers exchanged into chips at the tables and customer winnings paid. Slot win and table game hold percentages represent the relationship between slot win and coin-in and table game win and drop.

*Room revenue indicators:*

Hotel occupancy rate is an indicator of the utilization of our available rooms. Complimentary room sales, or the retail value of accommodations furnished to customers free of charge, are included in the calculation of the hotel occupancy rate.

*Adjusted EBITDA, Adjusted Property EBITDA and Adjusted Property EBITDA Margin:*

Management uses Adjusted EBITDA as a measure of our performance. For a description of Adjusted EBITDA see “Non-GAAP Measure.” We utilize Adjusted Property EBITDA as the measure of segment profit in assessing performance and allocating resources at the reportable segment level. For information regarding our operating segments, see Note 13 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data.” Additionally, we use Adjusted Property EBITDA Margin, which is calculated by dividing Adjusted Property EBITDA by the property’s net revenues.

**Results of Operations – 2019 Compared to 2018***Consolidated operating results*

The following summarizes our consolidated operating results for the years ended December 31, 2019 and 2018.

<i>(In Thousands)</i>	<b>For the Years Ended</b>		<b>Percent</b>
	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Net revenues	\$ 165,432	\$ 163,887	0.9 %
Operating expenses	159,216	156,461	1.8 %
Operating income	6,216	7,426	(16.3)%
Interest and other non-operating expenses, net	11,958	11,321	5.6 %
Income tax expense	80	476	(83.2)%
Net loss	\$ (5,822)	\$ (4,371)	33.2 %

The following table details the components of our net revenues for the twelve months ended December 31, 2019 and 2018, which are comprised of casino and non-casino operations.

<i>(In Thousands)</i>	For the Years Ended		Percent Change
	December 31,		
	2019	2018	
<b>Casino revenues</b>			
Slots	\$ 93,228	\$ 94,989	(1.9)%
Table games	17,373	18,202	(4.6)%
Other	2,789	1,133	146.2 %
	<u>113,390</u>	<u>114,324</u>	<u>(0.8)%</u>
<b>Non-casino revenues, net</b>			
Food and beverage	35,069	35,058	0.0 %
Hotel	11,535	9,864	16.9 %
Other	5,438	4,641	17.2 %
	<u>52,042</u>	<u>49,563</u>	<u>5.0 %</u>
<b>Total net revenues</b>	<u>\$ 165,432</u>	<u>\$ 163,887</u>	<u>0.9 %</u>

The following discussion is based on our consolidated financial statements for the years ended December 31, 2019 and 2018, unless otherwise described. For further discussions, refer to “Operating results – reportable segments” below.

**Revenues.** As indicated in the above table, consolidated net revenues increased by 0.9%, with hotel and sports wagering revenue increases at Silver Slipper helping to overcome decreases in slots and table games revenue. Casino revenue decreases were attributed mostly to a decline in hold percentage at both Silver Slipper and Grand Lodge. Additionally, we installed new slot systems at both Rising Star and Bronco Billy’s in late 2019, resulting in downtime at both casinos. The downtime was significantly longer at Rising Star, with nearly half of the property’s slot machines offline for several weeks. Rising Star was also affected by new competition, including the September 2018 opening of a new casino offering “historical racing machines” in Louisville, Kentucky. For additional detail, please see the segment detail on the following pages.

**Operating expenses.** Consolidated operating expenses increased by 1.8% due to a temporary increase in marketing spend at Rising Star in efforts to counter increased competition. Additional facility costs for the Christmas Casino & Inn at Bronco Billy’s – including for rent, participation/leased slot machines, and labor – reflect a full year of operations since the June 2018 acquisition for the Imperial Hotel and the November 2018 opening of the rebranded Christmas Casino & Inn. The opening of the Christmas Casino & Inn resulted in more than \$1 million of incremental expenses without a sufficient increase in revenues to offset it. At Silver Slipper, expenses increased to reflect a full year of sports book operations since August 2018. For additional detail, please see the segment detail on the following pages.

**Interest and other non-operating expense, net.**

*Interest Expense*

<i>(In Thousands)</i>	For the Years Ended	
	December 31,	
	2019	2018
Interest cost (excluding loan fee amortization)	\$ 10,316	\$ 9,716
Amortization of debt issuance costs and discount	1,092	790
Change in fair value of interest rate cap agreement	92	146
Capitalized interest	(772)	(346)
	<u>\$ 10,728</u>	<u>\$ 10,306</u>

Interest expense increased primarily due to higher debt balances, as we issued \$10 million of additional senior secured notes in May 2019. Additionally, LIBOR rates were higher on average during 2019, resulting in higher interest costs on our floating-rate senior secured notes.

*Other non-operating expense, net*

During 2019, we incurred \$1.2 million of other non-operating expense from the non-cash fair value adjustment of our common stock warrant liability. During 2018, we incurred \$1.0 million of other non-operating expense due primarily to the February 2018 refinancing of our prior credit facilities, which resulted in a \$2.7 million loss on extinguishment of debt. This expense was partially offset by a \$1.7 million gain from the non-cash fair value adjustment of our common stock warrant liability. The common stock warrant liability is adjusted to fair value each quarter. The increase in fair value during 2019 primarily related to the increase in our share price during that period.

**Income taxes.** Our effective income tax rate for the years ended December 31, 2019 and 2018 was (1.4%) and (12.2%), respectively. Our tax rate differs from the statutory rate of 21.0% primarily due to the effects of changes in tax law, changes in valuation allowance, and items that are permanently treated differently for GAAP and tax purposes. During 2019, we continued to provide a valuation allowance against our deferred tax assets, net of any available deferred tax liabilities. In future years, if it is determined that we meet the “more likely than not” threshold of utilizing our deferred tax assets, we may reverse some or all of our valuation allowance against our deferred tax assets.

We do not expect to pay any federal income taxes or receive any federal tax refunds related to our 2019 results. Tax losses incurred in 2019 may shelter taxable income in future years, but because of the level of uncertainty regarding sufficient prospective income, we maintain a valuation allowance against our deferred tax assets, as mentioned above.

See Note 8 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data,” for a more detailed discussion.

*Operating results – reportable segments*

We manage our casinos based on geographic regions within the United States. Accordingly, Stockman’s and Grand Lodge Casino comprise our Northern Nevada business segment, while Silver Slipper, Bronco Billy’s and Rising Star are currently distinct segments. With the addition of ferry boat operations in September 2018, our Rising Star segment includes ferry boat operations between Indiana and Kentucky. In November 2018, we opened the Christmas Casino & Inn in Cripple Creek, Colorado, which is included in the Bronco Billy’s segment.

The following table presents detail by segment of our consolidated net revenue and Adjusted EBITDA. Management uses Adjusted Property EBITDA as its measure of segment profit.

*(In Thousands)*

	<b>For the Years Ended</b>		<b>Percent</b>
	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Net revenues</b>			
Silver Slipper Casino and Hotel	\$ 73,201	\$ 69,350	5.6 %
Rising Star Casino Resort	45,620	47,966	(4.9)%
Bronco Billy's Casino and Hotel	27,507	26,942	2.1 %
Northern Nevada Casinos	19,104	19,629	(2.7)%
	<u>\$ 165,432</u>	<u>\$ 163,887</u>	<u>0.9 %</u>
<b>Adjusted Property EBITDA and Adjusted EBITDA</b>			
Silver Slipper Casino and Hotel	\$ 13,159	\$ 12,126	8.5 %
Rising Star Casino Resort	1,330	2,806	(52.6)%
Bronco Billy's Casino and Hotel	3,000	3,919	(23.4)%
Northern Nevada Casinos	3,161	3,375	(6.3)%
Adjusted Property EBITDA	20,650	22,226	(7.1)%
Corporate	(4,710)	(4,575)	3.0 %
Adjusted EBITDA	<u>\$ 15,940</u>	<u>\$ 17,651</u>	<u>(9.7)%</u>

***Silver Slipper Casino and Hotel***

Net revenues increased during 2019 due to successful marketing initiatives and operating efficiencies, benefits from recent property investments (including the May 2019 renovation of its casino and buffet and the August 2018 opening of its sports book), and improved weather in the first quarter as compared to sub-freezing temperatures in the prior-year period. Slot revenues decreased by 6.3% due to lower volumes and relatively flat hold. Table games revenues increased by 2.9%, while other casino revenues (principally sports betting) increased by 158.0% to reflect a full year of sportsbook operations.

Non-gaming revenues increased by 19.0%, reflecting strong increases in both food and beverage and hotel revenues. Food and beverage revenues grew 14.2% during the year. Hotel revenues increased by 51.7% due to higher room rates, and hotel occupancy was 86.0% versus 91.6% in 2018.

Adjusted Property EBITDA increased by 8.5% to \$13.2 million in 2019, primarily from the growth in net revenue described above. Likewise, guest volume increases led to an approximately 5.2% increase in expenses driven primarily by food costs and, to a lesser extent, increases in volume-related sports book fees. Adjusted Property EBITDA margin was 18.0% in 2019 compared to 17.5% in 2018. Regarding overall financial performance, 2019 was the best year in the property's 13-year history.

On March 17, 2020, we temporarily closed Silver Slipper Casino and Hotel pursuant to government orders whereby, as a precautionary measure against the ongoing spread of COVID-19 (coronavirus), all casinos in the state temporarily halted operations.

***Rising Star Casino Resort***

Net revenues decreased due to an increase in competition, including the September 2018 opening of a new casino offering "historical racing machines" in Louisville and the December 2019 opening of a new land-based casino near Louisville that replaced its original casino boat. Additionally, the installation of a new slot system resulted in a significant portion of Rising Star's slot floor being offline for several weeks. These factors resulted in lower volumes, which decreased slot revenues by 1.9% and table games revenues by 10.4%. Non-gaming revenues decreased by 7.8% during 2019 due to lower guest volumes.

Adjusted Property EBITDA decreased to \$1.3 million from \$2.8 million due to the decreases in net revenue described above, as well as a temporary increase in marketing expense to counter new competition and to introduce several of Rising Star's new amenities – including Ben's Bistro, our ferry service, and our RV park – to the communities surrounding Rising Star and

Cincinnati. Moreover, expenses in 2019 reflect additional costs to operate the ferry boat, which began operations in September 2018. As a result, Adjusted Property EBITDA margin was 2.9% in 2019 compared to 5.8% in 2018.

During 2019, the Indiana legislature approved sports wagering at Indiana casinos. In addition to an on-site sportsbook, the new legislation allows for three mobile “skins” (the industry term for website) for each casino license in the state. Effectively, these skins allow Rising Star to contract with three website brands for online sports wagering via the Internet, regardless of a customer’s location within the state. Online gaming must be paired with a physical casino, even though customers do not have to visit that casino to place a bet or even register at the casino to make a bet. As a result, the Company entered into sports wagering agreements with three different companies, one of which commenced operations on December 30, 2019. The other two companies are expected to commence operations in mid-2020. In summary, these sports wagering agreements allow the Company to:

- Receive one-time market access fees for Indiana totaling \$3.0 million, all of which was received by the end of 2019;
- Receive a share of net sports wagering revenues, with Full House’s portion of the revenues guaranteed to total at least \$3.5 million annually for Indiana. If any one of our contracting businesses exceeds the minimum amount on a percentage-share basis, our revenues from sports wagering in Indiana is expected to exceed \$3.5 million. The Company expects to have minimal ongoing expenses related to these revenues; and
- Have a term length of at least 10 years, and potentially as long as 20 years.

Additionally, the new Indiana gaming legislation approved a reduction in certain gaming taxes for casino operators in the state, including Rising Star, beginning on July 1, 2021.

On March 16, 2020, we temporarily suspended operations at Rising Star Casino Resort pursuant to an order from the Indiana Gaming Commission whereby, as a precautionary measure against the ongoing spread of COVID-19 (coronavirus), all casinos in the state temporarily halted operations.

#### ***Bronco Billy’s Casino and Hotel***

Net revenues increased during 2019, reflecting a full year of operations at the Christmas Casino & Inn, which opened in November 2018. Slot revenues increased by 5.3% and table games revenues increased by 9.6%, both reflecting higher hold percentages.

Non-gaming revenues decreased overall by 10.0% due to significant snowfall on key weekends. Food and beverage revenues decreased by 13.0% during 2019. Hotel revenues increased by 14.2% resulting from our acquisition of the Imperial Hotel in June 2018, which increased the total number of hotel rooms at Bronco Billy’s from 24 to 36 guestrooms as part of the rebranding of the Imperial Hotel to the Christmas Inn.

Adjusted Property EBITDA decreased by 23.4% due to additional operational costs related to operating the Christmas Casino. Such costs include additional rent for the building that houses the Christmas Casino, additional labor, significant participation/leased slot machine expenses, additional property taxes and other overhead, and additional gaming taxes due to the graduated gaming tax structure in Colorado.

The Christmas Casino was part of a strategic decision to control an important corner in Cripple Creek. However, its opening resulted in more than \$1 million of incremental expenses during the year without a sufficient increase in revenues to offset it. We are in the process of evaluating ways to reduce the cost of our Christmas Casino operations while preserving our strategic goals, including the possibility of using the space for other Christmas-related concepts. Additionally, Bronco Billy’s continues to be affected by increases in the state’s minimum wage, which increased in January 2019. Adjusted Property EBITDA margin was 10.9% in 2019 compared to 14.5% in 2018.

Similar to Rising Star, the Company entered into sports wagering agreements in 2019 in Colorado, allowing for on-site sports wagering at Bronco Billy’s, as well as mobile/online sports wagering from anywhere within Colorado. The Colorado legislation, which was ratified by voters in the statewide election on November 5, 2019, allows for one mobile “skin” per casino

license in addition to an on-site sportsbook. As the Company has three casino licenses, the maximum allowed for a single company operating in the state, we entered into three sports wagering contracts related to our Colorado operations. The Colorado agreements will allow the Company to:

- Receive one-time market access fees for Colorado totaling \$3.0 million, all of which was received in the fourth quarter of 2019;
- Receive a share of net sports wagering revenues, with Full House's portion of the revenues guaranteed to total at least \$3.5 million annually for Colorado. Again, if any one of our contracting businesses exceeds the minimum amount on a percentage share basis, our revenues from sports wagering in Colorado is expected to exceed \$3.5 million. The Company expects to have minimal ongoing expenses related to these revenues; and
- Have a term length of at least 10 years, and potentially as long as 20 years. The Company expects the launch of sports wagering in Colorado in mid-2020.

On March 17, 2020, we temporarily closed Bronco Billy's Casino and Hotel pursuant to government orders whereby, as a precautionary measure against the ongoing spread of COVID-19 (coronavirus), all casinos in the state temporarily halted operations.

#### ***Northern Nevada***

Our Northern Nevada operations have historically been seasonal, with the summer months accounting for a disproportionate share of its annual revenues. Additionally, snowfall levels during the winter months also frequently have a positive or negative effect. Grand Lodge Casino is located near several ski resorts, including Alpine Meadows, Northstar and Squaw Valley. Normally, we benefit from a "good" snow year, resulting in extended periods of operation at the nearby ski areas.

Net revenues decreased in 2019 primarily due to a temporary decrease in activity at the nearby Naval air base at Stockman's Casino. Additionally, a lower table games hold percentage adversely affected Grand Lodge Casino, declining to 14.9% from 15.4%.

Adjusted Property EBITDA in Northern Nevada decreased by 6.3% for the reasons mentioned above. Though labor and operational efficiencies resulted in total expenses decreasing by 2.5% at Stockman's Casino and by 3.1% at Grand Lodge Casino – a combined savings of approximately \$0.48 million – the revenue decline resulted in a 16.5% Adjusted Property EBITDA margin in 2019 versus 17.2% in 2018.

On March 17, 2020, we temporarily closed Grand Lodge Casino in Incline Village, Nevada, and Stockman's Casino in Fallon, Nevada, pursuant to government orders whereby, as a precautionary measure against the ongoing spread of COVID-19 (coronavirus), all casinos in the state temporarily halted operations.

#### ***Corporate***

Corporate expenses increased modestly by 3.0% in 2019 due primarily to increases in legal and professional fees, as well as new business costs, related to project development expenditures.

#### ***Non-GAAP Measure***

"Adjusted EBITDA" is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening expenses, impairment charges, asset write-offs, recoveries, gain (loss) from asset disposals, project development and acquisition costs, and non-cash stock-based compensation expense. Adjusted EBITDA information is presented solely as supplemental disclosure to measures reported in accordance with generally accepted accounting principles in the United States of America ("GAAP") because management believes this measure is (i) a widely used measure of operating performance in the gaming and hospitality industries and (ii) a principal basis for valuation of gaming and hospitality companies. In addition, a version of Adjusted EBITDA (known as Consolidated EBITDA) is utilized in the covenants within our indenture, although not necessarily defined in the same way as above. Adjusted EBITDA is not, however, a measure of financial performance or liquidity

under GAAP. Accordingly, this measure should be considered supplemental and not a substitute for net income (loss) or cash flows as an indicator of the Company's operating performance or liquidity.

The following table presents a reconciliation of net loss to Adjusted EBITDA:

	For the Years Ended December 31,	
	2019	2018
<b>Net loss</b>	\$ (5,822)	\$ (4,371)
Income tax expense	80	476
Interest expense, net of amounts capitalized	10,728	10,306
Loss on extinguishment of debt	—	2,673
Adjustment to fair value of warrants	1,230	(1,671)
Other	—	13
<b>Operating (loss) income</b>	<u>6,216</u>	<u>7,426</u>
Preopening costs	—	274
Project development costs	1,037	843
Depreciation and amortization	8,331	8,397
Loss on disposal of assets, net	8	79
Stock-based compensation	348	632
<b>Adjusted EBITDA</b>	<u>\$ 15,940</u>	<u>\$ 17,651</u>

The following tables present reconciliations of operating income (loss) to Adjusted Property EBITDA and Adjusted EBITDA:

**For the Year Ended December 31, 2019**

*(In Thousands)*

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Project Development Costs	Stock-Based Compensation	Adjusted Property EBITDA and Adjusted EBITDA
<b>Casino properties</b>						
Silver Slipper Casino and Hotel	\$ 9,700	\$ 3,454	\$ 5	\$ —	\$ —	\$ 13,159
Rising Star Casino Resort	(1,096)	2,426	—	—	—	1,330
Bronco Billy's Casino and Hotel	1,297	1,700	3	—	—	3,000
Northern Nevada Casinos	2,562	599	—	—	—	3,161
	<u>12,463</u>	<u>8,179</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>20,650</u>
<b>Other operations</b>						
Corporate	(6,247)	152	—	1,037	348	(4,710)
	<u>\$ 6,216</u>	<u>\$ 8,331</u>	<u>\$ 8</u>	<u>\$ 1,037</u>	<u>\$ 348</u>	<u>\$ 15,940</u>

**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Preopening Costs	Project Development Costs	Stock-Based Compensation	Adjusted Property EBITDA and Adjusted EBITDA
<b>Casino properties</b>							
Silver Slipper Casino and Hotel	\$ 8,784	\$ 3,341	\$ 1	\$ —	\$ —	\$ —	\$ 12,126
Rising Star Casino Resort	150	2,511	9	136	—	—	2,806
Bronco Billy's Casino and Hotel	2,095	1,617	69	138	—	—	3,919
Northern Nevada Casinos	2,602	773	—	—	—	—	3,375
	<u>13,631</u>	<u>8,242</u>	<u>79</u>	<u>274</u>	<u>—</u>	<u>—</u>	<u>22,226</u>
<b>Other operations</b>							
Corporate	(6,205)	155	—	—	843	632	(4,575)
	<u>\$ 7,426</u>	<u>\$ 8,397</u>	<u>\$ 79</u>	<u>\$ 274</u>	<u>\$ 843</u>	<u>\$ 632</u>	<u>\$ 17,651</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables include facility rents related to: (i) Silver Slipper of \$1.7 million in 2019 and \$1.6 million in 2018, (ii) Northern Nevada segment of \$1.9 million in both 2019 and 2018, and (iii) Bronco Billy's of \$0.6 million in 2019 and \$0.4 million in 2018. Finance lease payments of \$0.8 million in 2019 and \$0.7 million in 2018 related to Rising Star's smaller hotel are not deducted, as such payments are accounted for as interest expense and amortization of debt related to the finance obligation.

**Liquidity and Capital Resources**

*Cash Flows*

As of December 31, 2019, we had \$28.9 million of unrestricted cash and equivalents, as well as \$1.0 million of restricted cash. Management currently estimates that approximately \$10 million of cash and equivalents is currently required for our day-to-day operations.

Our casinos are our primary sources of income and operating cash flows. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available in amounts sufficient to enable us to pay our indebtedness or fund our other liquidity needs. Subject to the effects of the economic uncertainties discussed herein, we believe that adequate financial resources (including from operating cash flows, existing cash balances, and external debt and equity financing) will be available to fund ongoing operating requirements over the next 12 months; however, there can be no assurances of our ability to obtain additional financing to fund our growth efforts or prolonged casino closures.

**Cash flows – operating activities.** On a consolidated basis, cash provided by operations during 2019 was \$10.5 million compared to \$9.8 million in 2018. Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges, but are also affected by changes in working capital accounts such as receivables, prepaid expenses, and payables. The increase in our operating cash flows during 2019 compared to 2018 was primarily due to the receipt of \$6.0 million related to one-time market access fees for sports betting at Rising Star and in Indiana, as discussed elsewhere in this document. In the 2018 period, the timing of accrued expenses benefited cash levels at the end of that year.



**Cash flows – investing activities.** On a consolidated basis, cash used in investing activities during 2019 was \$8.7 million, which primarily related to capital expenditures for maintenance and certain growth-related projects, including the Phase One expansion at Bronco Billy’s, the renovating and rebranding of a casual restaurant at Rising Star as the new Ben’s Bistro, the remodeling of the Silver Slipper casino and the renovation of the Stockman’s Steakhouse. Cash used in investing activities during 2018 was \$17.4 million, which primarily related to several growth projects at our existing properties, including our new ferry boat service at Rising Star, the refurbishment and rebranding of the Christmas Casino & Inn, and development work for the Bronco Billy’s expansion, as well as the purchase of the Imperial Hotel and other land adjacent to Bronco Billy’s.

**Cash flows – financing activities.** On a consolidated basis, cash provided by financing activities during 2019 was \$7.4 million, which was primarily related to the net proceeds from the Incremental Notes, offset by both the finance lease payments at Rising Star (see Note 7 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data”) and the increased principal payments related to the Notes. Cash provided by financing activities during 2018 was \$8.3 million, which primarily related to the proceeds from the registered direct equity offering that we completed in March 2018 and offset by payments related to the refinancing of our credit facilities, loan and lease principal payments, and purchase of an interest rate cap.

*Other Factors Affecting Liquidity*

We have significant outstanding debt and contractual obligations in addition to planned capital expenditures. Subject to the effects of the economic uncertainties discussed herein, we expect to continue to generate sufficient cash flow to meet our interest requirements and maintain our properties. Our debt matures in February 2024 and we anticipate needing to refinance our debt prior to its maturity, as we are unlikely to generate sufficient cash flow in the interim and to meet these obligations. Certain planned capital expenditures designed to grow the Company will require additional financing, including perhaps the issuance of additional debt and potentially some form of equity financing. Our operations are subject to financial, economic, competitive, regulatory and other factors, many of which are beyond our control. If we are unable to generate sufficient operating cash flow and/or access the capital markets, we could be required to adopt one or more alternatives, such as reducing, delaying, or eliminating certain planned capital expenditures, selling assets, obtaining additional equity financing, or borrowing at higher costs of capital.

**Long-Term Debt.** At December 31, 2019, we had \$107.9 million of principal indebtedness outstanding from both the original \$100 million of new senior secured notes due 2024 that we issued in February 2018 and the incremental \$10 million of notes that we issued in May 2019 (collectively, the “Notes”). The proceeds from the February 2018 notes offering were used to pay off all of our outstanding First and Second Lien Credit Facilities, pay for costs associated with the refinancing, provide ongoing working capital, provide funds for capital expenditures, and for general corporate purposes; proceeds from the May 2019 notes offering were used for the Phase One expansion of Bronco Billy’s, capital expenditures, and general corporate purposes. We currently estimate, based on current LIBOR rates, that our cash interest expense in 2020 will be approximately \$10 million, including the interest component of our finance lease. This estimate is based on our total outstanding debt and applicable interest rates within the next twelve months.

**Interest Rate Cap Agreement.** In connection with the refinancing, we purchased an interest rate cap (“Interest Rate Cap”) for \$238,000 on April 6, 2018. We entered into this interest rate derivative with Capital One, N.A. to minimize the effect of interest rate increases on approximately half of our outstanding borrowings with a notional amount of \$50 million and strike rate of 3.00%, which resets every three months at the end of March, June, September, and December. The Interest Rate Cap expires on March 31, 2021 and is presented accordingly on our consolidated balance sheet under “Deposits and other” as a non-current asset. See Note 6 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data.”

**Common Stock Warrants.** In 2016, we granted the lenders under the former Second Lien Credit Facility (the “Second Lien Lenders”) warrants representing rights to purchase approximately 1.0 million shares of our common stock at \$1.67 per share, the average trading price of our common stock during a 60-day period bracketing the date of issuance. The warrants include redemption rights which allow the warrant-holders, at their option, to require us to repurchase all or a portion of the warrants upon the occurrence of certain triggering events. The refinancing of the Second Lien Credit Facility in February 2018 qualified as a triggering event. As of the date of this filing, the Second Lien Lenders have not exercised these redemption rights, though they may do so on any six-month anniversary of the refinancing date prior to warrant expiration in May 2026. If they do exercise

their redemption rights, we have the option of paying them in cash or with a four-year note on terms stipulated in the warrant agreement. Alternatively, the warrant-holders may choose to have us register and sell the shares related to the warrants through a public offering. See Note 6 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data” for further information associated with these warrants which could affect our liquidity and capital resources.

**Hyatt Option to Purchase our Leasehold Interest and Related Assets.** Our lease with Hyatt to operate the Grand Lodge Casino contains an option for Hyatt, as of January 1, 2019, to purchase our leasehold interest and related casino operating assets. See Note 7 to the consolidated financial statements set forth in “Item 8. Financial Statements and Supplementary Data” for further information about this option and related rental commitments that could affect our liquidity and capital resources.

**Capital Investments.** We have made significant investments through 2019 and may make additional capital investments during 2020 and beyond. These investments are designed to improve the guest experience and to drive visitation at our properties, revenue and income growth.

*Bronco Billy’s* - As discussed above in the “Executive Overview,” we began Phase One of the two-phase expansion of our Bronco Billy’s property with our purchase of the Imperial Hotel in June 2018, along with other nearby parcels of land, and our lease of the Imperial Casino in August 2018. In November 2018, we reopened the Imperial Hotel and Casino as the rebranded Christmas Casino & Inn. The remainder of Phase One includes the construction of a 319-space parking garage and connector building. In March 2020, in light of the coronavirus pandemic, we paused construction of the parking garage, which was in the early stages of construction. We estimate that the remaining cost for Phase One’s parking garage is approximately \$17 million. The timing of such capital expenditures will depend on when conditions warrant the resumption of such construction.

*Other Capital Expenditures* - Additionally, we may fund various other capital expenditure projects, depending on our financial resources. Our capital expenditures may fluctuate due to decisions regarding strategic capital investments in new or existing facilities, and the timing of capital investments to maintain the quality of our properties. No assurance can be given that any of our planned capital expenditure projects will be completed or that any completed projects will be successful. Our annual capital expenditures typically include some number of new slot machines and related equipment; to some extent, we can coordinate such purchases to match our resources.

We evaluate projects based on a number of factors, including profitability forecasts, length of the development period, the regulatory and political environment, and the ability to secure the funding necessary to complete the development or acquisition, among other considerations. No assurance can be given that any additional projects will be pursued or completed or that any completed projects will be successful.

**Coronavirus.** As described in Notes 2 and 14, in March 2020, in their efforts to control the spread of the coronavirus, various state governments temporarily closed each of our casinos for the time periods discussed above. We have very little meeting and convention business relative to many other casino companies and we operate local rather than destination resorts. Meeting and convention businesses typically book far in advance, as do many vacation travelers, so we would expect those aspects of the casino business to recover more slowly than our local casino business. Furthermore, very few of our customers fly to reach our properties, so if individuals are less likely to travel by air in the near future due to the difficulty of “social distancing” on an airplane or in an airport, it could have less of an impact on our properties. Nevertheless, while these closures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, the timing of the reopening of our casinos, new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus or treat its impact, among others, cannot be reasonably estimated at this time and we anticipate this could have a material adverse impact on our business, results of operations, financial position and cash flows. Because we operate in several different jurisdictions, some of our casinos may be permitted to reopen prior to others.

We currently believe that, through our approximately \$28.9 million of cash and equivalents as of December 31, 2019, we have the liquidity necessary to sustain closure for a period of time that extends beyond the currently-mandated closure periods. Additionally, as of December 31, 2019, we had \$1.0 million of restricted cash. In March 2020, such cash was no longer categorized as restricted, as the Company was approved for its “master license” for sports betting by the Colorado Limited Gaming Control Commission on March 19, 2020. To preserve liquidity, upon the temporary closure of our properties in March

2020, we significantly reduced staffing levels at each of our properties and at our corporate office to a small group of essential employees. We also recently elected to pause construction of the Phase One parking garage at Bronco Billy's, allowing us to use the cash designated for such construction to provide the Company with additional liquidity until our casinos are permitted to reopen. No assurance can be given that, should the casino closures extend for a prolonged period and require us to seek additional liquidity, we will be able to successfully raise additional funds through either the issuance of new debt or new equity or the sale of assets. The Company will work diligently to reopen its casinos as soon as it is permitted to do so.

## **Principal Debt Arrangements**

### *Senior Secured Notes due 2024*

On February 2, 2018, we refinanced amounts previously outstanding of \$41 million under the First Lien Credit Facility and \$55 million under the Second Lien Credit Facility with \$100 million of senior secured notes due 2024, which we sold to qualified institutional buyers. On May 10, 2019, the Company issued an additional \$10 million in aggregate principal amount of its senior secured notes due 2024 to qualified institutional buyers (collectively, the "Notes"). The Notes are collateralized by substantially all of our assets and are guaranteed by all of our material subsidiaries.

The Notes bear interest at the greater of the three-month LIBOR or 1.0%, plus a margin rate of 7.0%. The indenture governing the Notes provides for a 50 basis point interest premium if Mr. Lee reduces his equity interests by 50% or more while serving as our CEO. Mr. Lee has no current intention to sell any shares. Interest on the Notes is payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year until the Notes mature in February 2024. On each interest payment date, we are required to make principal payments of \$275,000 with a balloon payment for the remaining \$103.5 million due upon maturity.

Mandatory prepayments of the Notes will be required upon the occurrence of certain events, including sales of certain assets. We may redeem the Notes, in whole or in part, at any time at the applicable redemption price plus accrued and unpaid interest. The redemption price may be prepaid at 102% of par through February 1, 2020; 101.5% through February 1, 2021; 100.5% through February 1, 2022; and 100% thereafter.

### *Covenants*

The indenture governing the Notes contains customary representations and warranties, events of default, and positive and negative covenants, including financial covenants. As defined in the indenture, we are required to maintain a total leverage ratio, which measures "Consolidated EBITDA" against outstanding net debt. Additionally, we are allowed to deduct up to \$15 million of our cash and equivalents (beyond estimated cash utilized in daily operations) in calculating the numerator of such ratio. For the upcoming year, the total leverage covenant ratio requirements are 6.00x through March 31, 2020, then 5.75x through September 30, 2020, and then 5.50x through December 31, 2020.

As of December 31, 2019, we were in compliance with our covenants; however, there can be no assurances that we will remain in compliance with all covenants in the future. See Note 6 to the consolidated financial statements set forth in "Item 8. Financial Statements and Supplementary Data" for more information about our Notes due 2024.

In March 2020, as discussed above and in Notes 2 and 14, our casinos were temporarily closed by various state governments as a precautionary measure to prevent the spread of the coronavirus. While these closures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, the timing of the reopening of our casinos, new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus or treat its impact, among others, cannot be reasonably estimated at this time and we anticipate this could have a material adverse impact on our business, results of operations, financial position and cash flows. Accordingly, we do not yet know the full effects of such closures on our operations. A significant period of closure or significant declines in business volumes upon reopening would negatively impact our ability to remain in compliance with our debt covenants. In the event that we fail to meet our debt covenants in the next twelve months, we would either seek covenant waivers or attempt to amend our covenants, though there is no certainty that we would be successful in such efforts.

### **Off-balance Sheet Arrangements**

We have no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission Regulation S-K, that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Critical Accounting Estimates and Policies**

Our consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. Certain of our accounting policies require that we apply significant judgment in defining the appropriate assumptions for calculating estimates that affect reported amounts and disclosures. By their nature, judgments are subject to an inherent degree of uncertainty, and therefore, actual results may differ from our estimates. We believe the following critical accounting policies affect the most significant judgments and estimates used in the preparation of our consolidated financial statements.

### **Impairment of Long-lived Assets, Goodwill and Indefinite-Lived Intangibles**

Our long-lived assets include property and equipment, goodwill, and indefinite-lived intangibles, and are evaluated at least annually (and more frequently when circumstances warrant) to determine if events or changes in circumstances indicate that the carrying value may not be recoverable. Examples of such events or changes in circumstances that might indicate impairment testing is warranted might include, as applicable, an adverse change in the legal, regulatory or business climate relative to gaming nationally or in the jurisdictions in which we operate, or a significant long-term decline in historical or forecasted earnings or cash flows or the fair value of our property or business, possibly as a result of competitive or other economic or political factors. In evaluating whether a loss in value is other than temporary, we consider: (i) the length of time and the extent to which the fair value or market value has been less than cost; (ii) the financial condition and near-term prospects of the casino property, including any specific events which may influence the operations; (iii) our intent related to the asset and ability to retain it for a period of time sufficient to allow for any anticipated recovery in fair value; (iv) the condition and trend of the economic cycle; (v) historical and forecasted financial performance; and (vi) trends in the general market.

We review the carrying value of our property and equipment used in our operations whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from its use and eventual disposition. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset. Fair value is typically measured using a discounted cash flow model whereby future cash flows are discounted using a weighted-average cost of capital, developed using a standard capital-asset pricing model, based on guideline companies in our industry.

We test our goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter or when a triggering event occurs. For our 2019 and 2018 annual impairment tests, we utilized the option to perform a qualitative analysis for our goodwill and indefinite-lived intangibles and concluded it was more likely than not that the fair values of such intangibles exceeded their carrying values. Any impairment charges incurred are not reversed if a subsequent evaluation concludes a higher valuation than the carrying value.

### **Fixed Asset Capitalization and Depreciation Policies**

We define a fixed asset as a unit of property that (i) has an economic useful life that extends beyond 12 months and (ii) was acquired or produced for a cost greater than \$2,500 for a single asset or greater than \$5,000 for a group of assets. Property and equipment are stated at cost. For the majority of our property and equipment, cost was determined at the acquisition date based on estimated fair values. We acquired Bronco Billy's in May 2016, Silver Slipper in October 2012, Rising Star in April 2011 and Stockman's in January 2007. Project development costs, which are amounts expended on the pursuit of new business opportunities, and acquisition-related costs are expensed as incurred. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are also expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. When we construct assets, we capitalize direct costs

of the project, including fees paid to architects and contractors and property taxes. Salaries are capitalized only for employees working directly on the project. In addition, interest cost associated with major development and construction projects is capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended on the project using the weighted-average cost of our outstanding borrowings. Capitalization of interest starts when construction activities begin and ceases when construction is substantially complete or development activity is suspended for more than a brief period.

We must make estimates and assumptions when accounting for capital expenditures. Whether an expenditure is considered a maintenance expense or a capital asset is sometimes a matter of judgment. When constructing or purchasing assets, we must determine whether existing assets are being replaced or otherwise impaired, which also may be a matter of judgment. In addition, our depreciation expense is highly dependent on the assumptions we make about our assets' estimated useful lives. We determine the estimated useful lives based on our experience with similar assets, engineering studies, and our estimate of the usage of the asset. Whenever events or circumstances occur, which would change the estimated useful life of an asset, we account for the change prospectively.

### **Goodwill and Business Combinations**

Goodwill represents the excess of the purchase price over fair value of net tangible and other intangible assets acquired in connection with business combinations. We accounted for our acquisitions of casino properties for Bronco Billy's, Silver Slipper and Rising Star as business combinations. In a business combination, we determine the fair value of acquired assets, including identifiable intangible assets, assumed liabilities, and non-controlling interests, if any. The fair value of the acquired business is allocated to the acquired assets, assumed liabilities, and non-controlling interests based on their fair value, with any remaining fair value allocated to goodwill. This allocation process requires use of estimates and assumptions, including estimates of future cash flows to be generated by the acquired assets.

### **Intangible Assets**

Our indefinite-lived intangible assets primarily include the cost of gaming licenses and trade names. Gaming licenses represent the rights to conduct gaming in certain jurisdictions, and trade names represent the fair value of the casino name's brand recognition. The values of our gaming licenses were primarily estimated using a derivation of the income approach to valuation. The value of the Bronco Billy's trade names utilized the "relief from royalty" method, which primarily utilizes comparable royalty agreements to determine value. Indefinite-lived intangible assets are not amortized, unless it is determined that their useful life is no longer indefinite. We periodically review our indefinite-lived assets to determine whether events and circumstances continue to support an indefinite useful life. If it is determined that an indefinite-lived intangible asset has a finite useful life, then the asset is tested for impairment and is subsequently accounted for as a finite-lived intangible asset.

Our finite-lived intangible assets include customer loyalty programs, land leases, payments for a lease option and water rights. Finite-lived intangible assets are amortized over the shorter of their contractual or economic useful lives.

Customer loyalty programs represent the value of repeat business associated with the casinos' loyalty programs when we acquired the properties. Such values were determined using a derivation of the income approach to valuation. The valuation analyses for the active-rated players were based on estimated revenues and attrition rates. Silver Slipper Casino and Hotel and Rising Star Casino Resort maintain historical information for the proportion of revenues attributable to the rated play, which acquisition costs were allocated to such customer loyalty programs. The combined value of the customer loyalty programs has since been fully-amortized over their assumed economic useful life, but remains a component of gross intangible assets other than goodwill, and comprises a majority of the related accumulated amortization. See Note 4 to the consolidated financial statements set forth in "Item 8. Financial Statements and Supplementary Data" for more information.

### **Revenue Recognition**

**Accrued Club Points: Operating Revenues and Related Costs and Expenses.** Our revenue recognition policies follow casino industry practices. Casino revenue is the aggregate net difference between gaming wins and losses, with certain liabilities recognized, including progressive jackpots, earned customer loyalty incentives, funds deposited by customers before gaming play occurs, and for certain chips and tokens in the customers' possession. Key performance indicators related to gaming revenue are slot coin-in and table game drop (volume indicators) and "win" or "hold" percentage.

Revenue for food and beverage, hotel, and other revenue transactions is typically the net amount collected from the customer for such goods and services, plus the retail value of (i) discretionary comps and (ii) comps provided in return for redemption of loyalty points. We record such revenue as the good or service is transferred to the customer. Additionally, we may collect deposits in advance for future hotel reservations or entertainment, among other services, which represent obligations to the Company until the service is provided to the customer. Sales and similar revenue-linked taxes (except for gaming taxes) collected from customers on behalf of, and submitted to, taxing authorities are also excluded from revenue and recorded as a current liability.

**Deferred Revenues: Market Access Fees from Sports Wagering Agreements.** These liabilities were created in the third quarter of 2019 when we entered into several agreements with various unaffiliated companies allowing for online sports wagering within Indiana and Colorado, as well as on-site sports wagering at Rising Star Casino Resort and at Bronco Billy's Casino and Hotel (the "Sports Agreements"). As part of these longer-term Sports Agreements, we received one-time market access fees in cash, which were recorded as a long-term liability in the same amount and will be recognized as revenue ratably over the initial term length of 10 years, beginning with the commencement of operations. See Note 2 to the consolidated financial statements set forth in "Item 8. Financial Statements and Supplementary Data" for more information.

#### **Customer Loyalty Programs**

We have separate customer loyalty programs at each of our properties – Silver Slipper Casino Players Club, Bronco Billy's Mile High Rewards Club, Rising Star Rewards Club™, Grand Lodge Players Advantage Club® and the Stockman's Winner's Club. Under these programs, customers earn points based on their volume of wagering that may be redeemed for various benefits, such as free play, cash back, complimentary dining, or hotel stays, among others, depending on each property's specific offers. We also occasionally offer sweepstakes and other promotions for tracked customers that do not require redemption of points.

As points are accrued, we defer a portion of our gaming revenue based on the estimated standalone value of loyalty points being earned by the customer. The standalone value of loyalty points is derived from the retail value of food, beverages, hotel rooms, and other goods or services for which such points may be redeemed. A liability related to these customer loyalty points is recorded, net of estimated breakage and other factors, until the customer redeems these points, primarily for "free casino play/cash back," complimentary dining, or hotel stays. Upon redemption, the related revenue is recognized at retail value within the department providing the goods or services. Unredeemed points are forfeited if the customer becomes and remains inactive for a specified period of time.

Loyalty programs are a part of the total marketing program. The amount of marketing reinvestment (complimentaries to players, promotional awards, entertainment, etc.) is based on the specific property and competitive assumptions. We track the percentage of promotional and marketing costs, compared to gaming revenue, for an efficient use and return on our marketing investment. Our properties operate in highly-competitive promotional environments due to the high amounts of incentives offered by our competition.

#### **Accounts Receivable Allowance for Doubtful Accounts**

Accounts receivable consist primarily of casino, hotel and other receivables, are typically non-interest bearing, and are carried net of an appropriate collection allowance to approximate fair value. The allowances for doubtful accounts are estimated based on specific review of customer accounts, as well as, historical collection experience and current economic and business conditions. Accounts are written off when management deems the account to be uncollectible, and recoveries of accounts previously written off are recorded when received.

#### **Income Taxes**

We are subject to federal and state taxes in the United States. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We make these estimates and judgments about our future taxable income that are based on assumptions that are consistent with our future plans. Tax laws, regulations, and administrative practices may be subject to change due to economic or political conditions, including fundamental changes to the applicable tax laws.

Our income tax returns are subject to examination by the IRS and other tax authorities. Positions taken in tax returns are sometimes subject to uncertainty in the tax laws and may not ultimately be accepted by the IRS or other tax authorities. We assess our tax positions using a two-step process. A tax position is recognized if it meets a “more likely than not” threshold. It is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized. Additionally, we recognize accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

#### **Common Stock Warrant Liability**

We measure the fair value of our common stock warrants at each reporting period based on Level 3 inputs as determined by GAAP. Due to the variable terms regarding the timing of the settlement of the warrants, the Company utilizes a “Monte Carlo” simulation approach, a mathematical technique used to model the probability of different outcomes, to measure the fair value of the warrants. The simulation included certain estimates by Company management regarding the estimated timing of the settlement of the warrants. Significant increases or decreases in those management estimates would result in a significantly higher or lower fair value measurement. Changes in the fair value measurement of our warrant liability are measured quarterly, including changes caused by increases or decreases in our stock price, and are expensed or credited to income during the measurement period.

#### **Stock-based Compensation**

We have granted shares of common stock and stock options to key members of management and the board of directors. Accounting standards require us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize that cost over the service period. Stock-based compensation expense from stock awards is included in general and administrative expense. Vesting is contingent upon certain conditions, including continuous service of the individual recipients. We use the Black-Scholes valuation model to determine the estimated fair value for each option grant issued. The Black-Scholes-determined fair value, net of actual forfeitures, is amortized as compensation cost on a straight-line basis over the service period.

#### **Recently Issued Accounting Pronouncements Not Yet Adopted**

See Note 2 for a discussion of recently issued accounting pronouncements not yet adopted.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Full House Resorts, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Full House Resorts, Inc. and subsidiaries (the “Company”) as of December 31, 2019, and the related consolidated statements of operations, stockholders’ equity, and cash flows, for the year then ended (collectively referred to as the “financial statements”). The consolidated financial statements of the Company for the year ended December 31, 2018, were audited by other auditors whose report, dated March 14, 2019, expressed an unqualified opinion on those statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. We were not engaged to audit, review, or apply any procedures to the 2018 consolidated financial statements of the Company and, accordingly, we do not express an opinion or any form of assurance on the 2018 consolidated financial statements taken as a whole.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has temporarily suspended operations at its casinos and hotels. A prolonged closure would negatively impact the Company’s ability to remain in compliance with its debt covenants. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, effective January 1, 2019, the Company adopted FASB ASC Topic 842, Leases, using the modified retrospective approach.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company 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 audit 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 Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, 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 Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP  
Las Vegas, Nevada  
March 30, 2020

We have served as the Company’s auditor since 2019.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON CONSOLIDATED FINANCIAL STATEMENTS**

Board of Directors and Stockholders  
Full House Resorts, Inc. and Subsidiaries  
Las Vegas, Nevada

**Opinion on the Consolidated Financial Statements.** We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and Subsidiaries (the “Company”) as of December 31, 2018 and the related consolidated statements of operations, stockholders’ equity and cash flows, for the year 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 consolidated financial position of the Company as of December 31, 2018, and the results of its consolidated operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion.** These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’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 Company 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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 audit provides a reasonable basis for our opinion.

Before being dismissed on August 23, 2019, we had served as the Company’s auditor since 2004.

/s/ Piercy Bowler Taylor & Kern  
Certified Public Accountants  
Las Vegas, Nevada

March 14, 2019, except for Note 8 to the consolidated financial statements, as to which the date is March 30, 2020

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share and per share data)

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Casino	\$ 113,390	\$ 114,324
Food and beverage	35,069	35,058
Hotel	11,535	9,864
Other operations	5,438	4,641
<b>Net revenues</b>	<b>165,432</b>	<b>163,887</b>
<b>Operating costs and expenses</b>		
Casino	50,673	50,074
Food and beverage	33,950	33,495
Hotel	5,608	5,747
Other operations	3,557	3,113
Selling, general and administrative	56,052	54,439
Preopening costs	—	274
Project development costs	1,037	843
Depreciation and amortization	8,331	8,397
Loss on disposal of assets, net	8	79
	<b>159,216</b>	<b>156,461</b>
<b>Operating income</b>	<b>6,216</b>	<b>7,426</b>
<b>Other (expense) income</b>		
Interest expense, net of amounts capitalized of \$772 and \$346	(10,728)	(10,306)
Loss on extinguishment of debt	—	(2,673)
Adjustment to fair value of warrants	(1,230)	1,671
Other	—	(13)
	<b>(11,958)</b>	<b>(11,321)</b>
<b>Loss before income taxes</b>	<b>(5,742)</b>	<b>(3,895)</b>
Income tax expense	80	476
<b>Net loss</b>	<b>\$ (5,822)</b>	<b>\$ (4,371)</b>
<b>Basic loss per share</b>	<b>\$ (0.22)</b>	<b>\$ (0.17)</b>
<b>Diluted loss per share</b>	<b>\$ (0.22)</b>	<b>\$ (0.23)</b>
<b>Basic weighted average number of common shares outstanding</b>	<b>26,979,829</b>	<b>26,012,381</b>
<b>Diluted weighted average number of common shares outstanding</b>	<b>26,979,829</b>	<b>26,460,902</b>

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

	December 31,	
	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 28,851	\$ 20,634
Restricted cash	1,000	—
Accounts receivable, net of allowance of \$141 and \$98	2,206	2,035
Inventories	2,292	1,425
Prepaid expenses and other	3,340	2,899
	<u>37,689</u>	<u>26,993</u>
Property and equipment, net	121,487	122,076
Operating lease right-of-use assets, net <sup>(1)</sup>	19,171	—
Goodwill	21,286	21,286
Other intangible assets, net	11,056	11,145
Deposits and other	646	772
	<u>\$ 211,335</u>	<u>\$ 182,272</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,216	\$ 5,917
Accrued payroll and related	3,044	3,668
Other accrued expenses and other	10,613	9,704
Current portion of operating lease obligations <sup>(1)</sup>	2,707	—
Current portion of finance lease obligation	448	497
Current portion of long-term debt	1,100	1,000
Common stock warrant liability	2,055	825
	<u>25,183</u>	<u>21,611</u>
Operating lease obligations, net of current portion <sup>(1)</sup>	16,706	—
Finance lease obligation, net of current portion	3,829	4,324
Long-term debt, net	102,923	94,194
Deferred income taxes, net	712	632
Other	5,886	166
	<u>155,239</u>	<u>120,927</u>
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 28,345,525 and 28,288,764 shares issued and 27,075,962 and 26,932,169 shares outstanding	3	3
Additional paid-in capital	64,402	63,935
Treasury stock, 1,269,563 and 1,356,595 common shares	(1,548)	(1,654)
Accumulated deficit	(6,761)	(939)
	<u>56,096</u>	<u>61,345</u>
	<u>\$ 211,335</u>	<u>\$ 182,272</u>

(1) On January 1, 2019, the Company adopted Accounting Standards Codification 842 ("ASC 842"), using the modified retrospective transition method under the effective date approach, which impacts the comparability of these line items.

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 and 2018**  
(In thousands)

<b>December 31, 2019</b>	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury Stock</b>		<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Dollars</b>	<b>Paid-in</b>	<b>Shares</b>	<b>Dollars</b>	<b>Deficit</b>	<b>Stockholders' Equity</b>
<b>Beginning balances</b>	28,289	\$ 3	\$ 63,935	1,357	\$ (1,654)	\$ (939)	\$ 61,345
Exercise of stock options	35	—	119	(87)	106	—	225
Stock grants	22	—	48	—	—	—	48
Stock-based compensation	—	—	300	—	—	—	300
Net loss	—	—	—	—	—	(5,822)	(5,822)
<b>Ending balances</b>	<b>28,346</b>	<b>\$ 3</b>	<b>\$ 64,402</b>	<b>1,270</b>	<b>\$ (1,548)</b>	<b>\$ (6,761)</b>	<b>\$ 56,096</b>

<b>December 31, 2018</b>	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury Stock</b>		<b>Retained</b>	<b>Total</b>
	<b>Shares</b>	<b>Dollars</b>	<b>Paid-in</b>	<b>Shares</b>	<b>Dollars</b>	<b>Earnings (Deficit)</b>	<b>Stockholders' Equity</b>
<b>Beginning balances</b>	24,294	\$ 2	\$ 51,868	1,357	\$ (1,654)	\$ 3,432	\$ 53,648
Stock grants	34	—	104	—	—	—	104
Equity offering, net	3,943	1	11,435	—	—	—	11,436
Stock-based compensation	18	—	528	—	—	—	528
Net loss	—	—	—	—	—	(4,371)	(4,371)
<b>Ending balances</b>	<b>28,289</b>	<b>\$ 3</b>	<b>\$ 63,935</b>	<b>1,357</b>	<b>\$ (1,654)</b>	<b>\$ (939)</b>	<b>\$ 61,345</b>

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (5,822)	\$ (4,371)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,331	8,397
Amortization of debt issuance and warrant costs	1,092	790
Stock-based compensation	348	632
Change in fair value of stock warrants	1,230	(1,671)
Change in fair value of interest rate cap	92	146
Loss on extinguishment of debt	—	2,673
Loss on disposal of assets	8	79
Increases and decreases in operating assets and liabilities:		
Accounts receivable	(171)	(275)
Prepaid expenses, inventories and other	(678)	217
Deferred taxes	80	476
Deferred revenue	5,985	—
Accounts payable and accrued expenses	(26)	2,731
Net cash provided by operating activities	<u>10,469</u>	<u>9,824</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(8,088)	(17,051)
Other	(582)	(379)
Net cash used in investing activities	<u>(8,670)</u>	<u>(17,430)</u>
<b>Cash flows from financing activities:</b>		
Repayment of First and Second Lien Term Loans	—	(96,063)
Prepayment premium of Second Lien Term Loan	—	(1,100)
Proceeds from Senior Secured Notes borrowings	10,000	100,000
Payment of debt discount and issuance costs	(1,188)	(4,105)
Payment of Interest Rate Cap premium	—	(238)
Repayment of Senior Secured Notes	(1,075)	(1,000)
Repayment of finance lease obligation	(544)	(460)
Proceeds from equity offering	—	11,435
Proceeds from exercise of stock options	119	—
Other	106	(139)
Net cash provided by financing activities	<u>7,418</u>	<u>8,330</u>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>9,217</b>	<b>724</b>
Cash, cash equivalents and restricted cash, beginning of period	20,634	19,910
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 29,851</b>	<b>\$ 20,634</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest, net of amounts capitalized	<u>\$ 9,316</u>	<u>\$ 9,368</u>
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Accounts payable related capital expenditures	<u>\$ 515</u>	<u>\$ 328</u>

See notes to consolidated financial statements.

**FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. ORGANIZATION**

Formed as a Delaware corporation in 1987, Full House Resorts, Inc. owns, leases, operates, develops, manages, and/or invests in casinos and related hospitality and entertainment facilities. References in this document to “Full House,” the “Company,” “we,” “our,” or “us” refer to Full House Resorts, Inc. and its subsidiaries, except where stated or the context otherwise indicates.

The Company currently operates five casinos; four are part of real estate that we own or lease and one is located within a hotel owned by a third party. The following table identifies the properties along with their dates of acquisition and locations:

<b>Property</b>	<b>Acquisition Date</b>	<b>Location</b>
Silver Slipper Casino and Hotel	2012	Hancock County, MS (near New Orleans)
Bronco Billy’s Casino and Hotel	2016	Cripple Creek, CO (near Colorado Springs)
Rising Star Casino Resort	2011	Rising Sun, IN (near Cincinnati)
Stockman’s Casino	2007	Fallon, NV (one hour east of Reno)
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	2011	Incline Village, NV (North Shore of Lake Tahoe)

The Company manages its casinos based on geographic regions within the United States. See Note 13 for further information.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation and Accounting.** The consolidated financial statements include the accounts of Full House and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Except when otherwise required by accounting principles generally accepted in the United States of America (“GAAP”) and disclosed herein, the Company measures all of its assets and liabilities on the historical cost basis of accounting.

**Use of Estimates.** The consolidated financial statements have been prepared in conformity with GAAP. These principles require the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Liquidity and Going Concern.** The consolidated financial statements have been prepared on the going concern basis of accounting, assuming the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company’s casinos are its primary sources of income and operating cash flows and they are relied upon to remain in compliance with debt covenants and meet the Company’s obligations when due. As described in Note 6, the Senior Secured Notes agreement requires the Company to maintain a total leverage ratio covenant, which measures Consolidated EBITDA (as defined in the indenture) against outstanding debt. As detailed in Note 14, in March 2020, the Company temporarily suspended operations at its casinos and hotels pursuant to orders from governmental authorities as a precautionary measure against the ongoing spread of COVID-19, a highly contagious coronavirus that was declared a pandemic by the World Health Organization. As the COVID-19 situation is dynamic, the Company does not currently know with certainty when it will be permitted to reopen its casinos and hotels. Management believes it has sufficient resources to fund its currently-reduced operations, consisting principally of preservation of assets and a core staff necessary to plan for reopening, for several months. However, management does not control and is not qualified to predict the length of the closure of its casinos and hotels due to the pandemic. It is also

possible that some of the Company's operations may be allowed to open sooner than others, depending on the regional impact of the pandemic.

As described in Note 2 to this Form 10-K for the period ended December 31, 2019, a significant period of closure or significant declines in business volumes upon reopening would negatively impact our ability to remain in compliance with our debt covenants. In the event that the Company would fail to meet its debt covenants in the next twelve months, the Company would either seek covenant waivers or attempt to amend its covenants, though there is no certainty that the Company would be successful in such efforts. Additionally, the Company could seek additional liquidity through the issuance of new debt or equity, or through the sale of certain assets. Successful completion of such items, if needed, would be dependent in part on factors outside of the Company's control. ASC 205-40, Going Concern, calls for management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within twelve months after the date that the financial statements are issued. Because of the length of this look-forward period and the substantial items that are outside of its control, and despite its intent and best efforts to overcome the challenges in the current environment, management concluded that there is substantial doubt as to the Company's ability to continue as a going concern. The Company is attempting to mitigate the impacts of the coronavirus on the Company through the plans described above.

**Fair Value and the Fair Value Input Hierarchy.** Fair value measurements affect the Company's accounting for net assets acquired in acquisition transactions and certain financial assets and liabilities, such as its common stock warrant liability and interest rate cap. Fair value measurements are also used in its periodic assessments of long-lived tangible and intangible assets for possible impairment, including for property and equipment, goodwill, and other intangible assets. Fair value is defined as the expected 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.

GAAP categorizes the inputs used for fair value into a three-level hierarchy:

- Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
- Level 2: Comparable inputs, other than quoted prices, that are observable for similar assets or liabilities in less active markets; and
- Level 3: Unobservable inputs, which may include metrics that market participants would use to estimate values, such as revenue and earnings multiples and relative rates of return.

The Company utilizes Level 2 inputs when measuring the fair value of its interest rate cap. In order to estimate the fair value of this derivative instrument, the Company obtains valuation reports from the third-party broker that issued the interest rate cap. The report contemplates fair value by using inputs including market-observable data such as interest rate curves, volatilities, and information derived from or corroborated by that market-observable data (see Notes 6 and 12).

The Company utilizes Level 3 inputs when measuring the fair value of net assets acquired in business combination transactions, subsequent assessments for impairment, and most financial instruments, including but not limited to the estimated fair value of common stock warrants at issuance and for recurring changes in the related warrant liability (see Notes 6 and 12).

**Cash Equivalents and Restricted Cash.** Cash equivalents include cash involved in operations and cash in excess of daily requirements that is invested in highly liquid, short-term investments with initial maturities of three months or less when purchased.

Restricted cash balances are funds received from certain sports wagering agreements that have not commenced and are contractually required to be separated from the Company's operating cash. Upon receipt of authorization from gaming authorities in Colorado, these restricted cash balances will no longer have restrictions, and accordingly will be reclassified on the balance sheet as cash and equivalents.



Cash, cash equivalents and restricted cash consisted of the following:

(In Thousands)

	December 31,	
	2019	2018
Cash and equivalents	\$ 28,851	\$ 20,634
Restricted cash	1,000	—
	<u>\$ 29,851</u>	<u>\$ 20,634</u>

**Accounts Receivable.** Accounts receivable consist primarily of casino, hotel and other receivables, are typically non-interest bearing, and are carried net of an appropriate collection allowance to approximate fair value. Allowances for doubtful accounts are estimated based on specific review of customer accounts including the customers' willingness and ability to pay and nature of collateral, if any, as well as historical collection experience and current economic and business conditions. Accounts are written off when management deems the account to be uncollectible and recoveries of accounts previously written off are recorded when received.

**Inventories.** Inventories consist primarily of food, beverage and retail items, and are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out and the weighted average methods.

**Property and Equipment.** Property and equipment are stated at cost and are capitalized and depreciated, while normal repairs and maintenance are expensed in the period incurred. A significant amount of the Company's property and equipment was acquired through business combinations, and therefore, are recognized at fair value measured at the acquisition date. Gains or losses on dispositions of property and equipment are included in operating expenses, effectively as adjustments to depreciation estimates.

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property, plant and equipment should be assessed, including, among others, a significant decrease in market value, a significant change in the business climate in a particular market, or a current period operating or cash flow loss combined with historical losses or projected future losses. When such events or changes in circumstances are present, the Company estimates the future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, then the Company would recognize an impairment loss.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, whichever is appropriate under the circumstances. The Company determines the estimated useful lives based on our experience with similar assets, estimated usage of the asset, and industry practice. Whenever events or circumstances occur, which change the estimated useful life of an asset, the Company accounts for the change prospectively. Depreciation and amortization is provided over the following estimated useful lives:

Class of Assets	Estimated Useful Lives
Land improvements	15 to 18 years
Buildings and improvements	3 to 44 years
Furniture, fixtures and equipment	2 to 10 years

**Leases.** The Company determines if a contract is, or contains, a lease at inception or modification of the agreement. A contract is, or contains, a lease if there are identified assets and the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. Control over the use of the identified asset means that the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

For leases with terms greater than a year, the Company records right-of-use ("ROU") assets and lease liabilities on the balance sheet, as measured on a discounted basis. For finance leases, the Company recognizes interest expense associated with the lease liability and depreciation expense associated with the ROU asset; for operating leases, the Company recognizes straight-line rent expense.

The Company will not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. However, costs related to short-term leases with terms greater than one month, which the Company deems material, will be disclosed as a component of lease expenses when applicable. Additionally, the Company accounts for new and existing leases containing both lease and non-lease components (“embedded leases”) together as a single lease component by asset class for gaming-related equipment; as a result, the Company will not allocate contract consideration to the separate lease and non-lease components based on their relative standalone prices.

Finance and operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement. As the implicit rate is not determinable in most of the Company’s leases, management uses the Company’s incremental borrowing rate as estimated by third-party valuation specialists in determining the present value of future payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term.

**Goodwill and Indefinite-lived Intangible Assets.** Goodwill represents the excess of the purchase price of Bronco Billy’s Casino and Hotel, Silver Slipper Casino and Hotel, Rising Star Casino Resort and Stockman’s Casino over the estimated fair value of their net tangible and other intangible assets on the acquisition date, net of subsequent impairment charges. The Company’s other indefinite-lived intangible assets primarily include certain license rights to conduct gaming in certain jurisdictions and trade names. Goodwill and other indefinite-lived intangible assets are not amortized, but are periodically tested for impairment. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

The evaluation of goodwill and other indefinite-lived intangible assets requires the use of estimates about future operating results, valuation multiples and discount rates to determine the estimated fair value. Changes in the assumptions can materially affect these estimates. Thus, to the extent that gaming volumes deteriorate in the near future, discount rates increase significantly, or reporting units do not meet projected performance, the Company could have impairments to record in the future and such impairments could be material.

These tests for impairment are performed annually during the fourth quarter or when a triggering event occurs.

**Finite-lived Intangible Assets.** The Company’s finite-lived intangible assets includes customer loyalty programs, land lease acquisition costs and water rights. Finite-lived intangible assets are amortized over the shorter of their contractual or economic lives. The Company periodically evaluates the remaining useful lives of these intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization and the possible need for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, then the Company would recognize an impairment loss.

**Debt Issuance Costs and Debt Discounts.** Debt issuance costs and debt discounts incurred in connection with the issuance of debt have been included as a component of the carrying amount of debt, and are amortized over the contractual term of the debt to interest expense, using the effective interest method. When its existing debt agreements are determined to have been modified, the Company amortizes such costs to interest expense using the effective interest method over the terms of the modified debt agreement.

#### **Revenue Recognition of Accrued Club Points and Deferred Revenues:**

**Accrued Club Points: Operating Revenues and Related Costs and Expenses.** The Company’s revenues consist primarily of casino gaming, food and beverage, hotel, and other revenues (such as entertainment). The majority of its revenues are derived from casino gaming, principally slot machines.

Gaming revenue is the difference between gaming wins and losses, not the total amount wagered. The Company accounts for its gaming transactions on a portfolio basis, as such wagers have similar characteristics and it would not be practical to view each wager on an individual basis.

The Company sometimes provides discretionary complimentary goods and services (“discretionary comps”). For these types of transactions, the Company allocates revenue to the department providing the complimentary goods or services based upon its estimated standalone selling price, offset by a reduction in casino revenues.

Many of the Company’s customers choose to earn points under its customer loyalty programs. As points are accrued, the Company defers a portion of its gaming revenue based on the estimated standalone value of loyalty points being earned by the customer. The standalone value of loyalty points is derived from the retail value of food, beverages, hotel rooms, and other goods or services for which such points may be redeemed. A liability related to these customer loyalty points is recorded, net of estimated breakage and other factors, until the customer redeems these points, primarily for “free casino play/cash back,” complimentary dining, or hotel stays. Upon redemption, the related revenue is recognized at retail value within the department providing the goods or services.

**Deferred Revenues: Market Access Fees from Sports Wagering Agreements.** These liabilities were created in the third quarter of 2019 when the Company entered into several agreements with various unaffiliated companies allowing for online sports wagering within Indiana and Colorado, as well as on-site sports wagering at Rising Star Casino Resort and at Bronco Billy’s Casino and Hotel (the “Sports Agreements”). As part of these longer-term Sports Agreements, the Company received one-time market access fees totaling \$6 million in cash, which were recorded as a long-term liability in the same amount and will be recognized as revenue ratably over the initial term length of 10 years, beginning with the commencement of operations. The current and noncurrent portions of the deferred revenues balance totaling \$5.99 million for December 31, 2019 is included with “other accrued expenses” and “other” on the consolidated balance sheets, respectively. Of the Company’s Sports Agreements, on-site sports wagering commenced in Indiana in the fourth quarter of 2019, as did one of the Company’s three contracted mobile sports operators in Indiana. The other two contracted parties in Indiana are expected to begin operations in mid-2020. In Colorado, gaming regulators are currently drafting the rules that will govern sports wagering in the state. The Company believes that sports wagering could also begin at its Bronco Billy’s Casino and Hotel – as well as throughout the state via mobile sports wagering – in mid-2020.

**Advertising Costs.** Costs for advertising are expensed as incurred, or the first time the advertising takes place, and are included in selling, general and administrative expenses. Total advertising costs were \$4.2 million and \$3.8 million for the years ended December 31, 2019 and 2018, respectively.

**Customer Loyalty Programs.** We have separate customer loyalty programs at each of our properties – the Silver Slipper Casino Players Club, Bronco Billy’s Mile High Rewards Club, Rising Star Rewards Club™, Grand Lodge Players Advantage Club® and Stockman’s Winner’s Club. Under these programs, customers earn points based on their volume of wagering that may be redeemed for various benefits, such as free play, cash back, complimentary dining, or hotel stays, among others, depending on each property’s specific offers. Unredeemed points are forfeited if the customer becomes and remains inactive for a specified period of time. Liabilities based on the standalone retail value of such benefits totaling \$1.4 million each for December 31, 2019 and 2018, respectively, and these amounts are included in “other accrued expenses” on the consolidated balance sheets.

**Project Development and Acquisition Costs.** Project development and acquisition costs consist of amounts expended on the pursuit of new business opportunities and acquisitions, which are expensed as incurred. During 2019, these costs were associated with our pursuit to develop and operate American Place, a casino and entertainment destination in Waukegan, Illinois. During 2018, these costs were associated primarily with our pursuit of a racetrack casino in New Mexico, the potential relocation of gaming positions to Terre Haute, Indiana, and acquisition opportunities.

**Stock-based Compensation.** Stock-based compensation costs are measured at the grant date, based on the estimated fair value of the award using the Black-Scholes option pricing model for stock options, and based on the closing share price of the Company’s stock on the grant date for other stock-based awards. The cost is recognized as an expense on a straight-line basis over the employee’s requisite service period (the vesting period of the award) net of forfeitures, which are recognized as they occur.

**Legal Defense Costs.** We do not accrue for estimated future legal and related defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters. Instead, we record such costs as period costs when the related services are rendered.

**Income Taxes.** We classify deferred tax liabilities and assets, along with any related valuation allowance, as non-current in a classified statement of financial position. 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. 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 included the enactment date. Valuation allowances are provided against deferred tax assets when it is deemed more likely than not that some portion or all of the deferred tax asset will not be realized within a reasonable time period.

Our income tax returns are subject to examination by the Internal Revenue Service (“IRS”) and other tax authorities. Positions taken in tax returns are sometimes subject to uncertainty in the tax laws and may not ultimately be accepted by the IRS or other tax authorities. We assess our tax positions using a two-step process. A tax position is recognized if it meets a “more likely than not” threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Additionally, we recognize accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

**Earnings (loss) per share.** Earnings (loss) per share is computed by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the additional dilution for all potentially-dilutive securities, including stock options and warrants, using the treasury stock method.

*(In Thousands)*

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Numerator:</b>		
Net loss - basic	\$ (5,822)	\$ (4,371)
Adjustment for assumed conversion of warrants	—	(1,671)
Net loss - diluted	\$ (5,822)	\$ (6,042)
<b>Denominator:</b>		
Weighted-average common and common share equivalents - basic	26,980	26,012
Potential dilution from assumed conversion of warrants	—	449
Weighted-average common and common share equivalents - diluted	26,980	26,461
Anti-dilutive share-based awards and warrants excluded from the calculation of diluted loss per share	3,851	2,576

**Reclassifications.** Certain reclassifications have been made to 2018 amounts to conform to the current-period presentation. Such reclassifications had no effect on the previously reported results of operations or financial position.

**Recently Issued Accounting Pronouncements:**

**Pronouncement Implemented in 2019.** In February 2016, the Financial Accounting Standards Board (the “FASB”) issued ASC 842, which replaces the existing guidance for leases and requires expanded disclosures about leasing activities. ASC 842 requires a dual approach for lessee accounting under which a lessee would classify and account for leases as either finance leases or operating leases, both of which result in the lessee recognizing a right-of-use (“ROU”) asset and a corresponding lease liability on the balance sheet, as measured on a discounted basis for leases with terms greater than a year. For finance leases, the lessee will recognize interest expense associated with the lease liability and depreciation expense associated with the ROU asset; for operating leases, the lessee will recognize straight-line rent expense. For publicly-traded companies, ASC 842 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018.

Under the previous guidance for leases through December 31, 2018, rental payments for certain property and equipment used in the Company’s operations under long-term operating leases were recognized as rent expense with scheduled rent increases recognized on a straight-line basis over the initial lease term, without recording a lease asset and obligation. Rental payments for other property and equipment held under capital leases were recognized as a reduction of a finance lease obligation and interest expense. The fixed assets acquired pursuant to finance leases were included in property and equipment and amortized over the term of the lease.

Under the modified retrospective transition method, the Company elected to use the effective date approach with the period of adoption on January 1, 2019 as the date of initial application, and therefore, has elected to not recast comparative period financial information. In addition, the Company has elected the package of practical expedients permitted under the transition guidance to allow it to carry forward historical lease classifications, which includes not needing to reassess: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) measurement of initial direct costs for any existing leases. The Company has also elected the practical expedient for short-term lease measurement and recognition, under which the Company will not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. However, costs related to short-term leases with terms greater than one month, which the Company deems material, will be disclosed as a component of lease expenses when applicable. Additionally, the Company has elected the practical expedient to account for new and existing leases containing both lease and non-lease components (“embedded leases”) together as a single lease component by asset class for gaming-related equipment; as a result, the Company will not allocate contract consideration to the separate lease and non-lease components based on their relative standalone prices.

**Pronouncements Not Yet Adopted.** Management believes that there are no other recently issued accounting standards not yet effective that are likely to have a material impact on our financial statements.

**3. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following:

*(In Thousands)*

	December 31,	
	2019	2018
Land and improvements	\$ 16,144	\$ 16,002
Buildings and improvements	114,672	114,001
Furniture and equipment	47,886	45,463
Construction in progress	10,856	6,864
	189,558	182,330
Less: Accumulated depreciation	(68,071)	(60,254)
	<u>\$ 121,487</u>	<u>\$ 122,076</u>

Property and equipment included assets under finance leases related to our hotel at Rising Star Casino Resort (Note 7) as follows:

*(In Thousands)*

	December 31,	
	2019	2018
Leased land and improvements	\$ 215	\$ 215
Leased buildings and improvements	5,787	5,787
Leased furniture and equipment	1,724	1,724
	7,726	7,726
Less: Accumulated amortization	(2,689)	(2,531)
	<u>\$ 5,037</u>	<u>\$ 5,195</u>

**4. GOODWILL AND OTHER INTANGIBLES**

**Goodwill:**

The following tables set forth changes in the carrying value of goodwill by segment:

*(In Thousands)*

	<b>December 31, 2019</b>			
	<b>Gross Carrying Value</b>	<b>Additions</b>	<b>Accumulated Impairments</b>	<b>Balance at End of the Year</b>
Silver Slipper Casino and Hotel	\$ 14,671	\$ —	\$ —	\$ 14,671
Rising Star Casino Resort	1,647	—	(1,647)	—
Bronco Billy's Casino and Hotel	4,806	—	—	4,806
Northern Nevada Casinos	5,809	—	(4,000)	1,809
	<u>\$ 26,933</u>	<u>\$ —</u>	<u>\$ (5,647)</u>	<u>\$ 21,286</u>

*(In Thousands)*

	<b>December 31, 2018</b>			
	<b>Gross Carrying Value</b>	<b>Additions</b>	<b>Accumulated Impairments</b>	<b>Balance at End of the Year</b>
Silver Slipper Casino and Hotel	\$ 14,671	\$ —	\$ —	\$ 14,671
Rising Star Casino Resort	1,647	—	(1,647)	—
Bronco Billy's Casino and Hotel	4,806	—	—	4,806
Northern Nevada Casinos	5,809	—	(4,000)	1,809
	<u>\$ 26,933</u>	<u>\$ —</u>	<u>\$ (5,647)</u>	<u>\$ 21,286</u>

**Other Intangible Assets:**

The following tables set forth changes in the carrying value of intangible assets other than goodwill:

*(In Thousands)*

	<b>Estimated Life (Years)</b>	<b>December 31, 2019</b>			
		<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Accumulated Impairments, Net</b>	<b>Other Intangible Assets, Net</b>
Customer Loyalty Programs	3	\$ 7,600	\$ (7,600)	\$ —	\$ —
Land Lease and Water Rights	46	1,420	(226)	—	1,194
Casino Lease Option	3	190	(87)	—	103
Gaming Licenses	Indefinite	18,046	—	(10,203)	7,843
Trade Names	Indefinite	1,800	—	—	1,800
Trademarks	Indefinite	116	—	—	116
		<u>\$ 29,172</u>	<u>\$ (7,913)</u>	<u>\$ (10,203)</u>	<u>\$ 11,056</u>

(In Thousands)

	December 31, 2018				
	Estimated Life (Years)	Gross Carrying Value	Accumulated Amortization	Accumulated Impairments, Net	Other Intangible Assets, Net
Customer Loyalty Programs	3	\$ 7,600	\$ (7,600)	\$ —	\$ —
Land Lease and Water Rights	46	1,420	(195)	—	1,225
Casino Lease Option	3	190	(24)	—	166
Gaming Licenses	Indefinite	18,046	—	(10,203)	7,843
Trade Names	Indefinite	1,800	—	—	1,800
Trademarks	Indefinite	111	—	—	111
		<u>\$ 29,167</u>	<u>\$ (7,819)</u>	<u>\$ (10,203)</u>	<u>\$ 11,145</u>

There were no impairments to goodwill or other intangible assets for the years ended December 31, 2019 and 2018.

**Customer Loyalty Programs.** Customer loyalty programs represent the value of repeat business associated with our loyalty programs. The values of \$5.9 million for Silver Slipper and \$1.7 million for Rising Star’s customer loyalty programs, respectively, were determined using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the customer loyalty program. The values of the customer loyalty programs for Rising Star and Silver Slipper have been fully amortized in prior years, but they comprise the majority of accumulated amortization totaling \$7.9 million as of December 31, 2019 and \$7.8 million as of December 31, 2018.

**Land Lease Acquisition Costs and Water Rights.** Silver Slipper recognized intangible assets related to its lease agreement with Cure Land Company, LLC (see Note 7). The lease was valued at \$970,000 and represents the excess fair value of the land over the estimated net present value of the land lease payments, and the water rights value of \$450,000 represents the fair value of the water rights based upon market rates in Hancock County, Mississippi.

**Casino Lease Option.** Casino lease option represents total amounts paid in order to extend the lease option for the Imperial Casino, now known as the Christmas Casino at Bronco Billy’s. Although the Company has an option to buy out the lease prior to expiration of the initial lease term or as extended, the options paid cannot be applied to the purchase price. Therefore, the total options paid will be amortized according to the initial lease term, which commenced in August 2018 (see Note 7).

**Gaming Licenses.** Gaming licenses primarily represent the value of the license to conduct gaming in certain jurisdictions, which are subject to highly extensive regulatory oversight and, in some cases, a limitation on the number of licenses available for issuance. The values of gaming licenses were primarily estimated using a multi-period excess earning method of the income approach, which examines the economic returns contributed by the identified tangible and intangible assets of a company, and then isolates the excess return, which is attributable to the asset being valued, based on cash flows attributable to the gaming license.

**Trade Names.** Trade names represents the value of the Bronco Billy’s casino name, which has existed for approximately 26 years and provides brand recognition. The value was estimated using a relief-from-royalty method of the income approach based upon comparable trade name royalty agreements.

**Current and Future Amortization.** Intangible asset amortization expense was approximately \$94,000 and \$56,000 for the years ended December 31, 2019 and 2018, respectively.

Future amortization expense for intangible assets is as follows:

*(In Thousands)*

<b>For Years ending December 31,</b>	<b>Amortization Expense</b>
2020	\$ 94
2021	70
2022	31
2023	31
2024	31
Thereafter	1,039
	<b>\$ 1,296</b>

**5. ACCRUED LIABILITIES**

Other accrued expenses consisted of the following:

*(In Thousands)*

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Player club points and progressive jackpots	\$ 3,281	\$ 3,389
Real estate and personal property taxes	1,730	1,614
Gaming and other taxes	2,082	2,028
Other gaming-related accruals	1,299	1,112
Accrued rent	422	604
Current portion of deferred revenue	100	—
Other	1,699	957
	<b>\$ 10,613</b>	<b>\$ 9,704</b>

**6. LONG-TERM DEBT AND COMMON STOCK WARRANT LIABILITY**

*Long-Term Debt*

**Senior Secured Notes.** On February 2, 2018, the Company sold \$100 million of senior secured notes due 2024 (the “Original Notes”) to qualified institutional buyers. The Notes were issued on the same day at 98% of their face value (a 2% original issue discount). Proceeds from the Notes were used to (i) pay fees and expenses incurred in connection with the debt offering; (ii) refinance the entire amounts outstanding under the First and Second Lien Credit Facilities; (iii) provide ongoing working capital; and (iv) provide funds for capital expenditures and for general corporate purposes. As of February 2, 2018, immediately prior to the issuance of the Notes, we had approximately \$41 million outstanding under the First Lien Credit Facility and \$55 million outstanding under the Second Lien Credit Facility, which were extinguished at a loss of \$2.7 million, reflecting the call premiums on such debt and the write-off of related unamortized debt issuance costs.

On May 10, 2019, the Company entered into a Notes Purchase Agreement under which it agreed to sell an additional \$10 million in aggregate principal amount of its senior secured notes due 2024 (the “Incremental Notes”) to qualified institutional buyers. The Company has used or expects to use the proceeds from the Incremental Notes to (i) provide additional liquidity for the construction of the Phase One parking garage at Bronco Billy’s Casino and Hotel and other capital expenditures; (ii) pay fees and expenses incurred in connection with the Incremental Notes offering; and (iii) provide funds for general corporate purposes. The Incremental Notes were issued on the same day at a price of 99.01% of their face value (a 0.99% original issue discount) pursuant to the indenture (as amended and supplemented, the “Indenture”), dated as of February 2, 2018. The Indenture governs the \$100 million of Original Notes previously issued by the Company on February 2, 2018. The Incremental Notes have the same maturity date and interest rate as the Original Notes, are part of the same series as the Original Notes, and are treated as a single class together with the Original Notes (collectively, the “Notes”) for all purposes under the Indenture.



Also, on May 10, 2019, the Company executed the Second Amendment to the Indenture dated as of May 10, 2019, which (i) increased the principal amount required to be redeemed each quarter from \$250,000 to \$275,000 in total aggregate of the Notes, beginning June 30, 2019; (ii) permitted liens incurred in connection with the Cripple Creek Expansion Project; and (iii) changed the total leverage ratio as described in the Indenture and below under “Covenants.”

The Notes bear interest at the greater of the three-month London Interbank Offered Rate (“LIBOR”) or 1.0%, plus a margin rate of 7.0%. Interest on the Notes is payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year until the Notes mature on February 2, 2024. On each interest payment date, the Company is required to make principal payments of \$275,000 with a balloon payment for the remaining \$103.5 million due upon maturity.

The Company may redeem all or a part of the Notes plus the premium as set forth below, plus accrued and applicable unpaid interest:

<b>Redemption Periods</b>	<b>Percentage Premium</b>
On February 2, 2019 to February 1, 2020	2.0 %
On February 2, 2020 to February 1, 2021	1.5 %
On February 2, 2021 to February 1, 2022	0.5 %
On or after February 2, 2022	— %

The Notes are collateralized by substantially all of our assets and are guaranteed by all of our material subsidiaries.

**Prior Credit Facilities.** The First Lien Credit Facility was due to mature in May 2019 and included quarterly principal payments as defined and interest based on the greater of the elected LIBOR (as defined) or 1.0%, plus a margin rate of 4.25%. The Second Lien Credit Facility was due to mature in November 2019 with all principal due at maturity, included interest at 13.5% and had a prepayment premium of 2% immediately prior to the refinancing. As discussed above, both the First Lien Credit Facility and the Second Lien Credit Facility were refinanced in February 2018 in their entirety through the issuance of the Original Notes due 2024.

Long-term debt, related discounts and issuance costs consisted of the following:

<i>(In Thousands)</i>	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Senior Secured Notes	\$ 107,925	\$ 99,000
Less: Unamortized discounts and debt issuance costs	(3,902)	(3,806)
	<u>104,023</u>	<u>95,194</u>
Less: Current portion of long-term debt	(1,100)	(1,000)
	<u>\$ 102,923</u>	<u>\$ 94,194</u>

**Maturities of Long-Term Debt.** Future maturities under the Notes is as follows:

<i>(In Thousands)</i>	<b>Senior Secured Notes</b>
<b>For Years ending December 31,</b>	
2020	\$ 1,100
2021	1,100
2022	1,100
2023	1,100
2024	<u>103,525</u>
	<u>\$ 107,925</u>

**Covenants.** The indenture governing the Notes contains customary representations and warranties, events of default, and positive and negative covenants, including financial covenants. The Company is required to maintain a total leverage ratio (as defined below), which measures Consolidated EBITDA (as defined in the indenture) against outstanding debt. The Company is allowed

to deduct up to \$15 million of its cash and equivalents (beyond estimated cash utilized in daily operations) in calculating the numerator of such ratio.

<b>Four Fiscal Quarters Ending</b>	<b>Maximum Total Leverage Ratio</b>
December 31, 2019	6.00 to 1.00
March 31, 2020	6.00 to 1.00
June 30, 2020	5.75 to 1.00
September 30, 2020	5.75 to 1.00
December 31, 2020	5.50 to 1.00
March 31, 2021	5.50 to 1.00
June 30, 2021	5.25 to 1.00
September 30, 2021	5.25 to 1.00
December 31, 2021	5.00 to 1.00
March 31, 2022	4.75 to 1.00
June 30, 2022	4.75 to 1.00
September 30, 2022	4.75 to 1.00
December 31, 2022	4.75 to 1.00
March 31, 2023 and the last day of each fiscal quarter thereafter	4.50 to 1.00

We were in compliance with our financial covenants as of December 31, 2019. However, there can be no assurances that we will remain in compliance with all covenants in the future and/or that we would be successful in obtaining waivers or modifications in the event of noncompliance.

**Interest Rate Cap Agreement.** In April 2018, the Company purchased an Interest Rate Cap from Capital One, N.A. (“Capital One”) for \$238,000 in order to manage expected interest rate increases on the Notes. The agreement is for a notional amount of \$50 million and expires on March 31, 2021. The Interest Rate Cap has a strike rate of 3.00% and resets every three months at the end of March, June, September, and December. If the three-month LIBOR exceeds the strike rate at the end of any covered period, the Company will receive cash payments from Capital One.

Based on fair value measurements using Level 2 inputs (see Note 2), the Company adjusts the carrying value of the Interest Rate Cap quarterly. Since the Company did not elect for hedge accounting, any adjustments to the carrying value between reporting periods are charged to interest expense on the consolidated statement of operations (see Note 12).

***Common Stock Warrant Liability***

As part of the Second Lien Credit Facility, the Company granted the second lien lenders 1,006,568 warrants. The warrants have an exercise price of \$1.67 (the average trading price of the Company’s common stock during a 60-day period bracketing the completion of the financing) and expire on May 13, 2026. The warrants also provide the warrant holders with redemption rights, pre-emptive rights under certain circumstances to maintain their percentage of ownership in the Company, piggyback registration rights and mandatory registration rights after two years. In addition to a refinancing, the redemption rights allow the warrant holders, at their option, to require the Company to repurchase all or a portion of the warrants upon the occurrence of certain events, including: (i) a liquidity event, as defined in the warrant purchase agreement, or (ii) the Company’s insolvency. The repurchase value is the 21-day average price of the Company’s stock at the time of such liquidity event, net of the warrant exercise price. If the redemption rights are exercised, the repurchase amount is payable by the Company in cash or through the issuance of an unsecured note with a four-year term and a minimum interest rate of 13.25%, as further defined in the warrant purchase agreement, and would be guaranteed by the Company’s subsidiaries. Alternatively, the warrant-holders may choose to have the Company register and sell the shares related to the warrants through a public stock offering.

The extinguishment of the Second Lien Credit Facility discussed previously is considered a “triggering event” for the possible redemption or registration of the warrants, as further detailed below. The Company’s warrant-holders have not yet requested the redemption or registration of their outstanding warrants, though they may do so on any six-month anniversary of the refinancing

date prior to warrant expiration. Accordingly, the obligation is reflected as a current liability as of December 31, 2019 (see Note 12).

The Company measures the fair value of the warrants at each reporting period using Level 3 inputs (see Note 2). Due to the variable terms regarding the timing of the settlement of the warrants, the Company utilized a “Monte Carlo” simulation approach to measure the fair value of the warrants. The simulation included certain estimates by Company management regarding the estimated timing of the settlement of the warrants. Significant increases or decreases in those management estimates would result in a significantly higher or lower fair value measurement. At December 31, 2019, the simulation included the following assumptions: an expected contractual term of 6.37 years, an expected stock price volatility rate of 46.87%, an expected dividend yield of 0%, and an expected risk-free interest rate of 1.79%. The Company also used the Monte Carlo simulation approach for its valuation at December 31, 2018, which included the following assumptions: an expected contractual term of 7.37 years, an expected stock price volatility rate of 43.26%, an expected dividend yield of 0%, and an expected risk-free interest rate of 2.64%. The Company recognized \$1.2 million of other non-operating expense in 2019 and \$1.7 million of other non-operating income during 2018, associated with changes in the fair value of the warrant liability.

## 7. LEASES

The Company has no material leases in which it is the lessor. As lessee, the Company has one finance lease for a hotel and various operating leases for land, casino and office space, equipment, buildings, and signage. The Company’s remaining lease terms, including extensions, range from one month to approximately 38 years. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants, but the land lease at Silver Slipper does include contingent rent as further discussed below.

### *Operating Leases*

**Silver Slipper Casino Land Lease through April 2058 and Options to Purchase.** In 2004, the Company’s subsidiary, Silver Slipper Casino Venture, LLC, entered into a land lease with Cure Land Company, LLC for approximately 31 acres of marshlands and a seven-acre parcel on which the Silver Slipper Casino and Hotel is situated. The land lease includes base monthly payments of \$77,500 plus contingent rents of 3% of monthly gross gaming revenue (as defined) in excess of \$3.65 million with no scheduled base rent increases through the remaining lease term ending in 2058. We recognized \$1.6 million of rent expense, including \$0.6 million of contingent rents, during 2019, and \$1.5 million of rent expense, including \$0.6 million of contingent rents, during 2018.

The land lease currently includes an exclusive option to purchase the leased land at any time through October 1, 2027, for \$15.5 million plus a seller-retained interest in Silver Slipper Casino and Hotel’s operations of 3% of net income (as defined), for 10 years from the purchase date. In the event that the Company sells or transfers either: (i) substantially all of the assets of Silver Slipper Casino Venture, LLC or (ii) its membership interests in Silver Slipper Casino Venture, LLC in its entirety, the purchase price will increase to \$17.1 million, plus the retained interest mentioned above. In either case, the Company also has an option to purchase a four-acre portion from the total 38 acres of leased land for \$2.0 million in connection with the development of an owned hotel, which may be exercised at any time and would accordingly reduce the purchase price of the remaining land by \$2.0 million. Following a buy-out of the lease, the property would have to purchase or otherwise provide for its drinking water, which is currently provided by the landlord as part of the lease.

**Bronco Billy’s Lease through January 2035 and Option to Purchase.** Bronco Billy’s leases certain parking lots and buildings, including a portion of the hotel and casino, under a long-term lease for \$30,000 per month in rent. The lease term includes six renewal options in three-year increments to 2035. In May 2019, Bronco Billy’s exercised its second renewal option to extend the lease term through January 31, 2023, which will increase the monthly rent to \$32,500 beginning in February 2021. The lease also contains a \$7.6 million purchase option exercisable at any time during the lease term, or as extended, and a right of first refusal on any sale of the property.

**Christmas Casino at Bronco Billy’s through August 2021 and Option to Purchase.** As part of the Bronco Billy’s expansion, the Company leased a closed casino in August 2018 and opened it as the rebranded Christmas Casino in November 2018. The lease includes a minimum three-year term with annual lease payments of \$0.2 million, and can be extended an additional two years with annual lease payments of \$0.3 million. The Company can also purchase the casino at any time during the lease term,

or as extended. The purchase price is \$2.6 million if bought by October 31, 2020, increasing by \$0.1 million on each anniversary thereafter up to \$2.8 million.

**Grand Lodge Casino Lease through August 2023.** The Company's subsidiary, Gaming Entertainment (Nevada), LLC, has a lease with Hyatt Equities L.L.C. ("Hyatt") to operate the Grand Lodge Casino. The lease is collateralized by the Company's interests under the lease and property (as defined in the lease) and is subordinate to the liens of the Notes (see Note 6). Hyatt currently has an option to purchase our leasehold interest and related operating assets of the Grand Lodge Casino, subject to assumption of applicable liabilities. The option price is an amount equal to the Grand Lodge Casino's positive working capital, plus Grand Lodge Casino's earnings before interest, income taxes, depreciation and amortization ("EBITDA") for the twelve-month period preceding the acquisition (or pro-rated if less than twelve months remain on the lease), plus the fair market value of the Grand Lodge Casino's personal property. Commencing January 1, 2018, the monthly rent payment increased from \$145,833 to \$166,667. We recognized \$2.0 million of rent expense related to this lease during 2019 and 2018.

**Corporate Office Lease through January 2025.** In June 2017, the Company leased 4,479 square feet of office space in Las Vegas, Nevada. Annual rent is approximately \$0.2 million and the term of the office lease expires in January 2025.

#### ***Finance Lease***

**Rising Star Casino Hotel Lease through October 2027 and Option to Purchase.** The Company's Indiana subsidiary, Gaming Entertainment (Indiana) LLC, leases a 104-room hotel at Rising Star Casino Resort.

The lease expires on October 1, 2027, and lease payments are as follows: (i) \$48,537 per month from April 2016 through March 2017, (ii) \$56,537 per month from April 2017 through March 2018; (iii) \$57,537 per month from April 2018 through March 2019; and (iv) \$63,537 per month from April 2019 through March 2020. Beginning April 1, 2020 through the end of the lease, the scheduled monthly payment will be \$54,326. The Company was also required to make certain improvements to the Rising Star Casino Resort of at least \$1 million by March 31, 2017, which the Company satisfied. The lease payments include an annual interest rate of 3.5% through September 30, 2017 and 4.5% thereafter.

On September 17, 2017, the Company entered into a second amendment to the lease agreement to facilitate construction of the RV park that adjoins the leased hotel.

At any time during the lease term, the Company has the option to purchase the hotel at a price based upon the project's original cost of \$7.7 million (see Note 3), reduced by the cumulative principal finance lease payments made by the Company during the lease term. At December 31, 2019, such net amount was \$4.3 million. Upon expiration of the lease term in October 2027, (i) the Landlord has the right to sell the hotel to the Company, and (ii) the Company has the option to purchase the hotel. In either case, the purchase price is \$1 plus closing costs. The lease agreement is not guaranteed by the parent company or any subsidiary, other than Gaming Entertainment (Indiana) LLC, and has customary provisions in the event of a default.

Leases recorded on the balance sheet consist of the following:

*(In Thousands)*

Leases	Balance Sheet Classification	December 31, 2019
<b>Assets</b>		
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 19,171
Finance lease assets	Property and Equipment, Net <sup>(1)</sup>	5,037
Total lease assets		<u>\$ 24,208</u>
<b>Liabilities</b>		
<b>Current</b>		
Operating	Current Portion of Operating Lease Obligations	\$ 2,707
Finance	Current Portion of Finance Lease Obligation	448
<b>Noncurrent</b>		
Operating	Operating Lease Obligations, Net of Current Portion	16,706
Finance	Finance Lease Obligation, Net of Current Portion	3,829
Total lease liabilities		<u>\$ 23,690</u>

(1) Finance lease assets are recorded net of accumulated amortization of \$2.7 million as of December 31, 2019.

The components of lease expense are as follows:

*(In Thousands)*

Lease Costs	Statement of Operations Classification	Year Ended December 31, 2019
<b>Operating leases:</b>		
Fixed/base rent	Selling, General and Administrative Expenses	\$ 3,920
Variable payments	Selling, General and Administrative Expenses	788
<b>Finance lease:</b>		
Amortization of leased assets	Depreciation and Amortization	158
Interest on lease liabilities	Interest Expense, Net	206
Total lease costs		<u>\$ 5,072</u>

Maturities of lease liabilities are summarized as follows:

*(In Thousands)*

<b>Year Ending December 31,</b>	<b>Operating Leases<sup>(1)</sup></b>	<b>Financing Lease<sup>(2)</sup></b>
2020	\$ 4,815	\$ 616
2021	4,684	652
2022	4,468	652
2023	2,876	652
2024	1,135	652
Thereafter	31,018	1,847
Total future minimum lease payments	48,996	5,071
Less: Amount representing interest	(28,186)	(794)
Present value of lease liabilities	20,810	4,277
Less: Current lease obligations	(2,707)	(448)
Long-term lease obligations	<u>\$ 18,103</u>	<u>\$ 3,829</u>

(1) As of December 31, 2019, the Company has an operating lease that has not yet commenced for which the present value of lease payments over the lease term totals \$1.4 million. Accordingly, this lease is not recorded on the Consolidated Balance Sheet at December 31, 2019. This operating lease will commence in 2020 with a term of 3.5 years.

(2) The Company's only material finance lease is at Rising Star Casino Resort for a 104-room hotel.

Other information related to lease term and discount rate is as follows:

<b>Lease Term and Discount Rate</b>	<b>December 31, 2019</b>
<b>Weighted-average remaining lease term</b>	
Operating leases	20.2 years
Finance lease	7.8 years
<b>Weighted-average discount rate</b>	
Operating leases <sup>(1)</sup>	9.40 %
Finance lease	4.50 %

(1) Upon adoption of the new lease standard, discount rates used for existing operating leases were established on January 1, 2019.

Supplemental cash flow information related to leases is as follows:

*(In Thousands)*

<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	<b>Year Ended December 31, 2019</b>	
Operating cash flows for operating leases	\$	3,933
Operating cash flows for finance lease	\$	206
Financing cash flows for finance lease	\$	544

## 8. INCOME TAXES

The income tax expense attributable to the Company's loss before income taxes consisted of the following:

<i>(In Thousands)</i>	Years Ended December 31,	
	2019	2018
<b>Current Taxes</b>		
Federal	\$ —	\$ —
State	—	—
<b>Deferred Taxes</b>		
Federal	(1,016)	(587)
State	(743)	(651)
Increase in valuation allowance	1,839	1,714
	80	476
	<u>\$ 80</u>	<u>\$ 476</u>

A reconciliation of the federal income tax statutory rate and the Company's effective tax rate is as follows:

<i>(In Thousands)</i>	Years Ended December 31,			
	2019		2018	
	Percent	Amount	Percent	Amount
<b>Tax Rate Reconciliation</b>				
Federal income tax benefit at U.S. statutory rate	21.0 %	\$ (1,208)	21.0 %	\$ (817)
State taxes, net of federal benefit	10.2 %	(587)	13.2 %	(515)
Change in valuation allowance <sup>(1)</sup>	(32.0)%	1,839	(44.0)%	1,714
Permanent differences	(3.7)%	215	(6.3)%	247
Credits	2.7 %	(156)	3.7 %	(146)
Other	0.4 %	(23)	0.2 %	(7)
	<u>(1.4)%</u>	<u>\$ 80</u>	<u>(12.2)%</u>	<u>\$ 476</u>

(1) For 2018, this change is presented with tax reform consideration.

The Company’s deferred tax assets (liabilities) consisted of the following:

(In Thousands)

	December 31,	
	2019	2018
<b>Deferred tax assets:</b>		
Deferred compensation	\$ 591	\$ 744
Intangible assets and amortization	3,761	4,023
Net operating loss carry-forwards	7,834	6,210
Accrued expenses	853	975
Allowance for doubtful accounts	32	22
Credits	668	481
Common stock warrant liability	402	69
Loan Fees	129	—
Interest valuation	65	40
Interest limitation	1,712	1,362
Lease liabilities	4,345	—
Charitable contribution carry-forward	125	97
Valuation allowance	(10,964)	(9,125)
	<u>9,553</u>	<u>4,898</u>
<b>Deferred tax liabilities:</b>		
Depreciation of fixed assets	(1,711)	(1,939)
Amortization of indefinite-lived intangibles	(2,803)	(2,232)
Prepaid expenses	(656)	(710)
Effect of state taxes on future federal returns	(785)	(629)
Right of use assets	(4,282)	—
Other	(28)	(20)
	<u>(10,265)</u>	<u>(5,530)</u>
	<u>\$ (712)</u>	<u>\$ (632)</u>

As of December 31, 2019, the Company had federal net operating loss carryforward totaling \$22.1 million and state tax carryforwards of \$56.2 million. Regarding the federal net operating loss carryforward, \$14.0 million can be carried forward 20 years and will begin to expire in 2035; the remaining amount can be carried forward indefinitely. Regarding the state tax carryforwards, \$55.9 million can be carried forward 20 years and will begin to expire in 2035; the remaining amount can be carried forward indefinitely. The Company also has general business credits of \$0.7 million which begin to expire in 2035.

In assessing the realizability of its deferred tax assets, the Company considered whether it is “more likely than not” that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considered the scheduled reversal of existing deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company evaluated both positive and negative evidence in determining the need for a valuation allowance. The Company continues to assess the realizability of deferred tax assets and concluded that it has not met the “more likely than not” threshold. As of December 31, 2019, the Company continues to provide a valuation allowance against its deferred tax assets that cannot be offset by existing deferred tax liabilities. In accordance with Accounting Standards Codification 740 (“ASC 740”), this assessment has taken into consideration the jurisdictions in which these deferred tax assets reside. The valuation allowance against deferred tax assets has no effect on the actual taxes paid or owed by the Company.

As of December 31, 2019 and 2018, the Company had \$0.7 million and \$0.6 million, respectively, of deferred tax liabilities relating to goodwill and other indefinite-lived intangibles net of the maximum benefit allowed under the statute after netting with the indefinite-lived deferred tax assets.

Subsequent to the Company’s filing of its annual report on Form 10-K for the period ended December 31, 2018, the Company corrected the impact of the 2017 Tax Act on deferred tax liabilities to reflect that indefinite-lived deferred tax liabilities of \$1.6 million should be netted against certain deferred tax assets and net operating loss carryforwards for purposes of assessing



the realizability of those assets. As a result, the Company has reduced the previously reported valuation allowance as of January 1, 2018, by \$1.6 million with a resulting decrease in deferred tax liabilities and accumulated deficit at December 31, 2018 of \$1.6 million. Management believes that the impact of this adjustment is immaterial to the previously issued Consolidated Financial Statements.

The Company's utilization of net operating loss (NOL) and the general business tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986 (IRC), and similar state provisions' due to ownership changes that may have occurred or that could occur in the future. These ownership changes may limit the amount of NOL and tax credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has completed an IRC Section 382/383 analysis to determine if there are any annual limitations on the utilization of NOLs and tax credit carryforwards, and has determined that it is more likely than not that there have not been any of such greater-than-50% ownership changes during the last five years that would prohibit the Company from utilizing all of its tax attributes.

Management has made an annual analysis of its state and federal tax returns and concluded that the Company has no recordable liability, as of December 31, 2019 or 2018, for unrecognized tax benefits as a result of uncertain tax positions taken.

As of December 31, 2019, the Company is subject to U.S. federal income tax examinations for the tax years 2016 through 2019. In addition, the Company is subject to state and local income tax examinations for various tax years in the taxing jurisdictions in which the Company operates.

## 9. COMMITMENTS AND CONTINGENCIES

### *Litigation*

The Company is party to a number of pending legal proceedings related to matters that occurred in the normal course of business. Management does not expect that the outcome of any such proceedings, either individually or in the aggregate, will have a material effect on our financial position, results of operations and cash flows.

### *Options to Purchase or Lease Land*

**La Posada del Llano Racetrack Proposal in New Mexico.** During July 2018, the Company paid \$125,000 for options to purchase approximately 520 acres of adjoining land in Clovis, New Mexico as part of its racetrack casino proposal to the New Mexico Racing Commission. The proposal was in response to the New Mexico Racing Commission's request for proposals related to the potential issuance of the state's sixth racing license. During July 2019, the Company paid an additional \$125,000 in total to renew these two options, as detailed below. In August 2019, the New Mexico Racing Commission announced that it would not issue the sixth racing license at this time, but may do so in the future. The New Mexico options consisted of:

- A \$75,000 option to purchase 200 acres of land, which ended on the earlier of either July 2019 or 60 days following the granting of the sixth license to conduct horseracing by the New Mexico Racing Commission and New Mexico Gaming Control Board ("License Award") and all related approvals, permits, and other licenses. In July 2019, the Company extended the purchase option by one year for another \$75,000 under the same terms. Prior to the end of this first option extension, the Company may extend the purchase option by one year for an additional \$75,000 under the same terms. Additionally, prior to the end of this first extension period, or as further extended, the Company may purchase the land for \$1.4 million, which can be reduced by the option payments.
- A \$50,000 option to purchase 320 acres of land, which ended on the earlier of either July 2019 or 60 days following the granting of the License Award and all related approvals, permits, and other licenses. In July 2019, the Company

extended the purchase option by one year for another \$50,000 under the same terms. Prior to the end of this option extension, the Company may purchase the land for \$1.6 million, which can be reduced by the option payments.

### ***Employment Agreements***

The Company has entered into employment agreements with certain of its key employees. The agreements may provide the employee with a base salary, bonus, restricted stock grants, stock options and other customary benefits. Certain agreements also provide for severance in the event the employee resigns with “good reason,” or the employee is terminated without “cause” or due to a “change of control,” as defined in the agreements. The severance amounts vary with the terms of the agreements and may include the acceleration and vesting of certain unvested shares and stock-based awards upon a change of control, along with continuation of insurance costs and certain other benefits.

### ***Defined Contribution Plan***

We sponsor a defined contribution plan for all eligible employees providing for voluntary contributions by eligible employees and matching contributions made by us. Matching contributions made by us were \$0.3 million for each of 2019 and 2018, excluding nominal administrative expenses assumed. For 2019 and 2018, the Company’s employer contribution rate was 50% up to 4% of compensation.

### ***Liquidity, Concentrations and Economic Risks and Uncertainties***

The Company carries cash on deposit with financial institutions that may be in excess of federally-insured limits. The extent of any loss that might be incurred as a result of uninsured deposits in the event of a future failure of a bank or other financial institution, if any, is not subject to estimation at this time.

## **10. STOCKHOLDERS’ EQUITY**

In March 2018, the Company closed on a registered direct offering for a total of 3,943,333 shares of its common stock at a price of \$3.00 per share, resulting in gross proceeds to the Company of \$11.8 million. Net proceeds to the Company from the offering were approximately \$11.4 million, after deducting placement agent fees and offering expenses.

Net proceeds from this offering were used for general corporate purposes, including Phase One of the expansion of Bronco Billy’s Casino and Hotel. Amongst other items, Phase One included the purchase of the Imperial Hotel, the rebranding and reopening of the Imperial Hotel and Casino as the Christmas Casino & Inn, and the design and construction of a parking garage.

## **11. STOCK-BASED COMPENSATION**

**2015 Equity Incentive Plan.** During the second quarter of 2017, the Company’s stockholders approved an amendment to the 2015 Equity Incentive Plan (“2015 Plan”) that increased the number of shares of common stock available for issuance under the 2015 Plan from 1,400,000 to 2,500,000. In addition to the increase in the number of authorized shares issuable under the 2015 Plan, the amendment included several “best practices” changes. The 2015 Plan includes new shares reserved for issuance to directors, employees and consultants and allows for a variety of forms of awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents and performance-based compensation. Stock option awards have maximum 10-year terms and all awards issued thus far under the 2015 Plan do not vest on an accelerated basis if there is a change in control of the Company, unless the awards are not assumed by the successor, as defined.

In May 2017, the Company extended the employment agreement of Daniel R. Lee, the Company’s President and Chief Executive Officer, through November 2020 and simultaneously issued him an option to purchase 240,000 shares of common stock under the 2015 Plan with an exercise price of \$2.32. Mr. Lee’s option will vest ratably on a monthly basis between December 1, 2018 and November 30, 2020 in conjunction with his amended employment agreement.

Effective as of May 2019, the Company extended the employment agreement of Lewis Fanger, the Company’s Senior Vice President and Chief Financial Officer, through May 2022. In May 2019, the Company also separately issued him an option to

purchase 100,000 shares of common stock under the 2015 Plan with an exercise price of \$2.23. Mr. Fanger’s option vests annually in equal amounts over a three-year period.

In September 2019, the Company issued options to purchase a total of 260,000 additional shares of common stock under the 2015 Plan to various other employees of the Company, all of which have an exercise price of \$1.97. These stock options all vest annually in equal amounts over the next three years. In all cases, the exercise price of the options reflects the Company’s closing price on the date of grant.

In May 2019, the Company also issued to non-executive members of its Board of Directors, as compensation for their annual service, options to purchase a total of 51,900 shares of common stock under the 2015 Plan with an exercise price of \$2.23 and a one-year vesting period; and 21,524 shares of common stock under the 2015 Plan that vested immediately with certain transfer restrictions.

As of December 31, 2019, the Company had 489,635 stock-based awards authorized by shareholders and available for grant from the 2015 Plan.

Prior to the adoption of the 2015 Plan and outside of the 2006 Plan, in order to recruit its executive officers, the Company issued a non-qualified stock option to purchase 943,834 shares to Daniel R. Lee, its President and Chief Executive Officer, and a non-qualified stock option to purchase 300,000 shares to Lewis Fanger, its Senior Vice President, Chief Financial Officer and Treasurer. Each of these stock options vested over a four-year period and, as of December 31, 2019, these stock options have fully vested.

**Stock Options.** The following table summarizes information related to the Company’s common stock options:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2019	2,575,774	\$ 1.67		
Granted	436,900	2.06		
Exercised	(122,269)	1.84		
Canceled/Forfeited	(33,333)	2.07		
Expired	(12,667)	2.81		
Options outstanding at December 31, 2019	<u>2,844,405</u>	<u>\$ 1.71</u>	<u>6.42</u>	<u>\$ 4,667,998</u>
Options exercisable at December 31, 2019	<u>2,181,671</u>	<u>\$ 1.56</u>	<u>5.65</u>	<u>\$ 3,910,111</u>

**Compensation Cost.** Compensation expense for the years ended December 31, 2019 and 2018 was \$0.3 million and \$0.6 million, respectively. These costs are recognized on a straight-line basis over the vesting period of the awards net of forfeitures and are included in selling, general and administrative expense on the consolidated statements of operations.

As of December 31, 2019, there was approximately \$0.5 million of unrecognized compensation cost related to unvested stock options granted by the Company. This unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.1 years.

The Company estimated the fair value of each stock option award on the grant date using the Black-Scholes valuation model. Option valuation models require the input of highly subjective assumptions, and changes in assumptions used can materially affect the fair value estimate. Option valuation weighted-average assumptions were as follows:

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Expected volatility	46.17 %	43.33 %
Expected dividend yield	— %	— %
Expected term (in years)	5.94	5.86
Weighted average risk free rate	1.87 %	2.93 %

The weighted-average grant date fair value of options granted during the years ended December 31, 2019 and 2018 was \$0.94 and \$1.34 per share, respectively.

Expected volatility is based on the historical volatility of our stock price. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. The expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods and assumptions used to estimate the fair value of financial instruments are affected by the duration of the instruments and other factors used by market participants to estimate value. The carrying amounts for cash and equivalents, restricted cash, accounts receivable, and accounts payable approximate their estimated fair value because of the short durations of the instruments and inconsequential rates of interest. Management also believes that the carrying value of long-term debt also approximates their estimated fair value because the terms of the facilities are representative of current market conditions. While management believes the carrying value of our finance lease obligation approximates its fair value because certain terms of the lease were recently renegotiated, management also believes that precise estimates are not practical because of the unique nature of the relationships.

The following tables present the fair value of those assets and liabilities measured on a recurring basis as of December 31, 2019 and 2018. See Notes 2 and 6 for further information regarding our interest rate cap and common stock warrant liability.

*(In Thousands)*

<b>Financial instruments not designated for hedging:</b>		<b>December 31, 2019</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance Sheet Location</b>					
Interest rate cap	Deposits and other assets	\$ —	\$ —	\$ —	\$ —
Common stock warrants	Common stock warrant liability	—	—	2,055	\$ 2,055

*(In Thousands)*

<b>Financial instruments not designated for hedging:</b>		<b>December 31, 2018</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance Sheet Location</b>					
Interest rate cap	Deposits and other assets	\$ —	\$ 92	\$ —	\$ 92
Common stock warrants	Common stock warrant liability	—	—	825	\$ 825

### 13. SEGMENT REPORTING

We manage our casinos based on geographic regions within the United States. The casino/resort operations includes four segments: the Silver Slipper Casino and Hotel (Hancock County, Mississippi); Bronco Billy's Casino and Hotel (Cripple Creek, Colorado); the Rising Star Casino Resort (Rising Sun, Indiana); and the Northern Nevada segment, consisting of the Grand Lodge Casino (Incline Village, Nevada) and Stockman's Casino (Fallon, Nevada).

The Company utilizes Adjusted Property EBITDA as the measure of segment profit in assessing performance and allocating resources at the reportable segment level. Adjusted Property EBITDA is defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, pre-opening expenses, impairment charges, asset write-offs, recoveries, gain (loss) from asset disposals, project development and acquisition costs, non-cash stock-based compensation expense, and corporate-related costs and expenses that are not allocated to each property.

The following tables present the Company's segment information:

<i>(In Thousands)</i>	<b>For the Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Net Revenues</b>		
Silver Slipper Casino and Hotel	\$ 73,201	\$ 69,350
Rising Star Casino Resort	45,620	47,966
Bronco Billy's Casino and Hotel	27,507	26,942
Northern Nevada Casinos	19,104	19,629
	<u>\$ 165,432</u>	<u>\$ 163,887</u>
<b>Adjusted Property EBITDA</b>		
Silver Slipper Casino and Hotel	\$ 13,159	\$ 12,126
Rising Star Casino Resort	1,330	2,806
Bronco Billy's Casino and Hotel	3,000	3,919
Northern Nevada Casinos	3,161	3,375
	<u>20,650</u>	<u>22,226</u>
<b>Other operating (expense) income:</b>		
Depreciation and amortization	(8,331)	(8,397)
Corporate expenses	(4,710)	(4,575)
Preopening costs	—	(274)
Project development costs	(1,037)	(843)
Loss on disposal of assets, net	(8)	(79)
Stock-based compensation	(348)	(632)
<b>Operating income</b>	<u>6,216</u>	<u>7,426</u>
<b>Other (expense) income:</b>		
Interest expense	(10,728)	(10,306)
Loss on extinguishment of debt	—	(2,673)
Adjustment to fair value of warrants	(1,230)	1,671
Other	—	(13)
	<u>(11,958)</u>	<u>(11,321)</u>
<b>Loss before income taxes</b>	<u>(5,742)</u>	<u>(3,895)</u>
Income tax expense	80	476
<b>Net loss</b>	<u>\$ (5,822)</u>	<u>\$ (4,371)</u>

*(In Thousands)*

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Total Assets</b>		
Silver Slipper Casino and Hotel	\$ 87,980	\$ 79,094
Rising Star Casino Resort	40,277	39,722
Bronco Billy's Casino and Hotel	45,034	42,780
Northern Nevada Casinos	18,612	12,395
Corporate and Other	19,432	8,281
	<b>\$ 211,335</b>	<b>\$ 182,272</b>

*(In Thousands)*

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Property and Equipment, net</b>		
Silver Slipper Casino and Hotel	\$ 55,127	\$ 56,369
Rising Star Casino Resort	32,824	33,700
Bronco Billy's Casino and Hotel	25,164	23,354
Northern Nevada Casinos	7,297	7,434
Corporate and Other	1,075	1,219
	<b>\$ 121,487</b>	<b>\$ 122,076</b>

#### 14. SUBSEQUENT EVENTS

As a precautionary measure against the ongoing spread of COVID-19 (coronavirus), various state governments ordered the temporary closure of all casinos in their respective states. Accordingly, Rising Star Casino Resort temporarily suspended operations on March 16, 2020, Silver Slipper Casino and Hotel temporarily suspended operations on March 17, 2020, Bronco Billy's Casino and Hotel temporarily suspended operations on March 17, 2020, and Grand Lodge Casino and Stockman's Casino temporarily suspended operations on March 18, 2020. While these closures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, the timing of the reopening of our casinos, new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus or treat its impact, among others, cannot be reasonably estimated at this time and we anticipate this could have a material adverse impact on our business, results of operations, financial position and cash flows. Because we operate in several different jurisdictions, some of our casinos may be permitted to reopen prior to others. The Company will work diligently to reopen its casinos as soon as it is permitted to do so, subject to management's discretion to voluntarily extend such closures.

We currently believe that, through our approximately \$28.9 million of cash and equivalents as of December 31, 2019, we have the liquidity necessary to sustain closure for a period of time that extends beyond the currently-mandated closure periods. Additionally, as of December 31, 2019, we had \$1.0 million of restricted cash. In March 2020, such cash was no longer categorized as restricted, as the Company was approved for its "master license" for sports betting by the Colorado Limited Gaming Control Commission on March 19, 2020. To preserve liquidity, upon the temporary closure of our properties in March 2020, we significantly reduced staffing levels at each of our properties and at our corporate office to a small group of essential employees. We also recently elected to pause construction of the Phase One parking garage at Bronco Billy's, allowing us to use the cash designated for such construction to provide the Company with additional liquidity until our casinos are permitted to reopen. No assurance can be given that, should the casino closures extend for a prolonged period and require us to seek additional liquidity, we will be able to successfully raise additional funds through either the issuance of new debt or new equity or the sale of assets. As stated above, the Company will work diligently to reopen its casinos as soon as it is permitted to do so. Because we operate in several different jurisdictions, some of our casinos may be permitted to reopen prior to others.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures** — As of December 31, 2019, we completed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in timely alerting them to material information relating to us which is required to be included in our periodic Securities and Exchange Commission filings.

We have established controls and procedures designed at the reasonable assurance level to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosure.

**Evaluation of Internal Control Over Financial Reporting**— Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its assessment, management concluded that, as of December 31, 2019, our internal control over financial reporting is effective based on those criteria.

There have been no changes during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item will be set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” and elsewhere in the definitive Proxy Statement for our 2020

Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of December 31, 2019 (our “Proxy Statement”) and is incorporated herein by this reference.

**Item 11. Executive Compensation.**

The information required by this Item will be set forth under the caption “Executive Compensation” and elsewhere in our Proxy Statement and is incorporated herein by this reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item will be set forth under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation - Equity Compensation Plan Information” and elsewhere in our Proxy Statement and is incorporated herein by this reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item will be set forth under the caption “Certain Relationships and Related Transactions” and “Independence of Directors” and elsewhere in our Proxy Statement and is incorporated herein by this reference.

**Item 14. Principal Accounting Fees and Services.**

The information required by this Item will be set forth under the caption “Ratification of Independent Registered Public Accounting Firm” and elsewhere in our Proxy Statement and is incorporated herein by this reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

- (a) Financial statements of the Company (including related Notes to consolidated financial statements) included herein under Item 8 of Part II hereof are listed below:

- [Reports of Independent Registered Public Accounting Firms on Consolidated Financial Statements](#)
- [Consolidated Balance Sheets as of December 31, 2019 and 2018](#)
- For the Years Ended December 31, 2019 and 2018:
  - [Consolidated Statements of Operations](#)
  - [Consolidated Statements of Stockholders’ Equity](#)
  - [Consolidated Statements of Cash Flows](#)
- [Notes to Consolidated Financial Statements](#)

- (b) Exhibits

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation as amended to date (Incorporated by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q (SEC File No. 1-32583) filed on May 9, 2011).</a>
3.2	<a href="#">Amended and Restated By-Laws of Full House Resorts, Inc., effective as of May 10, 2016 (Incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on May 13, 2016).</a>
4.1*	<a href="#">Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 “Registered Securities of Full House Resorts, Inc.”</a>



4.2	<a href="#"><u>Specimen Certificate for Shares of Full House Resorts, Inc.’s Common Stock, par value \$.0001 per share (Incorporated by reference to the Registrant’s Registration Statement on Form S-3 (SEC file No. 333-213123) filed on August 15, 2016).</u></a>
4.3	<a href="#"><u>Indenture, dated as of February 2, 2018, by and among Full House Resorts, Inc., Wilmington Trust, National Association and the Guarantors (as named therein) (Incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 6, 2018).</u></a>
4.4	<a href="#"><u>First Amendment to Indenture, dated as of June 20, 2018, by and among Full House Resorts, Inc., Wilmington Trust, National Association and the Guarantors (as named therein) (Incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on June 21, 2018).</u></a>
4.5	<a href="#"><u>Second Amendment to Indenture, dated as of May 10, 2019, by and among Full House Resorts, Inc., Wilmington Trust, National Association and the Guarantors (as named therein) (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K (SEC File No. 1-32583) filed on May 13, 2019)</u></a>
4.6	<a href="#"><u>Form of Senior Secured Note due 2024 (included in Exhibit 4.1) (Incorporated by reference to Exhibit 4.1(a) to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 6, 2018).</u></a>
10.1	<a href="#"><u>Lease Agreement with Option to Purchase dated as of November 17, 2004, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.11 to the Registrant’s Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).</u></a>
10.2	<a href="#"><u>First Amendment to Lease Agreement with Option to Purchase dated as of March 13, 2009, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.12 to the Registrant’s Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).</u></a>
10.3	<a href="#"><u>Second Amendment to Lease Agreement with Option to Purchase dated as of September 26, 2012, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.13 to the Registrant’s Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).</u></a>
10.4	<a href="#"><u>Third Amendment to Lease Agreement with Option to Purchase dated as of February 26, 2013, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.14 to the Registrant’s Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).</u></a>
10.5	<a href="#"><u>Casino Operations Lease dated June 28, 2011 by and between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on June 30, 2011).</u></a>
10.6	<a href="#"><u>First Amendment to Casino Operations Lease dated April 8, 2013 by and between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on April 11, 2013).</u></a>
10.7	<a href="#"><u>Second Amendment to Casino Operations Lease effective as of November 25, 2015, by and between Gaming Entertainment (Nevada) LLC, a Nevada limited liability company, and Hyatt Equities, L.L.C., a Delaware limited liability company (Incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on December 17, 2015).</u></a>
10.8	<a href="#"><u>Third Amendment to Casino Operations Lease, effective August 29, 2016, between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC (Incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on August 30, 2016).</u></a>
10.9	<a href="#"><u>Hotel Lease / Purchase Agreement dated August 15, 2013 by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K/A (SEC File No. 1-32583) filed on August 22, 2013).</u></a>
10.10	<a href="#"><u>First Amendment to Hotel Lease / Purchase Agreement dated March 16, 2016 by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on March 18, 2016).</u></a>

10.11	<a href="#"><u>Second Amendment to Hotel Lease/Purchase Agreement dated September 19, 2017, by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on 8-K (SEC File No. 1-32583) filed on September 21, 2017 ).</u></a>
10.12	<a href="#"><u>Amended and Restated First Lien Credit Agreement, dated as of May 13, 2016, among Full House Resorts, Inc., as borrower, the lenders from time to time parties thereto, and Capital One Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K/A (SEC File No. 1-32583) filed on May 18, 2016).</u></a>
10.13	<a href="#"><u>Amended and Restated Second Lien Credit Agreement, dated as of May 13, 2016, among Full House Resorts, Inc., as borrower, the lenders from time to time parties thereto, and ABC Funding, LLC, as administrative agent for the lenders (Incorporated by reference to Exhibit 10.2 to the Company’s Form 8-K/A (SEC File No. 1-32583) filed on May 18, 2016).</u></a>
10.14	<a href="#"><u>Warrant Purchase Agreement, dated as of May 13, 2016, among Full House Resorts, Inc. and the purchasers named therein (Incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K/A (SEC File No. 1-32583) filed on May 18, 2016).</u></a>
10.15	<a href="#"><u>Notes Purchase Agreement, dated as of February 2, 2018, by and among Full House Resorts, Inc., Wilmington Trust, National Association, the Guarantors (as defined therein) and the Purchasers (as defined therein). (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 6, 2018).</u></a>
10.16	<a href="#"><u>Form of Security Agreement, dated as of February 2, 2018, by and among Full House Resorts, Inc., Wilmington Trust, National Association and the Grantors (as defined therein) (Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 6, 2018).</u></a>
10.17	<a href="#"><u>Form of Intellectual Property Security Agreement, dated as of February 2, 2018, by and among Full House Resorts, Inc., Wilmington Trust, National Association and the Grantors (as defined therein). (Incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 6, 2018).</u></a>
10.18	<a href="#"><u>Notes Purchase Agreement, dated as of May 10, 2019, by and among Full House Resorts, Inc., Wilmington Trust, National Association, the Guarantors (as named therein) and the Purchasers (as named therein) (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (SEC File No. 1-32583) filed on May 13, 2019)</u></a>
10.19+	<a href="#"><u>2015 Equity Incentive Plan (Effective as of May 5, 2015) (Incorporated by reference to Attachment A to the Registrant’s Proxy Statement on Schedule 14A (SEC File No. 1-32583) filed on April 3, 2015).</u></a>
10.20+	<a href="#"><u>2015 Equity Incentive Plan (as amended and restated by the Board effective April 11, 2017). (Incorporated by reference to Annex 2 to the Registrant’s Proxy Statement on Schedule 14A (SEC File No. 1-32583) filed on April 14, 2017).</u></a>
10.21+	<a href="#"><u>Form of Award Agreement pursuant to the 2015 Equity Incentive Plan (Incorporated by reference to Exhibit 10.41 to the Registrant’s Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 8, 2018).</u></a>
10.22+	<a href="#"><u>Full House Resorts, Inc. Annual Incentive Plan for Executives (Incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K (SEC File No. 1-32583) filed on August 1, 2017).</u></a>
10.23+	<a href="#"><u>Employment Agreement dated as of November 28, 2014 by and between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on December 1, 2014).</u></a>
10.24+	<a href="#"><u>Inducement Stock Option Agreement dated November 28, 2014 by and between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on December 1, 2014).</u></a>
10.25+	<a href="#"><u>First Amendment to Employment Agreement, dated May 24, 2017, between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on May 30, 2017).</u></a>
10.26+	<a href="#"><u>Award Agreement, dated May 24, 2017, between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on May 30, 2017).</u></a>

10.27+	<a href="#">Employment Agreement, dated as of June 4, 2019 (and effective as of May 17, 2019), by and between Full House Resorts, Inc. and Lewis A. Fanger (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (SEC File No. 1-32583) filed on June 4, 2019.</a>
10.28+	<a href="#">Inducement Stock Option Agreement, dated as of January 30, 2015, by and between Full House Resorts, Inc. and Lewis A. Fanger (Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on February 4, 2015).</a>
10.29+	<a href="#">Employment Agreement, dated as of September 17, 2018, by and between Full House Resorts, Inc. and Elaine L. Guidroz (Incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on October 2, 2018).</a>
10.30	<a href="#">Letter Agreement, dated as of March 19, 2018, by and between Union Gaming Securities LLC and Full House Resorts, Inc. (Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (SEC File No. 1-32583) filed on March 22, 2018).</a>
21.1*	<a href="#">List of Subsidiaries of Full House Resorts, Inc.</a>
23.1*	<a href="#">Consent of Deloitte &amp; Touche LLP, Independent Registered Public Accounting Firm to the Company.</a>
23.2*	<a href="#">Consent of Piercy Bowler Taylor &amp; Kern.</a>
31.1*	<a href="#">Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
99.1*	<a href="#">Description of Governmental Gaming Regulations.</a>
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

\* Filed herewith.

\*\* Furnished herewith.

+ Executive compensation plan or arrangement.

**Item 16. Form 10-K Summary.**

We have elected not to disclose the optional summary information.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FULL HOUSE RESORTS, INC.

March 30, 2020

By: /s/ DANIEL R. LEE  
Daniel R. Lee, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name and Capacity</u>	<u>Date</u>
<u>/s/ DANIEL R. LEE</u> Daniel R. Lee, Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2020
<u>/s/ LEWIS A. FANGER</u> Lewis A. Fanger, Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	March 30, 2020
<u>/s/ KENNETH R. ADAMS</u> Kenneth R. Adams, Director	March 30, 2020
<u>/s/ CARL G. BRAUNLICH</u> Carl G. Braunlich, Director	March 30, 2020
<u>/s/ ELLIS LANDAU</u> Ellis Landau, Director	March 30, 2020
<u>/s/ KATHLEEN MARSHALL</u> Kathleen Marshall, Director	March 30, 2020
<u>/s/ CRAIG W. THOMAS</u> Craig W. Thomas, Director	March 30, 2020
<u>/s/ BRADLEY M. TIRPAK</u> Bradley M. Tirpak, Director	March 30, 2020

**FULL HOUSE RESORTS, INC.**  
**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO**  
**SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Full House Resorts, Inc., a Delaware corporation (the "Company," "we," "us" or "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our Common Stock (as defined below).

The following description of our Common Stock is a summary and does not purport to be complete. This summary is subject to and qualified in its entirety by reference to the full text of our amended and restated certificate of incorporation, as amended ("Certificate of Incorporation") and our amended and restated bylaws ("By-laws"), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our Certificate of Incorporation, our By-laws, and the applicable provisions of the General Corporation law of the State of Delaware (the "DGCL") for additional information.

**Authorized Shares**

Our authorized capital consists of 100,000,000 shares of common stock, par value \$0.0001 per share ("Common Stock"), and 5,000,000 shares of preferred stock, par value \$0.0001 per share ("Preferred Stock"). All outstanding shares of our Common Stock are fully paid and non-assessable. As of December 31, 2019, we had 27,075,962 shares of Common Stock issued and outstanding and no shares of Preferred Stock issued or are outstanding.

**Common Stock**

**Dividends**

Holders of our Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. The declaration and payment of dividends on our Common Stock is a business decision to be made by our board of directors from time to time based upon results of our operations and our financial condition and any other factors as our board of directors considers relevant. Under the DGCL, we can only pay dividends to the extent that we have surplus -- the extent by which the fair market value of our net assets exceeds the amount of our capital, or to the extent of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the payment of dividends may be restricted by loan agreements, indentures and other transactions entered into us from time to time.

**Voting Rights**

Holders of Common Stock have the exclusive power to vote on all matters presented to our stockholders, including the election of directors, except as otherwise provided by the DGCL or as provided with respect to any other class or series of stock, if any. Holders of Common Stock are entitled to one vote per share. An affirmative vote of a majority of the votes cast at a meeting of stockholders at which a quorum is present and entitled to vote thereon is sufficient for approval of all matters submitted to a vote of stockholders. There is no cumulative voting.

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## **Liquidation Rights**

In the event we are dissolved and our affairs wound up, after we pay or make adequate provision for all of our debts and liabilities in accordance with applicable law, each holder of our Common Stock will receive dividends pro rata out of assets that we can legally use to pay distributions.

## **Other Rights**

Subject to the preferential rights of any other class or series of stock, all shares of Common Stock have equal dividend, distribution, liquidation and other rights, and have no preference or appraisal rights, except for any appraisal rights provided by the DGCL. Furthermore, holders of our Common Stock have no conversion, sinking fund or redemption rights, or rights to subscribe for any of our securities, except that our Certificate of Incorporation imposes certain obligations on holders of our Common Stock relating to compliance with the gaming authorities and empowers the Company to redeem shares of Common Stock under certain limited circumstances. For additional information, see "Description of Governmental Gaming Regulations" in Exhibit 99.1 of our Annual Report on Form 10-K for the year ended December 31, 2019.

## **Listing**

Our Common Stock is listed on the Nasdaq Capital Market under the symbol "FLL."

## ***Preferred Stock***

Prior to the issuance of any shares of our Preferred Stock, an amendment to our Certificate of Incorporation must be adopted by our board of directors and approved by our stockholders to designate one or more series of such Preferred Stock and to fix, for each series, the designations, powers and preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof, as are permitted by the DGCL. Our Certificate of Incorporation does not include a "blank check" provision that would otherwise authorize our board of directors to issue our Preferred Stock in any number or series and to determine the rights of each series without needing additional stockholder approval.

## **Certain Anti-Takeover Effects of our Certificate of Incorporation and By-laws and Delaware Law**

*General.* Certain provisions of our Certificate of Incorporation and our By-laws, and certain provisions of the DGCL could make our acquisition by a third party, a change in our incumbent management, or a similar change of control more difficult. These provisions, which are summarized below, are likely to reduce our vulnerability to an unsolicited proposal for the restructuring or sale of all or substantially all of our assets or an unsolicited takeover attempt. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to our Certificate of Incorporation and our By-laws and the applicable provisions of the DGCL.

*Advance Notice Requirements.* Stockholders wishing to nominate persons for election to our board of directors at an annual meeting or to propose any business to be considered by our stockholders at an annual meeting must comply with certain advance notice and other requirements set forth in our By-laws. Likewise, if our board of directors has determined that directors shall be elected at a special meeting of stockholders, stockholders wishing to nominate or re-nominate persons for election to our board of directors at such special meeting must comply with certain advance notice and other requirements set forth in our By-laws.

*Special Meetings.* Our By-laws provide that special meetings of stockholders may only be called by our board of directors or at the request in writing of stockholders owning at least forty percent (40%) of the shares entitled to vote.

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*Board Vacancies.* Any vacancy on our board of directors may be filled by a majority vote of the directors then in office, though less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term expiring at the next annual meeting of stockholders and until their successors are elected and qualified. If one or more directors shall resign from our board of directors effective at a future date, a majority of directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided for the filling of other vacancies.

*Exclusive Forum Bylaws Provision.* Our By-laws require that, to the fullest extent permitted by law, and unless the Company consents in writing to an alternative forum, the Court of Chancery of the State of Delaware or the Eighth Judicial District Court of Clark County, Nevada, will be the sole and exclusive forum for any internal corporate claims.

"Internal corporate claims" means claims, including claims in the right of the corporation, (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity, or (ii) any action arising pursuant to any provision of the DGCL.

Although we believe this provision benefits us by providing increased consistency in the consistent application of law in the type of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

*Authorized but Unissued Shares.* Our authorized but unissued shares of Common Stock are generally available for our board of directors to issue without stockholder approval. We may use these additional shares for a variety of corporate purposes, including future offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of our authorized but unissued shares of Common Stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or other transaction.

*Section 203 of the DGCL.* We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a Delaware corporation that is listed on a national securities exchange or held of record by more than 2,000 shareholders from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, certain mergers, asset or stock sales or other transactions resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's outstanding voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
  - upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
  - at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least 66 <sup>2</sup>/<sub>3</sub>% of the outstanding voting stock which is not owned by the interested stockholder.
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## LIST OF SUBSIDIARIES OF FULL HOUSE RESORTS, INC.

<u>NAME OF SUBSIDIARY</u>	<u>JURISDICTION OF INCORPORATION</u>
Full House Subsidiary, Inc.	Delaware
Full House Subsidiary II, Inc.	Nevada
Stockman's Casino	Nevada
Gaming Entertainment (Indiana) LLC	Nevada
Gaming Entertainment (Nevada) LLC	Nevada
Silver Slipper Casino Venture LLC	Delaware
Gaming Entertainment (Kentucky) LLC	Nevada
Richard and Louise Johnson, LLC	Kentucky
FHR-Colorado LLC	Nevada
FHR Atlas LLC	Nevada

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-220399 and 333-222390 on Form S-3 and Registration Statement Nos. 333-203046, 333-204312, and 333-219294 on Form S-8 of our report dated March 30, 2020, relating to the consolidated financial statements of Full House Resorts, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Las Vegas, NV  
March 30, 2020

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**CONSENT OF PIERCY BOWLER TAYLOR & KERN CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Full House Resorts, Inc.  
Las Vegas, Nevada

We consent to the incorporation by reference in Registration Statement Nos. 333-203046, 333-204312 and 333-219294 on Form S-8 and 333-220399 and 333-222390 on Form S-3, of our report dated March 14, 2019, except for Note 8 to the consolidated financial statements, as to which the date is March 30, 2020, included in this Annual report on Form 10-K, on the consolidated financial statements of Full House Resorts, Inc. and Subsidiaries as of and for the year ended December 31, 2019.

/s/ Piercy Bowler Taylor & Kern

Piercy Bowler Taylor & Kern  
Certified Public Accountants  
Las Vegas, Nevada

March 30, 2020

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13A-14(A)/15(D)-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Daniel R. Lee, certify that:

1. I have reviewed this Annual Report on Form 10-K of Full House Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2020

By: /s/ DANIEL R. LEE

Daniel R. Lee  
Chief Executive Officer

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13A-14(A)/15(D)-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Lewis A. Fanger, certify that:

1. I have reviewed this Annual Report on Form 10-K of Full House Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2020

By: /s/ LEWIS A. FANGER

Lewis A. Fanger  
Chief Financial Officer

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Daniel R. Lee, Chief Executive Officer of Full House Resorts, Inc. (the "Company"), hereby certify, that, to my knowledge:

- (1) The Annual Report on Form 10-K for the year ended December 31, 2019 of the Company as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2020

By: /s/ DANIEL R. LEE  
Daniel R. Lee  
Chief Executive Officer

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Lewis A. Fanger, Chief Financial Officer of Full House Resorts, Inc. (the "Company"), hereby certify, that, to my knowledge:

- (1) The Annual Report on Form 10-K for the year ended December 31, 2019 of the Company as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2020

By: /s/ LEWIS A. FANGER  
Lewis A. Fanger  
Chief Financial Officer

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**DESCRIPTION OF GOVERNMENTAL GAMING REGULATIONS****Nevada Regulatory Matters**

In order to acquire, own or lease Stockman's Casino, the Grand Lodge Casino or any other gaming operation in Nevada, we are subject to the Nevada Gaming Control Act and to the licensing and regulatory control of the Nevada Gaming Control Board, the Nevada Gaming Commission, and various local, city and county regulatory agencies.

The laws, regulations and supervisory procedures of the Nevada gaming authorities are based upon declarations of public policy which are concerned with, among other things:

- ① the character of persons having any direct or indirect involvement with gaming to prevent unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- ① establishment and application of responsible accounting practices and procedures;
- ① maintenance of effective control over the financial practices and financial stability of licensees, including procedures for internal controls and the safeguarding of assets and revenues;
- ① recordkeeping and reporting to the Nevada gaming authorities;
- ① fair operation of games; and
- ① the raising of revenues through taxation and licensing fees.

In May 2006, we applied for registration with the Nevada Gaming Commission as a publicly traded corporation, which was granted on January 25, 2007. We must regularly submit detailed financial and operating reports to the Nevada Gaming Control Board. Certain loans, leases, sales of securities and similar financing transactions must also be reported to or approved by the Nevada Gaming Commission.

The Nevada Gaming Commission may also require anyone having a material relationship or involvement with us to be found suitable or licensed, in which case those persons are required to pay the costs and fees of the Nevada Gaming Control Board in connection with the investigation.

Any person who acquires more than 5% of any class of our voting securities must report the acquisition to the Nevada Gaming Commission. Any person who becomes a beneficial owner of 10% or more of our voting securities is required to apply for a finding of suitability. The Nevada Gaming Commission may also, in its discretion, require any other holders of our debt or equity securities to file applications to be found suitable to own the debt or equity securities. If the Nevada Gaming Commission determines that a person is unsuitable to own such security, then pursuant to the regulations of the Nevada Gaming Commission, we may be sanctioned, including the loss of our approvals, if, without the prior approval of the Nevada Gaming Commission, we:

- ① pay to the unsuitable person any dividends, interest or any distribution whatsoever;
- ① recognize any voting right by such unsuitable person in connection with such securities;
- ① pay the unsuitable person remuneration in any form; or
- ① make any payment to the unsuitable person by way of principal, redemption, conversion exchange, liquidation or similar transaction.

Under certain circumstances, an "institutional investor," as such term is defined in the regulations of the Nevada Gaming Commission, which acquires more than 10%, but not more than 25% of our voting securities, may apply to the Nevada Gaming Commission for a waiver of such finding of suitability requirements, provided the institutional investor holds the voting securities for investment purposes only.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission may be found unsuitable based solely on such failure or refusal.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Commission at any time, and to file with the Nevada Gaming Commission, at least annually, a list of our stockholders.

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The Nevada Gaming Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Nevada Gaming Control Act and the regulations of the Nevada Gaming Commission.

As a licensee or registrant, we may not make certain public offerings of our securities without the prior approval of the Nevada Gaming Commission. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to public offerings of securities subject to certain conditions. Also, changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation by the Nevada Gaming Control Board and approval by the Nevada Gaming Commission.

The Nevada legislature has declared that some repurchases of voting securities, corporate acquisitions opposed by management, and corporate defense tactics affecting Nevada gaming licensees, and registered companies that are affiliated with those operations, may be harmful to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to reduce the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- ① assure the financial stability of corporate gaming licensees and their affiliates;
- ① preserve the beneficial aspects of conducting business in the corporate form; and
- ① promote a neutral environment for the orderly governance of corporate affairs.

Because we are a registered company, approvals may be required from the Nevada Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Gaming Control Act also requires prior approval of a plan of recapitalization proposed by a registered company's Board in response to a tender offer made directly to its stockholders for the purpose of acquiring control.

Licensee fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the Nevada licensee's respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon either:

- ① a percentage of the gross revenues received;
- ① the number of gaming devices operated; or
- ① the number of table games operated.

A live entertainment tax is also paid on admission charges where entertainment is furnished. Nevada licensees that hold a license as an operator of a slot route, a manufacturer or a distributor also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or who is under common control with those persons, collectively, "licensees," and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Gaming Control Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Gaming Control Board of the licensee's participation in foreign gaming. We currently comply with this requirement. The revolving fund is subject to increase or decrease at the discretion of the Nevada Gaming Commission. Licensees are required to comply with the reporting requirements imposed by the Nevada Gaming Control Act. A licensee is also subject to disciplinary action by the Nevada Gaming Commission if it:

- ① knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
  - ① fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;
  - ① engages in any activity or enters into any association that is unsuitable because it poses an unreasonable threat to the control of gaming in Nevada, reflects or tends to reflect, discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to the gaming policies of Nevada;
  - ① engages in activities or enters into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees; or
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- ② employs, contracts with or associates with a person in the foreign operation who has been denied a license or a finding of suitability in Nevada on the ground of unsuitability.

### **Indiana Regulatory Matters**

We own and operate a wholly-owned subsidiary, Gaming Entertainment (Indiana) LLC, which acquired and operates Rising Star Casino Resort in Rising Sun, Indiana. The ownership and operation of casino facilities in Indiana are subject to extensive state and local regulation, including primarily the licensing and regulatory control of the Indiana Gaming Commission (“IGC”).

The Indiana Riverboat Gaming Act, as amended (the “Indiana Act”), allows up to thirteen commercial (non-tribal) casinos in the State of Indiana. Specifically, the IGC has awarded: (i) owner’s licenses for the operation of five riverboat casinos in counties contiguous to Lake Michigan in northern Indiana, as well as five riverboat casinos in counties contiguous to the Ohio River in southern Indiana; (ii) one operating agent contract permitting a private company to operate a land based casino in French Lick, Indiana; and (iii) two gambling game licenses for the operation of slots-only casinos at Indiana’s two pari-mutuel horse racing tracks (“racinos”). In 2019, the Indiana General Assembly passed legislation that will allow one of the owner’s licenses allocated to one of the riverboats currently located in a county contiguous to Lake Michigan in northern Indiana to be relocated to a land based casino in Terre Haute, Indiana. Relocation of the license is subject to a competitive process overseen by the IGC to identify an operator to hold the license for the Terre Haute facility. Additionally, the same legislation will allow the holder of another of the riverboat casino licenses located in northwest Indiana to move to a land based location, still located in a county contiguous to Lake Michigan, in Gary, Indiana.

In 2015, Indiana enacted legislation that would have allowed both racinos to begin offering live table games after March 1, 2021. However, the legislation enacted in 2019 (as noted above) enabled the racinos to begin offering live table games on January 1, 2020, which both locations implemented at that time. The 2015 legislation also authorized an increase of each racino’s maximum size to 2,200 gambling games (beginning on January 1, 2021), while imposing a cap on the size of all other casino properties that is equal to the greatest number of gambling games offered by the applicable casino property since January 1, 2007. The 2015 legislation permitted riverboat owners to relocate the owner’s gaming operation from a riverboat facility to an inland facility, provided such inland facility is, among other things, located on a parcel that is adjacent to the dock site of the licensed owner’s riverboat. Any such inland casino is subject to the same gambling game cap applicable to the riverboat. Since passage of the 2015 legislation, the IGC has demonstrated a willingness to consider and approve requests to relocate certain gaming devices to off-riverboat locations that are adjacent to still-functioning riverboat casinos, thus enabling partial land-based gaming without relocating the entire gaming facility to land.

In 2015, Public Law 255-2015 specified a process for entering into tribal-state compacts concerning Indian Gaming, a procedure not previously in Indiana law. Prior to that, in May of 2012, the Pokagon Band of Potawatomi Indians (the “Band”) submitted to the Bureau of Indian Affairs a fee-to-trust application to take 165 acres of land in South Bend into trust. In 2017 the Band opened a Class II gaming facility in South Bend, Indiana. In 2019, the Band began negotiations with the State of Indiana to enter into a tribal-state compact for Class III gaming at the facility in South Bend, Indiana. Any agreement between the Band and the State of Indiana must be ratified by the Indiana General Assembly.

The Indiana Act strictly regulates the facilities, persons, associations and practices related to gaming operations pursuant to the police powers of Indiana, including comprehensive law enforcement provisions. The Indiana Act vests the IGC with the power and duties of administering, regulating and enforcing the system of casino gaming in Indiana. The IGC’s jurisdiction extends to every person, association, corporation, partnership, owner, and trust involved in casino gaming operations in Indiana and grants the IGC the authority to request specific information from all such persons or entities.

An Indiana owner’s license allows the licensee to own and operate one riverboat per license granted and gaming equipment as part of a gaming operation. An owner’s license is not a property right and remains, at all times, the property of the State of Indiana. The Indiana Act allows a person to hold up to a 100% ownership interest in not more than six of any combination of riverboat licenses or gambling game licenses issued under IC 4-35 (racino licenses). Each owner’s license is subject to renewal on an annual basis upon a determination by the IGC that the licensee continues to be suitable to hold an owner’s license pursuant to the Indiana Act and the rules and regulations adopted thereunder. A licensee may not lease, hypothecate, borrow money against or lend money against an owner’s license. An ownership interest in an owner’s license may only be transferred in accordance with the regulations promulgated by the IGC under the Indiana Act. Gaming Entertainment (Indiana) LLC applied for and, on March 15, 2011, was granted the transfer of a riverboat owner’s

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license. Thereafter, Gaming Entertainment (Indiana) LLC has renewed its license annually, effective on September 15 of each year.

The Indiana Act requires that a licensed owner undergo a complete re-investigation every three years. If for any reason the license is terminated, the assets of the riverboat gaming operation cannot be disposed of without the approval of the IGC. The IGC also requires a comprehensive disclosure of financial and operating information by licensees, by their principal officers and by their parent corporations.

If an institutional investor acquires a beneficial ownership interest of 5% or more of any class of voting securities of a publicly traded corporation, the investor is required to notify the IGC and may be subject to licensure and a finding of suitability. Institutional investors who acquire a beneficial ownership interest of 15% or more of any class of voting securities are subject to a full investigation and finding of suitability. In addition, the IGC may require an institutional investor that acquires 15% or more of certain non-voting equity units to apply for a finding of suitability. Any person who is not an institutional investor that acquires beneficial ownership of 5% or more of any class of voting securities of a licensee is required to apply for a finding of suitability.

The Indiana Act prohibits contributions to a candidate for state, legislative, or local office; to a candidate's committee; or to a regular party by: (i) the holder of an owner's license; (ii) a person holding at least 1% interest in an owner licensee; (iii) an officer of an owner licensee; (iv) an officer of a person that holds at least 1% interest in an owner licensee; or (v) a political action committee of an owner licensee. The prohibition on political contributions is applicable while an owner licensee holds the license and for a period of three years following the expiration or termination of such license.

In 2009, the Indiana General Assembly enacted legislation requiring all casino operators to submit for approval by the IGC a written power of attorney identifying a person who would serve as a trustee to temporarily operate the casino in certain rare circumstances, such as: the revocation or non-renewal of any owner's license; the denial of an owner's license to a proposed transferee and the person attempting to sell the riverboat is unable or unwilling to retain ownership or control; the involuntary bankruptcy of the licensed owner; or a licensed owner agrees in writing to relinquish control of the riverboat. During any time period that the trustee is operating the casino, the trustee has exclusive and broad authority over the casino gambling operations. The IGC most recently approved Gaming Entertainment (Indiana) LLC's power of attorney renewal on August 28, 2019.

The IGC requires licensees to maintain a cash reserve equal to a licensee's average payout for a three-day period based on the licensee's performance during the prior calendar quarter. The cash reserve can consist of cash on hand, cash maintained in Indiana bank accounts and cash equivalents not otherwise committed or obligated. The IGC also prohibits distributions, other than distributions for the payment of state or federal taxes, by a licensee to its partners, shareholders, itself or any affiliated entity if the distribution would impair the financial viability of the gaming operation.

The Indiana Act does not limit the maximum bet or loss per patron. Each licensee sets minimum and maximum wagers on its own games. Players must use chips or tokens as, according to the Indiana Act, wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager or enter the casino, and wagers may only be taken from persons present at a licensed casino, with the exception of permitted sports wagered accepted through licensed mobile sports wagering operations, as is discussed in greater detail below.

Contracts to which Gaming Entertainment (Indiana) LLC is a party are subject to disclosure and approval processes imposed by Indiana regulations. An owner licensee may not enter into or perform any contract or transaction in which it transfers or receives consideration which is not commercially reasonable or which does not reflect the fair market value of the goods or services rendered or received. All contracts are subject to disapproval and/or cancellation by the IGC.

Through the establishment of purchasing goals for licensees, the IGC encourages minority business enterprises and women business enterprises to participate in the gaming industry. The goals must be derived from the statistical analysis of utilization studies of licensee contracts for goods and services. Any failure by a licensee to meet these goals will be scrutinized heavily by the IGC and the Indiana Act authorizes the IGC to suspend, limit, or revoke an owner's gaming license, or to impose a fine, if the licensee does not demonstrate compliance within ninety days of a finding of noncompliance.

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Pursuant to a 2019 amendment to the graduated wagering tax portion of the Indiana Act, licensees that receive Adjusted Gross Receipts ("AGR") under \$75 million in the preceding state fiscal year are subject to the following graduated wagering taxes:

- Ⓢ For state fiscal years ending before July 1, 2021, 5% on the first \$25 million of AGR; and 2.5% on the first \$25 million of AGR for state fiscal years beginning after June 30, 2021.
- Ⓢ For state fiscal years ending before July 1, 2021, 20% on the AGR in excess of \$25 million, but not exceeding \$50 million; and 10% on the AGR in excess of \$25 million, but not exceeding \$50 million, for state fiscal years beginning after June 30, 2021.
- Ⓢ For state fiscal years ending before July 1, 2021, 25% on the AGR in excess of \$50 million, but not exceeding \$75 million; and 20% on the AGR in excess of \$50 million, but not exceeding \$75 million, for state fiscal years beginning after June 30, 2021.
- Ⓢ 30% of the AGR in excess of \$75 million, but not exceeding \$150 million.
- Ⓢ 35% of all AGR in excess of \$150 million, but not exceeding \$600 million.
- Ⓢ 40% of all AGR exceeding \$600 million.

"AGR" is the total of all cash and property received from gaming less cash paid out as winnings and uncollectible gaming receivables (not to exceed 2%). Legislation passed in 2013 permitted all Indiana casinos to begin deducting from AGR certain amounts attributable to "qualified wagering incentives." Such qualified wagering incentives (commonly referred to as "free play") are defined as wagers made by patrons using non-cash vouchers, coupons, electronic credits or electronic promotions offered by a licensee. For state fiscal years ending after June 30, 2013 and before July 1, 2015, the maximum amount of permitted qualified wagering deductions was \$5 million per casino. In 2015, that maximum deduction was increased to \$7 million for fiscal years following June 30, 2015.

In addition to wagering taxes, an admissions tax of \$3 per admission was assessed for all casinos other than the casino operating in French Lick, the two racinos, and the land-based casino operating in Evansville, Indiana. Pursuant to legislation passed in 2017, as soon as the operator of the Evansville casino relocated its riverboat casino to a land-based facility, it began paying a "supplemental wagering tax" equal to three percent (3%) of AGR in lieu of continuing to pay admissions tax. Pursuant to the same 2017 legislation, all other casinos for whom the admissions tax had been applicable began paying a supplemental wagering tax on July 1, 2018. The supplemental wagering tax replaced the admissions tax for these casinos. The Supplemental wagering tax rate varies by location based on a statutory formula, but was capped at four percent (4%) of AGR until June 30, 2019, and three and five tenths percent (3.5%) of AGR thereafter. The Indiana Act provides for the suspension or revocation of a license if the wagering taxes, admissions taxes, and/or supplemental wagering taxes are not timely remitted.

Pursuant to a development agreement between the Company and the City of Rising Sun, Indiana, we are required to pay annually to the Rising Sun Regional Foundation a sum equal to either: (i) 1.55% of AGR, if AGR is \$150 million or less; or (ii) 1.6% of AGR, if AGR is greater than \$150 million.

Real property taxes are imposed on riverboats at rates determined by local taxing authorities. Income to us from Rising Star Casino Resort is also subject to the Indiana adjusted gross income tax and certain court decisions have resulted in gaming taxes not being deductible in the computation of Indiana income taxes. Sales on a riverboat and at its related amenities, other than gaming revenues, are subject to applicable use, excise and retail taxes. The Indiana Act requires a licensee to directly reimburse the IGC for costs associated with gaming enforcement agents, which are required to be present at the casino while gaming is conducted.

An owner licensee may only enter into debt transactions of \$1 million or greater with the prior approval of the IGC. Such approval is subject to compliance with requisite procedures and a showing that each person with whom the licensee enters into a debt transaction would be suitable for licensure under the Indiana Act. Unless waived, approval of debt transactions requires consideration by the IGC at two business meetings. The IGC, by resolution, has authorized its executive director, subject to subsequent ratification by the IGC, to approve debt transactions. Such approval may occur following appropriate review of the transaction along with concurrence by at least two people among: (i) the executive director, (ii) IGC's Chairman, and (iii) the IGC member who is a certified public accountant.

The Indiana Act provides that the sale of alcoholic beverages at casinos is subject to licensing, control and regulation pursuant to Title 7.1 of the Indiana Code and the rules adopted by the Indiana Alcohol and Tobacco Commission.

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In 2019, the Indiana General Assembly passed legislation legalizing certain sports wagering and mobile sports wagering activities and operations in the State of Indiana (the "Indiana Sports Wagering Act") (See IC 4-38). In the same year, the IGC approved Emergency Rules (the "Emergency Rules") to regulate licensed sports wagering operations. The Indiana Sports Wagering Act allowed sports wagering to commence in Indiana on September 1, 2019, subject to regulatory approval by the IGC for individual operators to begin accepting wagers.

Under the Indiana Sports Wagering Act, a licensed owner is granted the opportunity to apply for and receive a Certificate of Authority to conduct sports wagering (thereby becoming a "certificate holder"). A certificate holder is entitled to operation of an on-site retail sportsbook at the casino property, as well as to contract with three individually branded vendors (a "vendor") for the conduct of mobile sports wagering through digital platforms. Gaming Entertainment (Indiana) LLC received authorization to offer its retail sportsbook commencing on November 7, 2019 and to conduct mobile sports wagering through one of its vendors on December 30, 2019. Sports wagers may not be placed either in-person at a retail location or via mobile platform by an individual less than 21 years of age. All mobile sports wagering patrons must undergo "Know Your Customer" age and identification verification processes prior to using a mobile device to place sports wagers. This process may be undertaken via mobile device remotely and does not require in-person registration at a casino. Additionally, all mobile sports wagering patrons must undergo geolocation measures prior to placing wagers using a mobile device to ensure their physical presence in the State of Indiana. Each vendor is subject to corporate and individual licensing and findings of suitability by the IGC, and is responsible for compliance with all relevant sports wagering laws and regulations relevant to their retail and/or mobile sports wagering operations.

### **Mississippi Regulatory Matters**

Our ownership and operation of the Silver Slipper Casino and Hotel is subject to the Mississippi Gaming Control Act ("Mississippi Act") and to the licensing and regulatory control of the Mississippi Gaming Commission, the Mississippi Department of Revenue and various local, city and county regulatory agencies.

The Mississippi Act, the Mississippi Gaming Commission regulations and supervisory procedures of the Mississippi Gaming Commission are based upon declarations of public policy concerned with, among other things:

- ① the character of persons having any direct or indirect involvement with gaming to prevent unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- ① establishment and application of responsible accounting practices and procedures;
- ① maintenance of effective control over the financial practices and financial stability of licensees, including procedures for internal controls and the safeguarding of assets and revenues;
- ① recordkeeping and reporting to the Mississippi gaming authorities;
- ① the prevention of cheating and fraudulent practices;
- ① providing a source of state and local revenues through taxation and licensing fees; and
- ① ensuring that gaming licensees, to the extent practicable, employ Mississippi residents.

The Mississippi Act provides for legalized gaming in each of the fourteen counties that border the Gulf Coast or the Mississippi River; however, gaming is legal only if the voters in the county have not voted to prohibit gaming in that county. Voters have approved gaming in nine of the fourteen counties and currently occurs in seven counties. The Mississippi Act originally required gaming vessels to be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River, or in the waters lying south of the counties along the Mississippi Gulf Coast. However, the Mississippi Act was amended to permit licensees in the three counties along the Gulf Coast to establish casino structures that are located in whole or part on shore and land-based casino operations, provided the land-based gaming areas do not extend more than 800 feet beyond the nineteen-year mean high water line, (except in Harrison County where the 800-foot limit can be extended as far as the greater of 800 feet beyond the 19-year mean high water line or the southern boundary of Highway 90). Due to another change in the interpretation of the Mississippi Act, the Mississippi Gaming Commission has also permitted licensees in approved Mississippi River counties to conduct gaming operations on permanent structures, provided that the majority of the gaming floor in any such structure is located on the river side of the "bank full" line of the Mississippi River.

There are no limitations on the number of gaming licenses that may be granted. Further, the Mississippi Act provides for 24-hour gaming operations and does not limit the maximum bet or loss per patron or the percentage of space that may be utilized for gaming. In May 2018, the United States Supreme Court struck down the 1992 Professional and Amateur Sports Protection Act, which had effectively banned sports wagering in most states. Following the United States

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Supreme Court ruling, the Mississippi Gaming Commission adopted regulations permitting race books and sports pools to be operated by licensed Mississippi gaming operators. Although mobile wagering is permitted, such wagers may be made only while the patron is on the property of a licensed gaming establishment.

Our wholly-owned subsidiary, Silver Slipper Casino Venture LLC is licensed as the operator of the Silver Slipper Casino and Hotel. A Mississippi gaming licensee must maintain a gaming license from the Mississippi Gaming Commission, subject to certain conditions, including continued compliance with all applicable state laws and regulations. If we fail to satisfy the requirements of the Mississippi Act and regulations, we and Silver Slipper Casino Venture LLC cannot own or operate gaming facilities in Mississippi. Gaming licenses are issued for a three-year period, are not transferable, and must be renewed periodically thereafter. There is no assurance that a new license can be obtained at the end of each three-year period of a license. Silver Slipper Casino and Hotel was most recently granted a renewal of its license by the Mississippi Gaming Commission on June 21, 2018, effective July 20, 2018. The license expires on July 19, 2021.

The Mississippi Act and the Mississippi Gaming Commission regulations require that certain of our officers and directors and certain key employees of Silver Slipper Hotel and Casino be found suitable or approved by the Mississippi Gaming Commission. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. We believe that we have obtained, applied for or are in the process of applying for all necessary findings of suitability, although the Mississippi Gaming Commission, in its discretion, may require any individual who has a material relationship to, or material involvement with, a licensee to determine whether the individual is suitable to be associated with a gaming licensee.

As the sole member of Silver Slipper Casino Venture LLC, we applied for registration with the Mississippi Gaming Commission as a publicly traded corporation, which was granted on September 20, 2012. As a registered, publicly-traded corporation, we are required periodically to submit financial and operating reports, and any other information that the Mississippi Gaming Commission may require. Certain loans, leases, sales of securities and similar financing transactions must also be reported to or approved by the Mississippi Gaming Commission.

Any person who acquires more than 5% of any class of our voting securities must report the acquisition to the Mississippi Gaming Commission and may be required to file an application for a finding of suitability. If a security holder who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information, including a list of its beneficial owners. The Mississippi Gaming Commission may require us to disclose the identities of the holders of our debt or other securities, and, in its discretion, require such holders to file applications, be investigated and be found suitable to own our debt or equity securities. Although the Mississippi Gaming Commission generally does not require the individual holders of such securities to be investigated and found suitable, it retains the right to do so for any reason deemed necessary by the Mississippi Gaming Commission.

If the Mississippi Gaming Commission determines that a person is unsuitable to hold, directly or indirectly, voting securities of a registered publicly traded corporation, any beneficial ownership of such securities by the unsuitable person beyond such period of time as may be prescribed by the Mississippi Gaming Commission is a misdemeanor. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a security holder or to have any other relationship with us, we:

- ① pay that person any dividend or interest upon our voting securities;
- ② recognize the exercise, directly or indirectly of any voting right conferred through securities held by that person;
- ③ pay the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain limited and specific circumstances; or
- ④ fail to pursue all lawful efforts to require the unsuitable person to divest himself of the securities including, if necessary, the immediate purchase of the securities for cash at fair market value.

Under certain circumstances, an "institutional investor," as such term is defined in the regulations of the Mississippi Gaming Commission, which acquires more than 10%, but not more than 25% of our voting securities, may apply to the Mississippi Gaming Commission for a waiver of such finding of suitability requirements, provided the institutional investor holds the voting securities for investment purposes only.

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No person may receive any percentage of gaming revenue from a Mississippi gaming licensee without first obtaining the necessary licensing and approvals from the Mississippi Gaming Commission. The Mississippi Gaming Commission may also require anyone having a material relationship or involvement with us to be found suitable or licensed, in which case those persons are required to pay the costs and fees of the Mississippi Gaming Commission in connection with the investigation. Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Mississippi Gaming Commission may be found unsuitable based solely on such failure or refusal.

We are required to maintain a current stock ledger in Mississippi, which may be examined by the Mississippi Gaming Commission at any time, and to file with the Mississippi Gaming Commission, at least annually, a list of our stockholders. The Mississippi Gaming Commission has the power to require our stock certificates to bear a legend indicating that the securities are subject to the Mississippi Gaming Control Act and the regulations of the Mississippi Gaming Commission. We obtained a waiver of this requirement on September 20, 2012.

Substantially all material loans, leases, sales of securities and similar financing transactions by a registered corporation or a Mississippi gaming licensee must be reported to and approved by the Mississippi Gaming Commission. Changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation and approval by the Mississippi Gaming Commission. We may not make certain public offerings of our securities without the prior approval of the Mississippi Gaming Commission. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to public offerings of securities subject to certain conditions.

The Mississippi legislature has declared that some repurchases of voting securities, corporate acquisitions opposed by management, and corporate defense tactics affecting Mississippi gaming licensees, and registered companies that are affiliated with those operations, may be harmful to stable and productive corporate gaming. The Mississippi Gaming Commission has established a regulatory scheme to reduce the potentially adverse effects of these business practices upon Mississippi's gaming industry and to further Mississippi's policy to:

- ① assure the financial stability of corporate gaming licensees and their affiliates;
- ② preserve the beneficial aspects of conducting business in the corporate form; and
- ③ promote a neutral environment for the orderly governance of corporate affairs.

Because we are a registered company, approvals may be required from the Mississippi Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. The Mississippi Gaming Control Act also requires prior approval of a plan of recapitalization proposed by a registered company's Board in response to a tender offer made directly to its stockholders for the purpose of acquiring control.

A Mississippi licensee may not guarantee a security issued by an affiliated company pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by a security issued by an affiliated company, without the prior approval of the Mississippi Gaming Commission. We have obtained waivers from the Mississippi Gaming Commission for such guarantees, pledges and restrictions in connection with public offerings of our securities, subject to certain restrictions. A pledge of the stock of a Mississippi licensee and the foreclosure of such a pledge are ineffective without the prior approval of the Mississippi Gaming Commission.

All legal gaming conducted in the state is subject to taxation. Gaming fees and tax calculations are generally based upon a percentage of the gross revenue and the number of gaming devices and table games operated by the casino. The license fee payable to the State of Mississippi is based upon gross revenue (generally defined as gaming receipts less payout to customers as winnings) and equals 4% of gross revenue of \$50,000 or less per calendar month, 6% of gross revenue in excess of \$50,000 but less than \$134,000 per calendar month, and 8% of gross revenue in excess of \$134,000 per calendar month. Each licensee must pay an annual license fee of \$5,000. Each licensee must pay an annual fee based on the number of games, both electronic gaming devices and table games, it operates at its establishment. Licensees operating thirty-five (35) games pay a fee of \$81,200 for the first 35 games, plus \$100 for each game over 35. Licensees located within certain municipalities or counties may be required to pay fees to those municipalities or counties based on the licensees' gross revenues. These fees are paid in the same manner as the state gross revenue fees. The fees payable to

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the county in which Silver Slipper Hotel and Casino operates is an amount not to exceed four percent (4%) of all gross revenue and an annual license fee of \$100 per gaming device.

The Gaming Commission imposes a flat annual fee on each casino operator licensee, payable quarterly, covering all investigative fees for that year associated with an operator licensee, any entity registered as a holding company or publicly traded corporation of that licensee, and any person required to be found suitable in connection with that licensee or any holding company or publicly-traded corporation of that licensee. The annual fee is based on the average number of gaming devices operated by the licensee during a twelve-month period, as reported to the Mississippi Gaming Commission. The investigative fee is \$325,000 for licensees with 1,500 or more gaming devices, \$250,000 for licensees with 1,000 to 1,499 gaming devices, and \$150,000 for licensees with less than 1,000 gaming devices. The fee is payable in four equal quarterly installments.

Neither we nor Silver Slipper Casino Venture LLC may engage in gaming activities outside of Mississippi without approval of, or a waiver of such approval by, the Mississippi Gaming Commission. We have approval from the Mississippi Gaming Commission for foreign gaming operations in that such approval for foreign gaming operations is automatically granted under the Mississippi regulations in connection with foreign operations conducted within the 50 states or any territory of the United States, or on board any cruise ship embarking from a port located therein. However, the Mississippi Gaming Commission requires a formal foreign gaming waiver for involvement in internet gaming.

A violation of the Mississippi gaming laws could result in a fine; revocation or suspension of, or a limitation or condition on, the gaming license, and criminal action. Disciplinary action in any jurisdiction may lead to disciplinary action in Mississippi, including, but not limited to, the revocation or suspension of the Silver Slipper Casino Venture, LLC gaming license.

### **Colorado Regulatory Matters**

The Colorado Limited Gaming Control Commission (the “Colorado Commission”) initially approved all our necessary licenses on February 18, 2016 to acquire the operating assets and assume certain liabilities of Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado (“Bronco Billy’s Acquisition”), which closed on May 13, 2016. The license approvals included (i) an Operator’s license for Full House Resorts, Inc., (ii) three (3) Retailer’s Licenses for our wholly-owned subsidiary, FHR-Colorado, LLC, (iii) an Associated Business license for Full House Subsidiary, Inc., (iv) a Manufacturer/Distributor’s License for FHR-Colorado, LLC and (v) a finding of suitability for key personnel and our Board of Directors. We continue to renew our licenses every two years, with our licenses most recently renewed through February 18, 2022.

Under the Colorado Limited Gaming Act of 1991 (the “Colorado Act”), the ownership and operation of limited-stakes gaming facilities in Colorado are subject to the Colorado Gaming Regulations (the “Colorado Regulations”) and final authority of the Colorado Limited Gaming Control Commission (the “Colorado Commission”). The Colorado Act also created the Colorado Division of Gaming (the “Division of Gaming”) within the Colorado Department of Revenue to license, supervise and enforce the conduct of limited stakes gaming.

No person may offer limited gaming to the public unless such person holds a valid retail gaming license, which must be renewed every two years. Our licenses were most recently renewed on January 16, 2020, expiring on February 18, 2022. The Colorado Act requires that licensees file applications for renewal with the Colorado Commission not less than 120 days prior to their expiration.

The Colorado Act includes a clear public policy statement for limited stakes gaming, as follows:

- ① the success of limited stakes gaming is dependent upon public confidence and trust that licensed limited stakes gaming is conducted honestly and competitively, the rights of the creditors of licensees are protected and gaming is free from criminal and corruptive elements;
  - ② public confidence and trust can be maintained only by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments and the manufacture or distribution of gaming devices and equipment;
  - ③ all establishments where limited gaming is conducted and where gambling devices are operated, and all manufacturers, sellers and distributors of certain gambling devices and equipment, must therefore be licensed, controlled and assisted to protect the public health, safety, good order and the general welfare of
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the inhabitants of the state to foster the stability and success of limited stakes gaming and to preserve the economy, policies and free competition in Colorado; and

- ① no applicant for a license or other affirmative Colorado Commission approval has any right to a license or to the granting of the approval sought; any license issued or other Colorado Commission approval granted pursuant to the Colorado Act is a revocable privilege, and no holder acquires any vested rights therein.

Limited-stakes gaming became lawful in the cities of Central City, Black Hawk and Cripple Creek when the state constitution was amended, effective October 1, 1991 (“Colorado Amendment”). Currently, “limited-stakes gaming” means a maximum single bet of \$100 on slot machines, blackjack, poker, craps and roulette, and it is permitted 24 hours a day.

Limited-stakes gaming is confined to the commercial districts of these cities as defined by Central City ordinance on October 7, 1981, by Black Hawk ordinance on May 4, 1978, and by Cripple Creek ordinance on December 3, 1973. Additionally, the Colorado Amendment restricts limited-stakes gaming to structures which conform to the architectural styles and designs which were common to the areas prior to World War I and that conform to the requirements of applicable city ordinances regardless of the age of the structures. Under the Colorado Amendment, no more than 35% of the square footage of any building and no more than 50% of any one floor of any building may be used for limited-stakes gaming. Persons under the age of 21 cannot participate in limited-stakes gaming. Under Colorado state law, smoking is not permitted in any indoor area, including limited gaming facilities and any other facilities in which any gaming or gambling activity is conducted.

The Colorado Commission has delegated authority to the Division of Gaming to conduct background investigations and review of financial documents, issue certain types of licenses, and approve certain limited changes in ownership. With limited exceptions applicable to licensees which are publicly traded entities, no person may sell, lease, purchase, convey or acquire any interest in a retail gaming, manufacturer or distributor, associated equipment supplier, or operator license or business without the prior approval of the Colorado Commission or the Division of Gaming.

As a general rule, the Colorado Act prohibits any person from having an “ownership interest” in more than three retail gaming licenses in Colorado. The Colorado Commission has ruled that a person does not have an ownership interest in a retail gaming licensee for purposes of the multiple license prohibition if any of the following apply:

- ① A person has less than a 5% ownership interest in an institutional investor that has an ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① A person has a 5% or more ownership interest in an institutional investor, but the institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① An institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① An institutional investor possesses voting securities in a fiduciary capacity for another person and does not exercise voting control over 5% or more of the outstanding voting securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee;
  - ① A registered broker or dealer retains possession of voting securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee for its customers and not for its own account, and exercises voting rights for less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① A registered broker or dealer acts as a market maker for the stock of a publicly traded licensee or of a publicly traded company affiliated with a licensee and exercises voting rights in less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① An underwriter is holding securities of a publicly traded licensee or publicly traded company affiliated with a licensee as part of an underwriting for no more than 90 days after the beginning of such underwriting if it exercises voting rights of less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;
  - ① A book entry transfer facility holds voting securities for third parties, if it exercises voting rights with respect to less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee; or
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- ① A person's sole ownership interest is less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee.

The Colorado Commission has enacted Rule 4.5, which imposes requirements on publicly traded corporations holding gaming licenses in Colorado and on gaming licenses owned directly or indirectly by a publicly traded corporation, whether through a subsidiary or intermediary company. Such requirements automatically apply to any ownership interest held by a publicly traded corporation, holding company or intermediary company thereof, where the ownership interest directly or indirectly is, or will be upon approval of the Colorado Commission, 5% or more of the entire licensee. However, the Colorado Commission also has the discretion to require that any publicly traded corporation, subsidiary, intermediary, or holding company that it determines has the actual ability to exercise influence over a licensee, regardless of ownership percentage, comply with the disclosure regulations and requirements contained in Rule 4.5.

Rule 4.5:

- ① Gaming licensees, affiliated companies and controlling persons commencing a public offering of voting securities must notify the Colorado Commission no later than 10 business days after the initial filing of a registration statement with the Securities and Exchange Commission;
  - ① Licensed publicly traded corporations are required to send proxy statements to the Division of Gaming within five days after their distribution.
  - ① Licensees must include provisions in their charter documents which (i) restrict the rights of the licensees to issue voting interests or securities except in accordance with the Colorado Act and the Colorado Regulations, (ii) limit the rights of persons to transfer voting interests or securities of licensees except in accordance with the Colorado Act and the Colorado Regulations, and (iii) provide that holders of voting interests or securities of licensees found unsuitable by the Colorado Commission may, within 60 days of such finding of unsuitability, be required to sell their interests or securities back to the issuer at the lesser of the cash equivalent of the holders' investment or the market price as of the date of the finding of unsuitability, or (iv) alternatively, the holders may, within 60 days after the finding of unsuitability, transfer the voting interests or securities to a suitable person, as determined by the Colorado Commission. Until the voting interests or securities are held by suitable persons, the issuer may not pay dividends or interest, the securities may not be voted and may not be included in the voting or securities of the issuer, and the issuer may not pay any remuneration in any form to the holders of the securities.
  - ① Persons who acquire direct or indirect beneficial ownership of (i) 5% or more of any class of voting securities of a publicly traded corporation, or (ii) 5% or more of the beneficial interest in a gaming licensee directly or indirectly through any class of voting securities of any holding company or intermediary company of a licensee ("qualifying persons") must (i) notify the Division of Gaming within 10 days of such acquisition, (ii) submit all requested information to the Division of Gaming and/or Colorado Commission, and (iii) are subject to a finding of suitability as required by the Division of Gaming or the Colorado Commission, and (iv) unless the "qualifying person" is an institutional investor who owns at least 10% of the company, they must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such securities.
  - ① Licensees must notify any "qualifying persons" of the above requirements, and regardless of whether they have been notified, qualifying persons are responsible for complying with these requirements.
  - ① Institutional investors, who individually, or in association with others, directly or indirectly acquires the beneficial ownership of 10% or more of any class of voting securities must apply to the Colorado Commission for a finding of suitability within 45 days after acquiring such interests.
  - ① Any persons found unsuitable by the Colorado Commission must be removed from any position as an officer, director or employee of a licensee, or from a holding or intermediary company, and are prohibited from holding any beneficial ownership of the voting securities of any such entities. Should a licensee or its affiliates (i) pay dividends or distributions to, (ii) recognize the voting rights of, or (iii) pay a salary or any remuneration to, a person deemed unsuitable by the Colorado Commission, they will be subject to discipline and/or sanctions. Licensees or their affiliated entities also may be sanctioned for failing to pursue efforts to require unsuitable persons to relinquish their interest.
  - ① The Colorado Commission may determine that anyone with a material relationship to, or material involvement with, a licensee or an affiliated company must apply for a finding of suitability or must apply for a key employee license. The Colorado Regulations also provide for exemption from the requirements for a finding of suitability when the Colorado Commission finds such action to be consistent with the purposes of the Colorado Act.
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Additionally, the Colorado Regulations require that every officer, director and stockholder of private corporations or equivalent office or ownership holders for non-corporate applicants, and every officer, director or stockholder holding either a 5% or greater interest or controlling interest of a publicly traded corporation or owners of an applicant or licensee, shall be a person of good moral character and submit to, and pay for, a full background investigation conducted by the Division of Gaming and the Colorado Commission. The Colorado Commission may require any person having an interest in a license to undergo a full background investigation and pay the cost of investigation in the same manner as an applicant.

Licensees are required to provide information and file periodic reports with the Division of Gaming, including identifying (i) those who have a 5% or greater ownership, financial or equity interest in the licensee, (ii) those who have the ability to control or exercise significant influence over the licensee, (iii) those who loan money or other things of value to a licensee, and (iv) those who have the right to share in revenue derived from limited gaming, or to whom any interest or share in profits of limited gaming has been pledged as security for a debt or performance of an act. Additional reporting requirements include (i) notifying the Division of Gaming if any licensee, including its parent company or subsidiary, applies for, or holds a license to conduct foreign gaming operations, and (ii) reporting any criminal convictions or charges against all persons licensed by the Colorado Commission and any associated person of a licensee.

The Colorado Commission and Division of Gaming also may require information regarding every person who is a party to a "gaming contract," defined as an agreement where a person does business with, or that is conducted on the premises of, a licensed entity, or a lease with a licensee (or applicant). In that event, such person must promptly provide the Colorado Commission or the Division of Gaming requested information, which may include a financial history, description of financial holdings, real and personal property ownership, interests in other companies, criminal history, personal history and associations, character, reputation in the community and all other information which might be relevant to a determination of whether a person would be suitable to be licensed by the Colorado Commission. Failure to provide all information requested constitutes sufficient grounds for the Colorado Commission or the Division of Gaming to require a licensee or applicant to terminate its gaming contract or lease with any person who failed to provide the information requested. The Colorado Commission or the Division of Gaming may also require that the gaming contract be amended prior to approval of an application or commencement of the contract.

The Colorado Commission and the Division of Gaming have interpreted the Colorado Regulations to permit the Colorado Commission to investigate and find suitable persons or entities providing financing to or acquiring securities from us. As previously noted, any person or entity that is required to provide information, submit an application, or be found suitable, must pay all application and investigation fees and costs. Although the Colorado Regulations do not require prior approval for the execution of credit facilities or issuance of debt securities, the Colorado Commission reserves the right to approve, require changes to or require the termination of any financing, including, but not limited to, situations where a person or entity is required to be found suitable and is not found suitable. In any event, note holders, lenders and others providing financing will not be able to exercise certain rights and remedies without the prior approval of the Colorado Commission. Information regarding any changes in holders of securities may be required to be periodically reported to the Colorado Commission or the Division of Gaming. Any changes in lending relationships or terms or conditions must be immediately reported to the Division of Gaming.

The Colorado Constitution provides for a tax on the total amount wagered, less all payouts to players, which is known as the adjusted gross proceeds ("AGP"). For poker, the tax is calculated based on the sums wagered which are retained by the licensee as compensation, consistent with the minimum and maximum amounts established by the Colorado Commission. The Constitution sets a maximum tax rate of 40%, and voter approval of a constitutional amendment would be required to increase this maximum rate.

The Colorado Commission votes annually on the structure of the gaming taxes. Currently, the tax structure is tiered with a graduated rate of between .25% and 20% of AGP. Specifically, the rate tiers are:

- ① 0.25% up to and including \$2 million of AGP;
  - ② 2.0% on amounts from \$2 million to \$5 million of AGP;
  - ③ 9.0% on amounts from \$5 million to \$8 million of AGP;
  - ④ 11.0% on amounts from \$8 million to \$10 million of AGP;
  - ⑤ 16.0% on amounts from \$10 million to \$13 million of AGP; and
  - ⑥ 20.0% on amounts over \$13 million of AGP.
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These rates became effective July 1, 2012. Pursuant to the Colorado state constitution, any Commission decision to increase the tax levels on the adjusted gross proceeds of limited gaming requires statewide voter approval.

Effective July 15, 2018, the Colorado Commission also implemented a three-year pilot program to allow casinos to receive a quarterly tax rebate equal to the amount of tax paid on free play coupons for the preceding quarter. Casinos are eligible for this rebate if the gaming tax revenue paid to the State grew by at least 3.5%, compounded annually, over the preceding year. If eligible, the casino will receive a credit against the following month's tax payment. If total free play and total gaming revenue have grown by at least 10.87% after the first three years, the rebate program would become permanent, effective July 1, 2021. To date, there have been no tax credits granted to casinos under this program.

In November, 2019, Colorado voters approved sports betting offered at casinos in Cripple Creek, Black Hawk, and Central City or through internet sports betting operators that are associated with brick and mortar casinos in those towns. The state imposes a tax of 10% on "net sports betting proceeds" which is distinct and taxed separately from limited gaming "adjusted gross proceeds." The state also imposes multiple fees to pay for: (1) the privilege of being licensed to operate as a sports betting licensee; (2) the costs of applicant investigation; and (3) the Colorado Division of Gaming's ongoing regulation of sports betting. The City of Cripple Creek may also impose device fees on sports betting gaming equipment used at casinos licensed if they are used to conduct a sports betting operation. Those device fees may be more, less, or the same as the current fee imposed by the City on limited gaming devices. Sports betting will be legal in Colorado on and after May 1, 2020. In January 2020, FHR-Colorado LLC applied for a master sports betting license to be associated with each of its three (3) retail licenses. Subject to regulatory licensing and other requisite approvals, FHR-Colorado LLC intends to offer a retail sportsbook and to conduct mobile sports wagering through its third-party sports wagering vendors. No person under 21 years of age may place any sports wager in Colorado. All mobile sports wagering patrons must undergo "Know Your Customer" age and identification verification processes prior to using a mobile device to place sports wagers. This process may be undertaken via mobile device remotely and does not require in-person registration at a casino. Additionally, all mobile sports wagering patrons must undergo geolocation measures prior to placing wagers using a mobile device to ensure their physical presence in the State of Colorado. Each third-party sports wagering vendor must be licensed by the Colorado Commission, and any vendor director, officer, key employee, and affiliated business may be required to either be licensed or found suitable by the Commission. Depending on whether they share in sports betting revenues or what types of goods or services they provided, businesses involved with sports wagering operations may also be required to be licensed. All licensed entities and licensed persons are responsible for compliance with all relevant sports wagering laws and regulations relevant to their retail and/or mobile sports wagering operations.

In the City of Cripple Creek, pursuant to Article 5 of the municipal code, the City Clerk is authorized to calculate, collect, and enforce a gaming device fee, which may be amended from time to time by the City Council. For purposes of Article 5, a gaming device means "any slot machine, poker table and/or blackjack table. The term gaming device shall include each table manned by a single dealer for the games of blackjack and/or poker and shall include each slot machine."

Currently, this gaming device fee is paid quarterly, in advance, on the first day of the month for each quarter. The fee amount depends on a number of factors, including when the device is placed into service, and the total number of gaming devices the licensee has in operation. For example, each gaming licensee shall pay \$300 per gaming device for its first three (3) months of operation, and each new gaming device added shall have a gaming device fee of \$300, regardless of the day the device is placed into service. Subsequently, the gaming device fee is charged per device, at the following rates:

- ① First fifty (50) gaming devices - \$50 for the first quarter, \$100 for the second quarter, \$225 for the third quarter, and \$225 for the fourth quarter.
- ② Each device in excess of fifty (50) - \$300 per quarter.

The sale of alcoholic beverages in gaming establishments is subject to strict licensing, control and regulation by State and local authorities. There are various classes of retail liquor licenses which may be issued under the Colorado Liquor Code, and no person may be financially interested in more than one such class of liquor license. A retail gaming tavern licensee may sell malt, vinous or spirituous liquors only by the individual drink for consumption on the premises. An application for an alcoholic beverage license in Colorado requires notice, posting and a public hearing before the local liquor licensing authority prior to approval. The Colorado Department of Revenue's Liquor Enforcement Division must also approve the application on behalf of the state. Each Bronco Billy's location has been approved for and holds a retail gaming tavern liquor license for its casino, hotel and restaurant operations.

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All persons who directly or indirectly hold a 10% or greater interest in, or 10% or more of the issued and outstanding capital stock of, a licensee must file applications and may possibly be investigated by state and local liquor authorities. The Colorado liquor authorities also may investigate persons who, directly or indirectly, loan money to or have any financial interest in liquor licensees. In addition, there are restrictions on stockholders, directors and officers of liquor licensees preventing such persons from being a stockholder, director, officer or otherwise interested in certain persons who lend money to liquor licensees and from making loans to other liquor licensees. Persons directly or indirectly interested in any of our Colorado gaming properties may be limited with regard to certain other types of liquor licenses in which they may have an interest, and specifically cannot have an interest in a retail liquor store license. No person can hold more than three retail gaming tavern liquor licenses. In addition, the remedies of certain lenders may be limited by applicable liquor laws and regulations. Alcoholic beverage licenses are revocable and nontransferable. State and local licensing authorities have full power to limit, condition, suspend for as long as six months or revoke any such licenses for violations of the liquor and regulatory requirements, which could have a material adverse effect upon our operations.

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