

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2022

or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-32583

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
(Address of principal executive offices)

89135
(Zip Code)

(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(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 par value per share	FLL	The Nasdaq Stock Market LLC

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 Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

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 Exchange Act). Yes No

As of May 5, 2022, there were 34,345,656 shares of Common Stock, \$0.0001 par value per share, outstanding.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
FORM 10-Q
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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements****FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share data)**

	Three Months Ended March 31,	
	2022	2021
Revenues		
Casino	\$ 29,084	\$ 32,064
Food and beverage	6,511	6,101
Hotel	2,179	2,211
Other operations, including contracted sports wagering	3,649	1,832
	<u>41,423</u>	<u>42,208</u>
Operating costs and expenses		
Casino	9,875	10,339
Food and beverage	6,568	5,360
Hotel	1,071	1,056
Other operations	462	395
Selling, general and administrative	15,393	14,413
Project development costs	165	47
Preopening costs	786	—
Depreciation and amortization	1,792	1,800
Loss on disposal of assets, net	8	104
	<u>36,120</u>	<u>33,514</u>
Operating income	<u>5,303</u>	<u>8,694</u>
Other expense		
Interest expense, net of amounts capitalized	(6,399)	(4,456)
Loss on modification and extinguishment of debt	(4,406)	(6,134)
Adjustment to fair value of warrants	—	(1,347)
	<u>(10,805)</u>	<u>(11,937)</u>
Loss before income taxes	<u>(5,502)</u>	<u>(3,243)</u>
Income tax (benefit) provision	(5,612)	202
Net income (loss)	<u>\$ 110</u>	<u>\$ (3,445)</u>
Basic earnings (loss) per share	<u>\$ —</u>	<u>\$ (0.13)</u>
Diluted earnings (loss) per share	<u>\$ —</u>	<u>\$ (0.13)</u>

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except share data)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and equivalents	\$ 109,041	\$ 88,721
Restricted cash	210,494	176,572
Accounts receivable, net of reserves of \$259 and \$257	5,350	4,693
Inventories	1,529	1,660
Prepaid expenses and other	3,580	3,726
	<u>329,994</u>	<u>275,372</u>
Property and equipment, net	181,095	149,540
Operating lease right-of-use assets, net	14,998	15,814
Goodwill	21,286	21,286
Other intangible assets, net	10,891	10,896
Deposits and other	1,710	934
Deferred income taxes, net	4,556	—
	<u>\$ 564,530</u>	<u>\$ 473,842</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 9,926	\$ 8,411
Accrued payroll and related	4,139	5,473
Accrued interest	4,134	9,861
Other accrued liabilities	10,535	10,252
Current portion of operating lease obligations	3,609	3,542
Current portion of finance lease obligation	520	514
	<u>32,863</u>	<u>38,053</u>
Operating lease obligations, net of current portion	11,963	12,903
Finance lease obligation, net of current portion	2,651	2,783
Long-term debt, net	400,590	301,619
Deferred income taxes, net	—	1,055
Contract liabilities, net of current portion	3,156	4,714
	<u>451,223</u>	<u>361,127</u>
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 35,302,549 and 35,302,549 shares issued and 34,345,656 and 34,242,581 shares outstanding	4	4
Additional paid-in capital	109,268	108,911
Treasury stock, 956,893 and 1,059,968 common shares	(1,167)	(1,292)
Retained earnings	5,202	5,092
	<u>113,307</u>	<u>112,715</u>
	<u>\$ 564,530</u>	<u>\$ 473,842</u>

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Dollars		Shares	Dollars		
Balance, January 1, 2022	35,302	\$ 4	\$ 108,911	1,060	\$ (1,292)	\$ 5,092	\$ 112,715
Issuance of stock on options exercised and restricted stocks vested	—	—	14	(103)	125	—	139
Stock-based compensation	—	—	343	—	—	—	343
Net income	—	—	—	—	—	110	110
Balance, March 31, 2022	<u>35,302</u>	<u>\$ 4</u>	<u>\$ 109,268</u>	<u>957</u>	<u>\$ (1,167)</u>	<u>\$ 5,202</u>	<u>\$ 113,307</u>

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Dollars		Shares	Dollars		
Balance, January 1, 2021	28,385	\$ 3	\$ 64,826	1,261	\$ (1,538)	\$ (6,614)	\$ 56,677
Equity offering, net	6,917	1	42,973	—	—	—	42,974
Issuance of stock on options exercised	—	—	36	(34)	42	—	78
Stock-based compensation	—	—	124	—	—	—	124
Net loss	—	—	—	—	—	(3,445)	(3,445)
Balance, March 31, 2021	<u>35,302</u>	<u>\$ 4</u>	<u>\$ 107,959</u>	<u>1,227</u>	<u>\$ (1,496)</u>	<u>\$ (10,059)</u>	<u>\$ 96,408</u>

See condensed notes to consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 110	\$ (3,445)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,792	1,800
Amortization of debt issuance costs and discounts (premium) on debt	386	284
Stock-based compensation	343	124
Change in fair value of stock warrants	—	1,347
Loss on disposal of assets, net	8	104
Loss on modification and extinguishment of debt	4,406	6,134
Increases and decreases in operating assets and liabilities:		
Accounts receivable	(657)	1,103
Prepaid expenses, inventories and other	277	(1,011)
Deferred taxes	(5,611)	202
Common stock warrant liability	—	(4,000)
Contract liabilities	(1,555)	(350)
Accounts payable and accrued expenses	(7,467)	5,999
Net cash (used in) provided by operating activities	<u>(7,968)</u>	<u>8,291</u>
Cash flows from investing activities:		
Purchase of property and equipment	(31,203)	(3,413)
Other	(671)	(8)
Net cash used in investing activities	<u>(31,874)</u>	<u>(3,421)</u>
Cash flows from financing activities:		
Proceeds from Senior Secured Notes due 2028 borrowings	100,000	310,000
Proceeds from premium on Senior Secured Notes due 2028 borrowings	2,000	—
Proceeds from equity offering, net of issuance costs	—	42,974
Payment of debt discount and issuance costs	(7,821)	(9,510)
Repayment of Senior Secured Notes due 2024	—	(106,825)
Prepayment premiums of Senior Secured Notes due 2024	—	(1,261)
Repayment of finance lease obligation	(126)	(120)
Proceeds from exercise of stock options	139	78
Other	(108)	24
Net cash provided by financing activities	<u>94,084</u>	<u>235,360</u>
Net increase in cash, cash equivalents and restricted cash	54,242	240,230
Cash, cash equivalents and restricted cash, beginning of period	265,293	37,698
Cash, cash equivalents and restricted cash, end of period	<u>\$ 319,535</u>	<u>\$ 277,928</u>
Supplemental Cash Flow Information:		
Cash paid for interest, net of amounts capitalized	<u>\$ 15,699</u>	<u>\$ 812</u>
Non-Cash Investing Activities:		
Accounts payable related capital expenditures	<u>\$ 7,001</u>	<u>\$ 478</u>

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION

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 on real estate that we own or lease and one located within a hotel owned by a third party. We are currently constructing two additional properties: Chamonix Casino Hotel (“Chamonix”), adjacent to the Company’s existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado; and The Temporary by American Place (“The Temporary”) in Waukegan, Illinois. We also benefit currently from six permitted sports wagering “skins,” three in Colorado and three in Indiana. Upon the opening of The Temporary, we expect to benefit from an additional skin in Illinois. Other companies operate or will operate these online sports wagering sites under their brands, paying us a percentage of revenues, as defined in each respective agreement, subject to annual minimum amounts.

In December 2021, Full House was selected by the Illinois Gaming Board (“IGB”) to develop its American Place project in Waukegan, Illinois, a northern suburb of Chicago. During the period that the permanent American Place facility is under construction, we intend to operate a temporary casino facility named The Temporary. In May 2022, we commenced construction of The Temporary, which is expected to open in Fall 2022, subject to customary regulatory approvals.

The following table identifies our segments, along with properties and their locations:

Segments and Properties	Locations
Colorado	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
Illinois	
The Temporary and American Place (under construction)	Waukegan, IL (northern suburb of Chicago)
Indiana	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
Mississippi	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Nevada	
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	Incline Village, NV (North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
Contracted Sports Wagering	
Three sports wagering websites (“skins”)	Colorado
Three sports wagering websites (“skins”)	Indiana
One sports wagering website (“skin”) upon opening of The Temporary	Illinois

The Company manages its casinos based on geographic regions within the United States. See Note 10 for further information.

COVID-19 Pandemic Update. The COVID-19 pandemic continues to evolve. Governmental authorities continue to update their precautionary measures and promote vaccination programs to manage the spread of the virus as different variants of the virus surface and subside. The Company has generally benefited from the gradual relaxation of pandemic-related business restrictions since 2021.

However, the COVID-19 pandemic, and certain precautionary measures, have created economic uncertainty both in the United States and globally, as well as significant volatility in, and disruption to, financial markets, labor markets and supply chains. Global supply chain disruptions have resulted in shipping delays, increased shipping costs, supply shortages, and inflationary pressures, including overall increases in prices such as fuel, food, and building materials. These increased costs and supply shortages continued to put additional constraints on our operating business and our construction projects for the three months ended March 31, 2022. We do not know when these cost constraints and supply chain issues will materially alleviate and, accordingly, they may continue to impact our existing business and our construction projects in the near term.

We believe that as the COVID-19 pandemic evolves, the direct and indirect impacts on global macro-economic conditions, as well as conditions specific to us, are becoming more difficult to isolate or quantify. In addition, these direct and indirect factors can make it difficult to isolate and quantify the portion of our costs that are a direct result of the pandemic versus costs arising from factors that may have been influenced by the pandemic, including supply chain constraints, increased prices and inflationary pressures, and changes in the spending patterns of customers. These factors and their effects on our operations may persist for a longer period, even after the COVID-19 pandemic has subsided.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. As permitted by the rules and regulations of the Securities and Exchange Commission (“SEC”), certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company’s 2021 annual consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

The interim consolidated financial statements of the Company included herein reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of annualized results for an entire year.

The consolidated financial statements include the accounts of Full House and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

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. Fair value measurements are also used in the Company’s 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 1 inputs when measuring the fair value of its 2028 Notes (see Note 5).

The Company utilizes Level 2 inputs when measuring the fair value of its asset purchases and acquisitions (see Note 4).

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.

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 consist of funds placed into a construction reserve account for the completion of the Chamonix construction project.

Accounts Receivable. Accounts receivable consist primarily of casino, hotel and other receivables, are typically non-interest bearing, and are carried net of an appropriate reserve to approximate fair value. Reserves 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. Management believes that, as of March 31, 2022, no significant concentrations of credit risk existed for which a reserve had not already been recorded.

Revenue Recognition:

Accrued Club Points and Customer Loyalty Programs: 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 sports wagering, golf, RV park operations, and entertainment). The majority of the Company's 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 under loyalty programs by property for various benefits, primarily for "free casino play," complimentary dining, or hotel stays, among others, depending on each property's specific offers. 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. Such liabilities were approximately \$0.8 million for each of March 31, 2022 and December 31, 2021, and these amounts are included in "other accrued liabilities" on the consolidated balance sheets.

Revenue for food and beverage, hotel, and other revenue transactions is typically the net amount collected from customers for such goods and services, plus the retail value of (i) discretionary comps and (ii) comps provided in return for redemption of loyalty points. The Company records such revenue as the good or service is transferred to the customer. Additionally, the Company may collect deposits in advance for future hotel reservations or entertainment, among other services, which represent obligations of the Company until the service is provided to the customer.

Deferred Revenues: Market Access Fees from Sports Wagering Agreements. The Company entered into several agreements with various unaffiliated companies allowing for online sports wagering within Indiana, Colorado and Illinois, as well as on-site sports wagering at Rising Star Casino Resort, Bronco Billy's Casino and Hotel, and The Temporary/American Place (the "Sports Agreements"). As part of these long-term Sports Agreements, the Company received one-time market access fees totaling \$6 million, which were recorded as long-term liabilities and are being recognized as revenue ratably over the initial contract terms, beginning with the commencement of operations. The market access fees are not refundable under ordinary circumstances. The Company subsequently received an additional \$5 million of one-time market access fees in May 2022 for its recently-executed Illinois Sports Agreement. As with the prior Sports Agreements, such market access fee will be similarly capitalized and amortized over the initial term of the agreement, beginning with the commencement of operations.

Indiana. Two of the Company's Sports Agreements commenced operations in December 2019 and April 2021, respectively. The third party for the remaining Sports Agreement went live contractually in December 2021.

Colorado. The Company's three Sports Agreements commenced online operations in June 2020, December 2020 and April 2021, respectively.

Illinois. The Company signed a Sports Agreement in May 2022 for Illinois. Such operations are expected to commence either concurrent with, or after, the opening of The Temporary, upon receipt of customary gaming approvals.

In addition to the market access fees, deferred revenue includes the annual prepayment of contracted revenue, as required in two of the Sports Agreements. We received \$1.0 million of prepaid revenue for contracted sports operations that commenced in Colorado in December 2020, and \$1.0 million for contracted sports operations that commenced in Indiana in April 2021. As of March 31, 2022, \$1.3 million of such deferred revenue has been recognized.

Deferred revenues consisted of the following, as discussed above:

<i>(In thousands)</i>	Balance Sheet Location	March 31, 2022	December 31, 2021
Deferred revenue, current	Other accrued liabilities	\$ 1,826	\$ 1,822
Deferred revenue, net of current portion	Contract liabilities, net of current portion	3,156	4,714
		<u>\$ 4,982</u>	<u>\$ 6,536</u>

In February 2022, one of the Company's contracted parties for sports wagering gave notice of its intent to cease operations on May 15, 2022, which will create one available skin in each of Colorado and Indiana. Accordingly, this accelerated the recognition of \$1.6 million of deferred revenue, which is now being recognized through the May 2022 termination date, as opposed to the remaining eight years of the original 10-year term. The Company is currently negotiating with other companies to be the replacement operator for such skins, but there can be no assurance that the Company will be able to replace them on similar terms as our existing agreements.

Other Revenues. The transaction price of rooms, food and beverage, and retail contracts is the net amount collected from the customer for such goods and services. The transaction price for such contracts is recorded as revenue when the good or service is transferred to the customer over their stay at the hotel or when the delivery is made for the food, beverage, retail and other contracts. Sales and usage-based taxes are excluded from revenues.

Revenue by Source. The Company presents earned revenue as disaggregated by the type or nature of the good or service (casino, food and beverage, hotel, and other operations comprised mainly of retail, golf, entertainment, and contracted sports wagering) and by relevant geographic region within Note 10.

Income Taxes. For interim income tax reporting for the three-months ended March 31, 2022, the Company estimates its annual effective tax rate and applies it to its year-to-date pretax income or loss.

Reclassifications. The Company made certain minor financial statement presentation reclassifications to prior-period amounts to conform to the current-period presentation. Such reclassifications had no effect on the previously reported results of operations or financial position.

Earnings (Loss) Per Share. Earnings (loss) per share is net income (loss) applicable to common stock divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional dilutive effects for all potentially-dilutive securities, including share-based awards outstanding under the Company's stock compensation plan and warrants, using the treasury stock method.

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 material 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 does 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, are 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; therefore, the Company does 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 based on the information available at the commencement date and/or modification date. The expected lease terms include options to extend 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 for operating leases. For finance leases, the ROU asset depreciates on a straight-line basis over the shorter of the lease term or useful life of the ROU asset and the lease liability accretes interest based on the interest method using the discount rate determined at lease commencement.

Recently Issued Accounting Pronouncements Not Yet Adopted. The Company believes that there are no other recently-issued accounting standards not yet effective that are currently likely to have a material impact on its financial statements.

3. LEASES

The Company has no 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 lease terms, including extensions, range from one month to approximately 36 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 fixed, base monthly payments of \$77,500 plus contingent rents of 3% of monthly gross gaming revenue (as defined in the lease) in excess of \$3.65 million, with no scheduled base rent increases through the remaining lease term ending in 2058.

From April 1, 2022 through October 1, 2027, the Company may buy out the lease 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 following the purchase date. In 2021, total rent paid during the year was \$2.1 million, including \$1.2 million of contingent rents.

Bronco Billy's / Chamonix 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. The lease term includes six renewal options in three-year increments to 2035. The Company considers the renewal options reasonably certain of being exercised through January 2026, with current annual lease payments of \$0.4 million. The lease 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.

Third Street Corner Building through August 2023 and Option to Purchase. The Company leased a nearby closed casino in August 2018 and reopened it in November 2018. The reopened casino did not produce enough incremental revenue to offset the incremental costs, and it was closed in September 2020. The Company has the right to purchase the casino at any time during the extended lease term for \$2.8 million.

As part of the Chamonix development project, this building is currently used as office space for construction personnel, obviating the need for construction trailers. The lease had an initial three-year term with annual lease payments of \$0.2 million, and was subsequently extended to August 13, 2023 with current annual lease payments of \$0.3 million.

Grand Lodge Casino Lease through August 2023. The Company's subsidiary, Gaming Entertainment (Nevada), LLC, has a lease with Incline Hotel, LLC, the owner of the Hyatt Regency Lake Tahoe Resort ("Hyatt Lake Tahoe"), to operate the Grand Lodge Casino. It 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 5). The lessor currently has an option to purchase the Company's 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. The current monthly rent of \$166,667 is applicable through the remaining lease term ending in August 2023.

Corporate Office Lease through January 2025. The Company leases 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. At any time during the lease term, the Company has the option to purchase the hotel at a price based upon the hotel's original cost of \$7.7 million, reduced by the cumulative principal payments made by the Company during the lease term. At March 31, 2022, such potential purchase price was \$3.2 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 components of lease expense are as follows:

(In thousands)

Lease Costs	Classification within Statement of Operations	Three Months Ended March 31,	
		2022	2021
Operating leases:			
Fixed/base rent	Selling, General and Administrative Expenses	\$ 1,165	\$ 1,159
Short-term payments	Selling, General and Administrative Expenses	27	—
Variable payments	Selling, General and Administrative Expenses	384	402
Finance lease:			
Amortization of leased assets	Depreciation and Amortization	39	39
Interest on lease liabilities	Interest Expense, Net	37	43
Total lease costs		<u>\$ 1,652</u>	<u>\$ 1,643</u>

Leases recorded on the balance sheet consist of the following:

(In thousands)

Leases	Balance Sheet Classification	March 31, 2022	December 31, 2021
Assets			
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 14,998	\$ 15,814
Finance lease assets	Property and Equipment, Net ⁽¹⁾	4,683	4,722
Total lease assets		<u>\$ 19,681</u>	<u>\$ 20,536</u>
Liabilities			
Current			
Operating	Current Portion of Operating Lease Obligations	\$ 3,609	\$ 3,542
Finance	Current Portion of Finance Lease Obligation	520	514
Noncurrent			
Operating	Operating Lease Obligations, Net of Current Portion	11,963	12,903
Finance	Finance Lease Obligation, Net of Current Portion	2,651	2,783
Total lease liabilities		<u>\$ 18,743</u>	<u>\$ 19,742</u>

(1) Finance lease assets are recorded net of accumulated amortization of \$3.0 million for each of March 31, 2022 and December 31, 2021.

Maturities of lease liabilities as of March 31, 2022 are summarized as follows:

(In thousands)

Years Ending December 31,	Operating Leases	Financing Lease⁽¹⁾
2022 (excluding the three months ended March 31, 2022)	\$ 3,631	\$ 434
2023	3,539	652
2024	1,663	652
2025	1,466	652
2026	965	652
Thereafter	29,140	543
Total future minimum lease payments	40,404	3,585
Less: Amount representing interest	(24,832)	(414)
Present value of lease liabilities	15,572	3,171
Less: Current lease obligations	(3,609)	(520)
Long-term lease obligations	<u>\$ 11,963</u>	<u>\$ 2,651</u>

(1) 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:

Lease Term and Discount Rate	March 31, 2022	December 31, 2021
Weighted-average remaining lease term		
Operating leases	22.3 years	21.5 years
Finance lease	5.5 years	5.8 years
Weighted-average discount rate		
Operating leases	9.35 %	9.32 %
Finance lease	4.50 %	4.50 %

Supplemental cash flow information related to leases is as follows:

(In thousands)

Cash paid for amounts included in the measurement of lease liabilities:	Three Months Ended March 31,	
	2022	2021
Operating cash flows for operating leases	\$ 1,221	\$ 1,218
Operating cash flows for finance lease	\$ 37	\$ 43
Financing cash flows for finance lease	\$ 126	\$ 120

4. ACQUISITIONS

Fountain Square of Waukegan Land Purchase. In connection with the development of its American Place project in Waukegan, Illinois, the Company entered into an agreement in January 2022 to purchase approximately 10 acres of land adjoining the approximately 30-acre casino site to be leased from the City, providing space for additional parking and access to the casino site from a major road. The land was acquired on March 17, 2022 for total consideration of \$7.5 million.

5. LONG-TERM DEBT

Long-term debt, related premium (discount) and issuance costs consist of the following:

<i>(In thousands)</i>	March 31, 2022	December 31, 2021
Revolving Credit Facility due 2026	\$ —	\$ —
Senior Secured Notes due 2028 ⁽¹⁾	410,000	310,000
Less: Unamortized debt issuance costs and premium/(discount), net	(9,410)	(8,381)
	<u>\$ 400,590</u>	<u>\$ 301,619</u>

(1) The estimated fair value of these notes was approximately \$421.9 million for March 31, 2022 and \$327.5 million for December 31, 2021. The fair value was estimated using quoted market prices for these notes.

Senior Secured Notes due 2028. On February 12, 2021, the Company refinanced all \$106.8 million of its outstanding Senior Secured Notes due 2024 (the “Prior Notes”) with the issuance of \$310 million aggregate principal amount of 8.25% Senior Secured Notes due 2028 (the “2028 Notes”). The net proceeds from the sale of the 2028 Notes were used to redeem all of the Prior Notes (including a 0.90% prepayment premium) and to repurchase all outstanding warrants. Additionally, \$180 million of bond proceeds were placed into a construction reserve account to fund construction of Chamonix. Net of transaction fees and expenses, approximately \$8 million was added to unrestricted cash and equivalents.

On February 7, 2022, the Company closed a private offering of \$100 million aggregate principal amount of additional 8.25% Senior Secured Notes due 2028 (the “Additional Notes”), which sold at a price of 102.0% of such principal amount. Proceeds from the sale of the Additional Notes are being used: (i) to develop, equip and open The Temporary, which the Company intends to operate while it constructs its permanent American Place facility, (ii) to pay the transaction fees and expenses of the offer and sale of the Additional Notes and (iii) for general corporate purposes. No cash restrictions were applied on the Additional Notes as similarly reserved on the 2028 Notes to fund construction. The Additional Notes were issued pursuant to the indenture, dated as of February 12, 2021 (the “Indenture”), to which the Company issued the \$310 million of 2028 Notes noted above (collectively, the “Notes”). In connection with the issuance of the Additional Notes, the Company and the subsidiary guarantors party to the Indenture entered into two Supplemental Indentures with Wilmington Trust, National Association, as trustee, dated February 1, 2022 and February 7, 2022, respectively. On March 3, 2022, the Company entered into a third Supplemental Indenture to establish a special record date for the initial interest payment for the Additional Notes.

The Notes bear interest at a fixed rate of 8.25% per year and mature on February 15, 2028. There is no mandatory debt amortization prior to the maturity date. Interest on the Notes is payable on February 15 and August 15 of each year, with the next interest payment due on August 15, 2022.

The Notes are guaranteed, jointly and severally (such guarantees, the “Guarantees”), by each of the Company’s restricted subsidiaries (collectively, the “Guarantors”). The Notes and the Guarantees are the Company’s and the Guarantors’ general senior secured obligations, subject to the terms of the Collateral Trust Agreement (as defined in the Indenture), ranking senior in right of payment to all of the Company’s and the Guarantors’ existing and future debt that is expressly subordinated in right of payment to the Notes and the Guarantees, if any. The Notes and the Guarantees will rank equally in right of payment with all of the Company’s and the Guarantors’ existing and future senior debt.

The Notes contain representations and warranties, financial covenants, and restrictions on dividends customary for notes of this type. Mandatory prepayments, in whole or in part, of the Notes will be required upon the occurrence of certain events, including sales of certain assets, upon certain changes of control, or should the Company have certain unused funds in the construction disbursement account following the completion of Chamonix.

On or prior to February 15, 2024, the Company may redeem up to 35% of the original principal amount of the Notes with proceeds of certain equity offerings at a redemption price of 108.25%, plus accrued and unpaid interest to the redemption date. In addition, the Company may redeem some or all of the Notes prior to February 15, 2024 at a redemption price of 100% of the principal amount of the Notes, plus accrued and unpaid interest to the redemption date and a “make-whole” premium.

At any time on or after February 15, 2024, the Company may redeem some or all of the Notes for cash at the following redemption prices:

Redemption Periods	Percentage Premium
February 15, 2024 to February 14, 2025	104.125 %
February 15, 2025 to February 14, 2026	102.063 %
February 15, 2026 and Thereafter	100.000 %

Revolving Credit Facility due 2026. On February 7, 2022, the Company entered into a First Amendment to Credit Agreement with Capital One, N.A., which, among other things, increased the borrowing capacity under the Company’s Credit Agreement, dated as of March 31, 2021, from \$15.0 million to \$40.0 million (the “Credit Facility”). The amended \$40.0 million senior secured revolving credit facility matures on March 31, 2026 and includes a letter of credit sub-facility. The Credit Facility may be used for working capital and other ongoing general purposes.

Under the First Amendment to Credit Agreement, the interest rate per annum applicable to loans under the Credit Facility was amended to be, at the Company’s option, either (i) the Secured Overnight Financing Rate (“SOFR”) plus a margin equal to 3.50% and a Term SOFR adjustment of 0.15%, or (ii) a base rate plus a margin equal to 2.50%. Upon completion of Chamonix (as defined in the agreement), the interest rate per annum applicable to loans under the Credit Facility will be reduced to, at the Company’s option, either (i) SOFR plus a margin equal to 3.00% and a Term SOFR adjustment of 0.15%, or (ii) a base rate plus a margin equal to 2.00%. Terms regarding the annual commitment fee, customary letter of credit fees, and repayment date of March 31, 2026, remain unchanged from the original Credit Agreement, dated as of March 31, 2021. As of this report date, there were no drawn amounts under the Credit Facility and an outstanding standby letter of credit of \$1 million related to the American Place project.

The Credit Facility is equally and ratably secured by the same assets and guarantees securing the Notes. The Company may make prepayments of any amounts outstanding under the Credit Facility (without any reduction of the revolving commitments) in whole or in part at any time without penalty.

The Credit Facility contains a number of negative covenants that, subject to certain exceptions, are substantially similar to the covenants contained in the Notes. The Credit Facility also requires compliance with a financial covenant as of the last day of each fiscal quarter, such that Adjusted EBITDA (as defined) for the trailing twelve-month period must equal or exceed the utilized portion of the Credit Facility, if drawn. The Company was in compliance with this financial covenant as of March 31, 2022.

6. INCOME TAXES

The Company’s effective income tax rate for the three-months ended March 31, 2022 and 2021 was 102.0% and (6.2%), respectively. The significant change in the effective income tax rate was primarily due to the Company’s projections for pre-tax book income in 2022, the effects of tax amortization on indefinite lived intangibles in 2022, valuation allowances, and certain permanent differences between tax and financial reporting purposes. The Company expects that it will reverse the tax benefit that was booked, as of March 31, 2022, in future interim periods as pre-tax book income offsets the year-to-date, pre-tax loss.

The Company continues to assess the realizability of deferred tax assets (“DTAs”) and concluded that it has not met the “more likely than not” threshold. As of March 31, 2022, the Company continues to provide a valuation allowance against its DTAs 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 DTAs reside. The valuation allowance against DTAs has no effect on the actual taxes paid or owed by the Company.

In the future, if it is determined that we meet the “more likely than not” threshold of utilizing our deferred tax assets as required under ASC 740, we may reverse some or all of our valuation allowance. We will continue to evaluate the need for the valuation allowance during each interim period in 2022. Should we continue on our trend of improving net income results in recent years, absent any unforeseen impact to our operations, we expect that the valuation allowance could be reversed by the end of 2022. Such valuation allowance and its potential reversal has no impact on the actual income taxes paid or the Company’s financial situation.

7. COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENT

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 the Company’s financial position, results of operations and cash flows.

Options to Lease Land

Option Agreement for Public Trust Tidelands Lease in Mississippi. The Company has been evaluating the potential construction of an additional hotel tower and related amenities at Silver Slipper, a portion of which would extend out over the adjoining Gulf of Mexico. In contemplation for such potential future expansion, the Company paid \$5,000 for an option agreement – entered into by the Company on June 8, 2021 and approved by the Governor of Mississippi on July 13, 2021 – for a 30-year lease of approximately a half-acre of tidelands, with a term extension for another 30 years, if exercised. This initial six-month option can be renewed for three additional six-month periods, with the payment of \$5,000 for each extension. In November 2021, the Company paid an additional \$5,000 to exercise its first six-month option extension through the end of May 2022. This option was further extended through the end of November 2022, when the Company paid an additional \$5,000 to exercise its second six-month option extension in the second quarter of 2022.

Upon commencement of the lease, and for the first 18 months or until the beginning of the next six-month period after the opening of commercial operations on the leased premises, whichever occurs sooner, rent would be \$10,000 for each six-month period (“Construction Rent”). Construction Rent would terminate no later than 18 months after the commencement of the lease. Thereafter, annual rent would be \$105,300, with adjustments, based on the consumer price index on each anniversary. Before construction can commence, additional entitlements are necessary, including certain environmental approvals. There can be no certainty that the tidelands lease option will be exercised or that the contemplated Silver Slipper expansion will be built.

Contracted Sports Wagering in Illinois

In May 2022, the Company entered into an agreement with an affiliate of Circa Sports to jointly develop and manage on-site sportsbooks at both The Temporary and American Place casinos in Illinois. Circa Sports currently operates at Circa Resort & Casino in Las Vegas, and offers online sports wagering in several states. In addition to the on-site sportsbook, Circa Sports will utilize the Company’s expected mobile sports skin to conduct Internet sports wagering throughout the state. In exchange for such rights, the Company subsequently received a market access fee of \$5 million in May 2022, and will also receive a percentage of revenues (as defined) totaling at least \$5 million per year, on an annualized basis, once Circa Sports launches its mobile sports skin in Illinois, subject to customary regulatory approvals. The term of the agreement is for eight years, with two four-year extension opportunities at the option of Circa Sports.

8. EARNINGS (LOSS) PER SHARE AND STOCKHOLDERS' EQUITY

Earnings (Loss) Per Share

The table below reconciles basic and diluted earnings (loss) per share of common stock:

(In thousands)

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income (loss) — basic	\$ 110	\$ (3,445)
Net income (loss) — diluted	\$ 110	\$ (3,445)
Denominator:		
Weighted-average common and common share equivalents — basic	34,262	27,357
Potential dilution from share-based awards	2,361	—
Weighted-average common and common share equivalents — diluted	36,623	27,357
Anti-dilutive share-based awards excluded from the calculation of diluted loss per share	411	3,140

9. SHARE-BASED COMPENSATION

Performance-Based Shares. The Company issued a total of 36,849 performance-based shares to three of the Company's executives during the first quarter of 2022. The vesting for these performance-based shares is based on the compounded annual growth rate of the Company's Adjusted EBITDA and Free Cash Flow Per Share, as defined, for the three-year periods ending December 31, 2022, December 31, 2023, and December 31, 2024. For the 2022 period, one-sixth of such performance-based shares will vest on the anniversary date of the award if the Company's annual Adjusted EBITDA for 2022 reflects at least 10% per annum growth since 2019, and one-sixth of such performance-based shares will vest on the anniversary date if the Company's annual Free Cash Flow Per Share for 2022 reflects at least 12% per annum growth since 2019. Vesting of the performance-based shares is similar for the 2023 and 2024 periods.

On March 14, 2022, the Company issued 23,325 shares of stock to one of the Company's executives for having previously met performance-based metrics in 2021 pertaining to Adjusted EBITDA growth and Free Cash Flow Per Share growth.

As of March 31, 2022, the Company had 1,561,690 share-based awards authorized by shareholders and available for grant from the Company's 2015 Equity Incentive Plan.

The following table summarizes information related to the Company's common stock options as of March 31, 2022:

	Number of Stock Options	Weighted Average Exercise Price
Options outstanding at January 1, 2022	3,221,956	\$ 2.19
Granted	141,939	9.64
Exercised	(79,750)	1.74
Canceled/Forfeited	—	—
Expired	—	—
Options outstanding at March 31, 2022	3,284,145	\$ 2.53
Options exercisable at March 31, 2022	2,562,961	\$ 1.70

Components of compensation expense are as follows:

(In thousands)

Compensation Expense	Three Months Ended	
	March 31,	
	2022	2021
Stock options	\$ 218	\$ 103
Restricted and performance-based shares	125	21
	<u>\$ 343</u>	<u>\$ 124</u>

As of March 31, 2022, there was approximately \$2.1 million of unrecognized compensation cost related to unvested stock options previously granted that is expected to be recognized over a weighted-average period of approximately 2.3 years. As of such date, there was also \$0.7 million of unrecognized compensation cost related to unvested restricted and performance shares, which is expected to be recognized over a weighted-average period of 1.6 years.

10. SEGMENT REPORTING AND DISAGGREGATED REVENUE

The Company manages its reporting segments based on geographic regions within the United States and type of income. Its current operating segments, as of 2022, are: Mississippi, Indiana, Colorado, Nevada, and Contracted Sports Wagering. The Company's management views the states where each of its casino resorts are located as operating segments, in addition to its contracted sports wagering segment. Operating segments are aggregated based on geography, economic characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure.

The Company utilizes Adjusted Segment EBITDA as the measure of segment profit in assessing performance and allocating resources at the reportable segment level. Adjusted Segment EBITDA is defined as 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, non-cash share-based compensation expense, and corporate-related costs and expenses that are not allocated to each segment.

The following tables present the Company's segment information:

	Three Months Ended March 31, 2022					
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
Revenues						
Casino	\$ 14,683	\$ 6,716	\$ 3,631	\$ 4,054	\$ —	\$ 29,084
Food and beverage	4,939	873	420	279	—	6,511
Hotel	1,222	822	135	—	—	2,179
Other operations, including contracted sports wagering	469	225	47	78	2,830	3,649
	<u>\$ 21,313</u>	<u>\$ 8,636</u>	<u>\$ 4,233</u>	<u>\$ 4,411</u>	<u>\$ 2,830</u>	<u>\$ 41,423</u>
Adjusted Segment EBITDA	\$ 5,950	\$ 1,138	\$ (319)	\$ 828	\$ 2,767	\$ 10,364
Other operating expenses:						
Depreciation and amortization						(1,792)
Corporate expenses						(1,967)
Project development costs						(165)
Preopening costs						(786)
Loss on disposal of assets, net						(8)
Stock-based compensation						(343)
Operating income						<u>5,303</u>
Other expenses:						
Interest expense, net						(6,399)
Loss on modification of debt						(4,406)
						<u>(10,805)</u>
Loss before income taxes						<u>(5,502)</u>
Income tax benefit						(5,612)
Net income						<u><u>\$ 110</u></u>

(In thousands)

	Three Months Ended March 31, 2021					Contracted Sports Wagering	Total
	Mississippi	Indiana	Colorado	Nevada			
Revenues							
Casino	\$ 16,040	\$ 6,715	\$ 5,264	\$ 4,045	\$ —	\$ 32,064	
Food and beverage	4,693	748	413	247	—	6,101	
Hotel	1,170	919	122	—	—	2,211	
Other operations, including contracted sports wagering	453	208	106	76	989	1,832	
	<u>\$ 22,356</u>	<u>\$ 8,590</u>	<u>\$ 5,905</u>	<u>\$ 4,368</u>	<u>\$ 989</u>	<u>\$ 42,208</u>	
Adjusted Segment EBITDA	\$ 7,630	\$ 1,134	\$ 1,710	\$ 1,224	\$ 976	\$ 12,674	
Other operating expenses:							
Depreciation and amortization						(1,800)	
Corporate expenses						(1,905)	
Project development costs						(47)	
Loss on disposal of assets, net						(104)	
Stock-based compensation						(124)	
Operating income						<u>8,694</u>	
Other expenses:							
Interest expense, net						(4,456)	
Loss on extinguishment of debt						(6,134)	
Adjustment to fair value of warrants						(1,347)	
						<u>(11,937)</u>	
Loss before income taxes						<u>(3,243)</u>	
Income tax provision						202	
Net loss						<u>\$ (3,445)</u>	

(In thousands)

	March 31, 2022	December 31, 2021
Total Assets		
Mississippi	\$ 78,465	\$ 85,838
Indiana	32,414	34,857
Colorado	308,475	258,436
Nevada	11,810	13,091
Contracted Sports Wagering	3,410	2,168
Corporate and Other ⁽¹⁾	129,956	79,452
	<u>\$ 564,530</u>	<u>\$ 473,842</u>

(1) Includes \$15.3 million related to American Place, which is expected to open in Fall 2022.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This management’s discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. Please see “Forward-Looking Statements” for a discussion of the uncertainties, risks and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes for the fiscal year ended December 31, 2021, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on March 15, 2022. 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,” except where stated or the context otherwise indicates.

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, golf, RV camping, sports betting, entertainment, and retail outlets, among other amenities. We currently operate five casinos: four on real estate that we own or lease and one located within a hotel owned by a third party. We are currently constructing two additional properties: Chamonix Casino Hotel (“Chamonix”) in Cripple Creek, Colorado; and The Temporary by American Place (“The Temporary”) in Waukegan, Illinois. We also benefit from seven permitted sports “skins” that we are allowed, or will be allowed, to operate: three in Colorado, three in Indiana, and one in Illinois that we expect to be able to operate upon the opening of The Temporary, pending customary regulatory approvals. Other companies operate or will operate these online sports wagering sites under their own brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts.

In December 2021, we were selected by the Illinois Gaming Board (“IGB”) to develop our American Place project in Waukegan, Illinois, a northern suburb of Chicago. While the permanent American Place facility is under construction, we intend to operate a temporary casino facility named The Temporary. In May 2022, we commenced construction of The Temporary, which is expected to open in Fall 2022, subject to customary regulatory approvals.

The following table identifies our segments, along with properties and their locations:

Segments and Properties	Locations
Colorado	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
Illinois	
The Temporary and American Place (under construction)	Waukegan, IL (northern suburb of Chicago)
Indiana	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
Mississippi	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Nevada	
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	Incline Village, NV (North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
Contracted Sports Wagering	
Three sports wagering websites (“skins”)	Colorado
Three sports wagering websites (“skins”)	Indiana
One sports wagering website (“skin”) upon opening of The Temporary	Illinois

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 permitted by local gaming regulations, most of our customers wager with cash or pay for non-gaming services with cash or credit cards. Our revenues are primarily derived from slot machines, but also include table games, keno, and sports betting. In addition, we receive a significant amount of revenue from our hotels and our food and beverage outlets. We also derive revenues from our golf course at Rising Star, our recreational vehicle parks (“RV parks”) as owned at Rising Star and managed at Silver Slipper, our ferry service at Rising Star, and retail outlets and entertainment. We often provide hotel rooms, food and beverages, entertainment, ferry usage, and golf privileges to customers on a complimentary basis; the value of such services is included as revenue in those categories, offset by contra-revenue in the casino revenue category. As a result, the casino revenues in our financial statements reflect patron gaming wins and losses, reduced by the retail value of complimentary services, the value of free play provided to customers, the value of points earned by casino customers that can be redeemed for services or free play, and adjustments for certain progressive jackpots offered by the Company.

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 future periods’ results.

Our market environment is highly competitive and capital-intensive. Nevertheless, there are significant restrictions and barriers to entry vis-à-vis opening new casinos in most of the markets in which we operate. 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

COVID-19 Pandemic Update. The COVID-19 pandemic continues to evolve. Governmental authorities continue to update their precautionary measures and promote vaccination programs to manage the spread of the virus as different variants of the virus surface and subside. We have generally benefited from the gradual relaxation of pandemic-related business restrictions since 2021.

However, the COVID-19 pandemic, and certain precautionary and stimulus measures, have created economic uncertainty both in the United States and globally, as well as significant volatility in, and disruption to, financial markets, labor markets and supply chains. Global supply chain disruptions have resulted in shipping delays, increased shipping costs, supply shortages, and inflationary pressures, including overall increases in prices such as fuel, food, and building materials. These increased costs and supply shortages continued to put additional constraints on our operating business and our construction projects for the three months ended March 31, 2022. We do not know when these cost constraints and supply chain issues will materially alleviate and, accordingly, they may continue to impact our existing business and our construction projects in the near term.

At the same time, government stimulus checks and infrastructure packages can positively affect our businesses. The timing and scale of such packages, however, is inconsistent amongst periods and such government programs are uncertain to continue into the future at the same levels that they have in the past, if at all.

We believe that as the COVID-19 pandemic evolves, the direct and indirect impacts on global macro-economic conditions, as well as conditions specific to us, are becoming more difficult to isolate or quantify. In addition, these direct and indirect factors can make it difficult to isolate and quantify the portion of our costs that are a direct result of the pandemic versus costs arising from factors that may have been influenced by the pandemic, including supply chain constraints, inflationary pressures and increased prices, and changes in the spending pattern of customers. These factors and their effects on our operations may persist for a longer period, even after the COVID-19 pandemic has subsided.

Debt Financing. On February 7, 2022, we closed a private offering of \$100 million aggregate principal amount of additional 8.25% Senior Secured Notes due 2028 (the “Additional Notes”), which sold at a price of 102.0% of such principal amount. Proceeds from the sale of the Additional Notes are being used: (i) to develop, equip and open The Temporary, which we intend to operate while we design and construct the permanent American Place facility, (ii) to pay the transaction fees and expenses of the offer and sale of the Additional Notes and (iii) for general corporate purposes. Also in February 2022, we amended our senior secured revolving credit facility agreement to, among other things, increase its size from \$15.0 million to \$40.0 million. As of this report date, there were no drawn amounts under the Credit Facility and it has been solely used to provide an outstanding standby letter of credit of \$1 million related to the American Place project.

Sports Wagering in Illinois. In May 2022, we entered into an agreement with an affiliate of Circa Sports to jointly develop and manage on-site sportsbooks at both The Temporary and American Place. Circa Sports currently operates at Circa Resort & Casino in Las Vegas, and offers online sports wagering in several states. In addition to the on-site sportsbook, Circa Sports will utilize our expected mobile sports skin in Illinois to conduct Internet sports wagering throughout the state upon the opening of the Temporary, subject to customary regulatory approvals. In exchange for such rights, we received a market access fee of \$5 million in May 2022 and will also receive a percentage of revenues (as defined) totaling at least \$5 million per year, on an annualized basis, once Circa Sports launches its mobile sports skin in Illinois. The term of the agreement is for eight years, with two four-year extension opportunities at the option of Circa Sports.

Key Performance Indicators

We use several key performance indicators to evaluate the operations of our properties. These key operating measures are presented as supplemental disclosures because management uses these measures to better understand period-over-period fluctuations in our casino and hotel operating revenues. These key performance indicators include the following and are disclosed in our discussions, where applicable, for certain jurisdictions on segment performance:

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, and are monitored on a consolidated basis in relation to slot and table game win. Such metrics can be influenced by marketing activity and, since reopening our properties, have not necessarily been indicative of profitability trends.

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 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. Both the win/hold and win/hold percentages are monitored on a consolidated basis in our evaluation of Company performance.

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 gratuitously furnished to customers, are included in the calculation of the hotel occupancy rate.

Adjusted EBITDA, Adjusted Segment EBITDA and Adjusted Segment EBITDA Margin:

Management uses Adjusted EBITDA as a measure of our performance. For a description of Adjusted EBITDA, see “Non-GAAP Financial Measure.” We utilize Adjusted Segment EBITDA, a financial measure in accordance with generally accepted accounting principles in the United States of America (“GAAP”), as the measure of segment profitability in assessing performance and allocating resources at the reportable segment level. For information regarding our operating segments, see Note 10 of our Condensed Notes to Consolidated Financial Statements included in this quarterly report. In addition, we use Adjusted Segment EBITDA Margin, which is calculated by dividing Adjusted Segment EBITDA by the segment’s total revenues.

Results of Operations

Consolidated operating results

The following tables summarize our consolidated operating results for the three-months ended March 31, 2022 and 2021:

<i>(In thousands)</i>	Three Months Ended		(Decrease) / Increase
	March 31,		
	2022	2021	
Revenues	\$ 41,423	\$ 42,208	(1.9)%
Operating expenses	36,120	33,514	7.8 %
Operating income	5,303	8,694	(39.0)%
Interest and other non-operating expenses, net	10,805	11,937	(9.5)%
Income tax (benefit) provision	(5,612)	202	(2,878.2)%
Net income (loss)	\$ 110	\$ (3,445)	103.2 %

<i>(In thousands)</i>	Three Months Ended		(Decrease) / Increase
	March 31,		
	2022	2021	
Casino revenues			
Slots	\$ 25,527	\$ 27,060	(5.7)%
Table games	3,275	3,868	(15.3)%
Other	282	1,136	(75.2)%
	<u>29,084</u>	<u>32,064</u>	<u>(9.3)%</u>
Non-casino revenues, net			
Food and beverage	6,511	6,101	6.7 %
Hotel	2,179	2,211	(1.4)%
Other	3,649	1,832	99.2 %
	<u>12,339</u>	<u>10,144</u>	<u>21.6 %</u>
Total revenues	<u>\$ 41,423</u>	<u>\$ 42,208</u>	<u>(1.9)%</u>

The following discussion is based on our consolidated financial statements for the three-months ended March 31, 2022 and 2021.

Revenues. Consolidated total revenues decreased by 1.9% (or \$0.8 million) primarily due to the absence of government stimulus programs of the same scale as in the prior-year period; adverse hold percentages at two of our properties; the competitive launch of online sports wagering in nearby Louisiana, which adversely affected our in-house sportsbook in Mississippi; and planned construction disruptions at Bronco Billy’s to advance the completion of our Chamonix project. This was, in part, offset by “Other Non-casino Revenues” that included \$2.8 million of revenue related to our Contracted Sports Wagering segment, compared to \$1.0 million in the prior-year period.

Operating Expenses. Consolidated operating expenses increased by 7.8% (or \$2.6 million) primarily due to increases in food and beverage costs, additional professional fees and other expenses related to our growth, as well as reopening costs for The Temporary, which is expected to open in Fall 2022.

See further information within our reportable segments described below.

Interest and Other Non-Operating Expenses.*Interest Expense*

Interest expense consists of the following:

	Three Months Ended	
	March 31,	
<i>(In thousands)</i>	2022	2021
Interest cost (excluding loan fee amortization)	\$ 7,339	\$ 4,431
Amortization of debt issuance costs and discount	438	284
Capitalized interest	(1,378)	(259)
	<u>\$ 6,399</u>	<u>\$ 4,456</u>

The increase in interest expense was primarily due to the February 2022 issuance of the Additional Notes to fund the construction and opening of The Temporary, which is expected to open in Fall 2022. The increase in interest expense was partially offset by an increase in capitalized interest due to the construction of The Temporary and Chamonix.

Other Non-Operating Expenses, Net

For the three-months ended March 31, 2022, we had approximately \$4.4 million of other non-operating expenses, consisting of debt modification costs related to our Additional Notes offering in February 2022. The prior-year period had other non-operating expenses totaling \$7.5 million, including \$6.1 million related to the extinguishment of our Prior Notes and \$1.3 million for the settlement of our former warrants.

Income Tax Expense. We recognized an income tax benefit of approximately \$5.6 million for the three-months ended March 31, 2022, which resulted in an effective income tax rate of 102.0%. For the three-months ended March 31, 2021, we recognized an income tax provision of approximately \$0.2 million, which resulted in an effective income tax rate of (6.2%). The significant change in the effective income tax rate was primarily due to our projections for pre-tax book income in 2022, the effects of tax amortization on indefinite lived intangibles in 2022, valuation allowances, and certain permanent differences between tax and financial reporting purposes. We expect to reverse the tax benefit that was booked, as of March 31, 2022, in future interim periods as pre-tax book income offsets the year-to-date, pre-tax loss.

We do not expect to pay any federal income taxes or receive any federal tax refunds related to our 2022 results. As we have incurred significant losses in prior periods, we anticipate current-year taxable income will be offset by tax loss carryforwards from prior years. Due in part to recent trends in our profitability, we continue to evaluate the ability to realize our deferred tax assets and need for a valuation allowance on a quarterly basis. In accordance with ASC 740, if we continue to have increased profitability in upcoming periods, then management may conclude a reduction in the valuation allowance is necessary by the end of 2022. The valuation allowance, and the potential reversal of such allowance, has no bearing on the taxes actually paid by the Company, or on its actual financial condition.

Operating Results – Reportable Segments

We manage our casinos based primarily on geographic regions within the United States and type of income. For more information, please refer to our earlier discussion within “Executive Overview” above.

The following table presents detail by segment of our consolidated revenues and Adjusted EBITDA; see “Non-GAAP Financial Measure” for additional information. Additionally, management uses Adjusted Segment EBITDA as the measure of segment profitability in accordance with GAAP.

(In thousands)

	Three Months Ended March 31,		(Decrease) / Increase
	2022	2021	
Revenues			
Mississippi	\$ 21,313	\$ 22,356	(4.7)%
Indiana	8,636	8,590	0.5 %
Colorado	4,233	5,905	(28.3)%
Nevada	4,411	4,368	1.0 %
Contracted Sports Wagering	2,830	989	186.1 %
	<u>\$ 41,423</u>	<u>\$ 42,208</u>	<u>(1.9)%</u>
Adjusted Segment EBITDA and Adjusted EBITDA			
Mississippi	\$ 5,950	\$ 7,630	(22.0)%
Indiana	1,138	1,134	0.4 %
Colorado	(319)	1,710	(118.7)%
Nevada	828	1,224	(32.4)%
Contracted Sports Wagering	2,767	976	183.5 %
Adjusted Segment EBITDA	10,364	12,674	(18.2)%
Corporate	(1,967)	(1,905)	3.3 %
Adjusted EBITDA	<u>\$ 8,397</u>	<u>\$ 10,769</u>	<u>(22.0)%</u>
Adjusted Segment EBITDA Margin			
Mississippi	27.9 %	34.1 %	(6.2)pts
Indiana	13.2 %	13.2 %	— pts
Colorado	(7.5)%	29.0 %	(36.5)pts
Nevada	18.8 %	28.0 %	(9.2)pts
Contracted Sports Wagering	97.8 %	98.7 %	(0.9)pts

The following table summarizes the consolidated results of our casino activity by key performance indicators as previously defined:

(In thousands)

	Three Months Ended March 31,		Increase / (Decrease)
	2022	2021	
Slot coin-in	\$ 462,173	\$ 450,276	2.6 %
Slot win	\$ 34,234	\$ 34,582	(1.0)%
Slot hold percentage ⁽¹⁾	7.4 %	7.7 %	(0.3)pts
Table game drop	\$ 19,817	\$ 18,121	9.4 %
Table game win	\$ 3,303	\$ 3,872	(14.7)%
Table game hold percentage ⁽¹⁾	16.7 %	21.4 %	(4.7)pts

(1) The three-year averages for slot hold percentage and table game hold percentage were 7.4% and 20.4%, respectively.

Mississippi

Our Mississippi segment consists of the Silver Slipper Casino and Hotel. Total revenues during the three-months ended March 31, 2022 decreased by 4.7%, primarily due to a decline in casino revenue, which decreased by 8.5% (or \$1.4 million). The prior-year period was the best first quarter in the property's history in terms of casino revenue and total revenue, assisted by the issuance of government stimulus checks to customers during the period due to the COVID-19 pandemic. Slot revenue decreased overall due to a lower slot hold percentage. The quarter was also affected by the competitive launch of online sports wagering within nearby Louisiana, which adversely affected Silver Slipper's sports wagering revenues. On-site sports operations contributed less than 5% of the property's Adjusted Segment EBITDA in 2021. However, on-site sports gaming revenues in the quarter decreased 77% versus the prior-year period.

Non-casino revenue increased by 5.0% (or \$0.3 million) during the quarter, driven by revenues from our food and beverage outlets of 5.3%. Hotel revenues increased 4.4% for the three-months ended March 31, 2022 due to higher average daily room rates. Hotel occupancy for the current period was 93.0%, versus 93.5% in the prior-year period.

Adjusted Segment EBITDA for the three-months ended March 31, 2022 decreased to \$6.0 million, reflecting the launch of online sports wagering in Louisiana as mentioned above, as well as cost increases for food and other supplies. In the prior-year period, Adjusted Segment EBITDA was \$7.6 million.

Indiana

Our Indiana segment consists of Rising Star Casino Resort. Total revenues during the three-months ended March 31, 2022 were flat at \$8.6 million. Increases in slot revenue offset declines in table games revenue, with swings in win percentage affecting both of those factors.

Non-casino revenue increased by 2.4% (or \$45,000) due to increases in food and beverage revenues of \$125,000 that offset decreases in hotel revenues. The decline in hotel revenues was due to relatively flat average daily rates on fewer occupied room-nights. Rising Star had 10,638 occupied room-nights for the first quarter of 2022, compared to 11,592 occupied room-nights for the prior-year period.

Adjusted Segment EBITDA was flat at \$1.1 million for each of the three-months ended March 31, 2022 and 2021. Results in the recent quarter were adversely affected by a low table games hold percentage of 10.1%, versus the three-year average of 17.2%. Conversely, a table games hold percentage of 26.0% in the first quarter of 2021 was meaningfully higher than the three-year average, which benefited results in the prior-year's quarter. As mentioned above, the increase in slot revenue offset the decrease in the table games hold percentage.

Colorado

Our Colorado segment includes Bronco Billy's Casino and Hotel and the Chamonix project. Total revenues during the three-months ended March 31, 2022 decreased by 28.3%, reflecting planned business disruptions to accommodate the construction of Chamonix. These disruptions include the temporary loss of all of the property's on-site parking and all on-site hotel rooms, as well as the temporary loss of portions of the casino. To alleviate the lack of on-site parking, Bronco Billy's currently offers, and incurs the cost of offering, complimentary valet parking, as well as a free shuttle service to an off-site parking lot.

Casino revenue decreased by 31.0% (or \$1.6 million) for the three-months ended March 31, 2022, which was largely due to the construction disruptions mentioned above. Slot revenue declined by 32.8% (or \$1.7 million), while table games revenue rose by 104.8% (or \$73,000). Table games operations were significantly affected in the prior-year period by pandemic-related limitations, while operations in the recent period benefitted from the elimination of betting limits as of May 1, 2021.

Non-casino revenue decreased by 6.0% (or \$38,000) for the three-months ended March 31, 2022 due mostly to declines in ATM and related surcharge income, partially offset by increased food and beverage and hotel revenues.

Adjusted Segment EBITDA for the three-months ended March 31, 2022 decreased by 118.7% to (\$0.3 million). The decrease during the quarter was due to disruptions from the construction of Chamonix as described above, including additional operating expenses related to the operation of our new valet and parking shuttle service.

In addition to construction disruption due to our neighboring Chamonix project, we recently began the staged refurbishment of Bronco Billy's itself. Accordingly, Bronco Billy's contribution to earnings will likely, as expected, be impacted until its new, expanded amenities are completed, which we expect to be in 2023. The market in Cripple Creek is seasonal, favoring the summer months.

Nevada

The Nevada segment consists of the Grand Lodge and Stockman's casinos. Our Nevada operations have historically been seasonal, with the summer months accounting for a disproportionate share of annual revenues. Additionally, snowfall levels during the winter months can often affect operations, as Grand Lodge Casino is located near several major ski resorts. We typically benefit from a "good" snow year, resulting in extended periods of operation at the nearby ski areas.

Total revenues during the three-months ended March 31, 2022 increased by 1.0%, primarily due to higher casino revenue. Slot revenue improved by 6.9% (or \$217,000) due to higher slot hold percentage on higher coin-in at Grand Lodge. However, table games revenue decreased by 20.7% (or \$176,000) due to a 7.2 percentage point decrease in the table games hold percentage on higher table games drop.

Adjusted Segment EBITDA for the three-months ended March 31, 2022 decreased to \$0.8 million, reflecting adverse table games hold and an increase in labor costs. Adjusted Segment EBITDA was \$1.2 million in the prior-year period.

Contracted Sports Wagering

The Contracted Sports Wagering segment consists of our on-site and online sports wagering skins in Colorado, Indiana and, upon launch, Illinois.

For the three-months ended March 31, 2022, revenues and Adjusted Segment EBITDA were both \$2.8 million, an increase from \$1.0 million in the prior-year period. These results reflect an additional skin that contractually went live on December 1, 2021, as well as an acceleration of deferred revenue for two agreements that will cease operations in May 2022. In the prior-year period, only three skins were in operation. As previously disclosed, in February 2022, one of our contracted parties for sports wagering informed us of its intent to cease operations on May 15, 2022, which will create one available skin in each of Colorado and Indiana. We are currently negotiating with several potential replacement companies, but there can be no assurance that we will be able to replace these agreements on similar terms as our existing agreements.

In May 2022, we entered into an agreement whereby affiliates of Full House and Circa Sports will jointly develop and manage on-site sportsbooks at both The Temporary and American Place. Circa Sports currently operates at Circa Resort & Casino in Las Vegas, and offers online sports wagering in several states. In addition to the on-site sportsbook, Circa Sports will utilize our expected mobile sports skin in Illinois to conduct Internet sports wagering throughout the state. In exchange for such rights, we received a market access fee of \$5 million in May 2022 and will also receive payments totaling at least \$5 million per year, on an annualized basis, once Circa Sports launches its mobile sports skin in Illinois, pending customary regulatory approvals. The term of the agreement is for eight years, with two four-year extension opportunities at the option of Circa Sports.

Corporate

Corporate expenses for the three-months ended March 31, 2022 rose by 3.3% (or \$62,000) primarily due to additional professional fees and other expenses related to our growth. Segment expenses were \$2.0 million and \$1.9 million for the first quarters of 2022 and 2021, respectively.

Non-GAAP Financial 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 share-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 Cash Flow) is utilized in the covenants within our credit facility, 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 income (loss) and operating income to Adjusted EBITDA:

<i>(In thousands)</i>	Three Months Ended	
	March 31,	
	2022	2021
Net income (loss)	\$ 110	\$ (3,445)
Income tax (benefit) provision	(5,612)	202
Interest expense, net of amounts capitalized	6,399	4,456
Loss on modification and extinguishment of debt	4,406	6,134
Adjustment to fair value of warrants	—	1,347
Operating income	5,303	8,694
Project development costs	165	47
Preopening costs	786	—
Depreciation and amortization	1,792	1,800
Loss on disposal of assets, net	8	104
Stock-based compensation	343	124
Adjusted EBITDA	<u>\$ 8,397</u>	<u>\$ 10,769</u>

The following tables present reconciliations of operating income (loss) to Adjusted Segment EBITDA and Adjusted EBITDA.

Three Months Ended March 31, 2022
(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments							
Mississippi	\$ 5,251	\$ 692	\$ 7	\$ —	\$ —	\$ —	\$ 5,950
Indiana	558	580	—	—	—	—	1,138
Colorado	(662)	342	1	—	—	—	(319)
Nevada	683	145	—	—	—	—	828
Contracted Sports Wagering	2,767	—	—	—	—	—	2,767
	<u>8,597</u>	<u>1,759</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,364</u>
Other operations							
Corporate	(3,294)	33	—	165	786	343	(1,967)
	<u>\$ 5,303</u>	<u>\$ 1,792</u>	<u>\$ 8</u>	<u>\$ 165</u>	<u>\$ 786</u>	<u>\$ 343</u>	<u>\$ 8,397</u>

Three Months Ended March 31, 2021
(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Project Development Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments						
Mississippi	\$ 6,948	\$ 660	\$ 22	\$ —	\$ —	\$ 7,630
Indiana	518	616	—	—	—	1,134
Colorado	1,281	347	82	—	—	1,710
Nevada	1,085	139	—	—	—	1,224
Contracted Sports Wagering	976	—	—	—	—	976
	<u>10,808</u>	<u>1,762</u>	<u>104</u>	<u>—</u>	<u>—</u>	<u>12,674</u>
Other operations						
Corporate	(2,114)	38	—	47	124	(1,905)
	<u>\$ 8,694</u>	<u>\$ 1,800</u>	<u>\$ 104</u>	<u>\$ 47</u>	<u>\$ 124</u>	<u>\$ 10,769</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables for the three-month period ended March 31, 2022 and 2021 included facility rents related to: (i) Mississippi of \$0.5 million during 2022 and \$0.6 million during 2021, (ii) Nevada of \$0.5 million during each of 2022 and 2021, and (iii) Colorado of \$0.2 million during each of 2022 and 2021.

Liquidity and Capital Resources

Cash Flows

As of March 31, 2022, we had \$319.5 million of cash and equivalents, including \$210.5 million of restricted cash dedicated to the construction of Chamonix. We estimate that between approximately \$7 million and \$9 million of cash is used in our current day-to-day operations, including on-site cash in our slot machines, change and redemption kiosks, and cages. We believe that current cash balances, together with the available borrowing capacity under our revolving credit facility and cash flows from operating activities, will be sufficient to meet our liquidity and capital resource needs for the next 12 months of operations, including construction activities.

Cash flows – operating activities. On a consolidated basis, cash used in operations during the three-months ended March 31, 2022 was \$8.0 million, compared to cash provided by operations of \$8.3 million in the prior-year period. 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. Comparing the 2022 and 2021 periods, our operating cash flows decreased due in part to working capital changes.

Cash flows – investing activities. On a consolidated basis, cash used in investing activities during the three-months ended March 31, 2022 was \$31.9 million, which primarily related to capital expenditures for Chamonix and The Temporary. Cash used in investing activities during the prior-year period was \$3.4 million, which primarily related to the purchase of Carr Manor and other land parcels related to our Chamonix project.

Cash flows – financing activities. On a consolidated basis, cash provided by financing activities during the three-months ended March 31, 2022 was \$94.1 million, compared to cash provided by financing activities of \$235.4 million in the prior-year period. In February 2022, we received \$102.0 million of gross proceeds from the issuance of our Additional Notes to develop The Temporary while American Place is under construction. In February and March 2021, respectively, we received \$310.0 million of gross proceeds from the issuance of our 2028 Notes and gross proceeds of \$46.0 million through our underwritten equity offering. These cash inflows in 2021 were offset by the payoff of the Prior Notes along with related prepayment premiums, the redemption of our former warrants, and expenses related to our debt and equity offerings.

Other Factors Affecting Liquidity

We have significant outstanding debt and contractual obligations, in addition to planned capital expenditures related to the construction of Chamonix, The Temporary, and American Place. Our principal debt matures in February 2028. Certain planned capital expenditures designed to grow the Company, such as the permanent American Place facility and the potential expansion of Silver Slipper, may require additional financing and/or temporarily reduce the Company's ability to repay debt.

Our operations are subject to financial, economic, competitive, regulatory and other factors, many of which are beyond our control. Such factors include the potential effects of COVID-19 and its variants. The extent to which our liquidity in future periods may be affected by COVID-19 and its variants may largely depend on future developments. Such future developments are highly uncertain and cannot be accurately predicted at this time, as discussed under "*Recent Developments*."

Debt

Long-term Debt. At March 31, 2022, we had \$410.0 million of principal indebtedness outstanding under the Notes, and no drawn amounts under the Credit Facility or outstanding letters of credit. We also owe \$3.2 million related to our finance lease of a hotel at Rising Star.

See Note 5 of our Condensed Notes to Consolidated Financial Statements included in this quarterly report for details on our debt obligations.

Other

Capital Investments. In addition to normal maintenance capital expenditures, we continue to make significant capital investments related to the construction of Chamonix, The Temporary and American Place.

Chamonix. In January 2021, we increased the size of the Chamonix project's hotel capacity by 67%, to approximately 300 luxury guest rooms and suites from our previously planned 180 guest rooms. We also revised our construction budget for Chamonix in January 2022, increasing it from \$180 million to approximately \$250 million, reflecting supply chain issues, inflation, and a difficult construction environment. To fund Chamonix's construction, we issued our 2028 Notes and placed a portion of such proceeds into a restricted cash account dedicated to Chamonix's construction (see Note 5 of our Condensed Notes to Consolidated Financial Statements included in this quarterly report for details on our debt obligations). We expect to invest approximately \$125 million in 2022 and approximately \$100 million in 2023, with an expected opening of Chamonix in the second quarter of 2023.

American Place. We were selected by the IGB to develop and operate American Place in Waukegan, Illinois. While the larger permanent facility is under construction, we will operate The Temporary by American Place. In advance of The Temporary's expected opening in Fall 2022, pending customary regulatory approvals, we plan to invest approximately \$100 million throughout 2022 to furnish, outfit and open the property, including significant upfront gaming license payments and the purchase of slot machines and other equipment that are expected to be transferred to the permanent casino once opened. To fund such construction, in February 2022, we issued \$100.0 million of Additional Notes and increased the size of our revolving credit facility to \$40.0 million (see Note 5 of our Condensed Notes to Consolidated Financial Statements included in this quarterly report for details on our debt obligations).

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.

Hyatt Owner's Option to Purchase our Leasehold Interest and Related Assets. Our lease with the owner of the Hyatt Lake Tahoe to operate the Grand Lodge Casino contains an option for the lessor to purchase our leasehold interest and related casino operating assets. See Note 3 to the accompanying consolidated financial statements for further information.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of 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 are material to investors.

Critical Accounting Estimates and Policies

We describe our critical accounting estimates and policies in Note 2, Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2021. We also discuss our critical accounting estimates and policies in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Form 10-K for the year ended December 31, 2021. There has been no significant change in our estimation methods since the end of 2021.

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 can be identified by use of terms such as “believes,” “expects,” “anticipates,” “estimates,” “plans,” “intends,” “objectives,” “goals,” “aims,” “projects,” “forecasts,” “future,” “possible,” “seeks,” “may,” “could,” “should,” “will,” “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.” Examples of forward-looking statements include, among others, statements we make regarding our plans, beliefs or expectations regarding our growth strategies; the impact of the coronavirus (COVID-19) pandemic; our expected construction budgets, estimated commencement and completion dates, expected amenities, and our expected operational performance for Chamonix, The Temporary, and American Place; 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 contracts with third-party providers, including the expected revenues and expenses and our expectations regarding our ability to replace our terminated sports wagering contracts in Colorado and Indiana and the expected commencement date of our sports wagering contract in Illinois; our ability to obtain the casino license for the Temporary and American Place; 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; anticipated sources of funds; anticipated or potential legislative actions; 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.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, those risks discussed in Part I, Item 1A—Risk Factors and throughout Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of our Annual Report on Form 10-K for the year ended December 31, 2021, and in Part II, Item 1A—Risk Factors and elsewhere of this Form 10-Q. In addition, you should consult other disclosures made by us (such as in our other filings with the SEC or in company press releases) for other factors that may cause actual results to differ materially from those projected by us. You should read this Form 10-Q, and the documents that we reference in this Form 10-Q and have filed with the SEC, and our Annual Report on Form 10-K for the year ended December 31, 2021, with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

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 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures — As of March 31, 2022, 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, as of March 31, 2022, 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 SEC 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 Securities and Exchange 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.

Changes in Internal Control Over Financial Reporting — There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. 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 final outcome of these matters will have a material adverse effect on our consolidated financial position or results of operations. We maintain what we believe is adequate insurance coverage to further mitigate the risks of such proceedings.

Item 1A. Risk Factors

There were no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”). The continuing COVID-19 pandemic, including the emergence of new variants, has heightened, and in some cases manifested, certain of the risks we normally face in our business, including those disclosed in the Annual Report.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Employment Agreement, dated April 11, 2022, between Full House Resorts, Inc. and John Ferrucci
31.1*	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
31.2*	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
32.1**	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
32.2**	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
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FULL HOUSE RESORTS, INC.

Date: May 10, 2022

By: /s/ DANIEL R. LEE
Daniel R. Lee
Chief Executive Officer
(on behalf of the Registrant and as principal executive officer)

Date: May 10, 2022

By: /s/ LEWIS A. FANGER
Lewis A. Fanger
Chief Financial Officer
(on behalf of the Registrant and as principal financial officer and as principal accounting officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made effective as of 11th day of April, 2022 (the "Effective Date") by and between FULL HOUSE RESORTS, INC., a Delaware corporation ("Company"), and JOHN FERRUCCI, an individual ("Executive"), with respect to the following facts and circumstances:

RECITALS

Company desires to retain Executive as Senior Vice President and Chief Operating Officer ("COO") of Company on the terms and conditions set forth herein. Executive desires to be retained by Company in such capacity, on the terms and conditions and for the consideration set forth below.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE 1

EMPLOYMENT AND TERM

1.1 Employment; Position. Company agrees to engage Executive in the capacity as Senior Vice President & COO of Company, and Executive hereby accepts such engagement by Company upon the terms and conditions specified below. Executive also agrees to serve in the capacity of General Manager of the Company's subsidiary Silver Slipper Casino Venture LLC d/b/a Silver Slipper Casino Hotel ("Silver Slipper").

1.2 Term. The term of this Agreement shall commence on the date hereof and shall continue in force until April 11, 2025, or such earlier date that Executive's employment is terminated under Article 6 below (such period referred to herein as the "Term"). Executive's employment hereunder is terminable at will by Company or by Executive at any time (for any reason or for no reason), subject to the provisions of Article 6 below.

ARTICLE 2

DUTIES OF EXECUTIVE

2.1 Duties. Executive shall perform all the duties and obligations generally associated with the position of Senior Vice President and COO, subject to the control and supervision of the Chief Executive Officer, and such other executive duties consistent with the foregoing as may be assigned to him from time to time by the Chief Executive Officer of Company. Executive shall report to the Chief Executive Officer and shall be appointed by the Board of Directors ("Board") as an executive officer of the Company at all times during the Term. Executive shall perform the services contemplated herein faithfully, diligently, to the best of his ability and in the best interests of Company. Executive shall devote all his business time and efforts to the rendition of such services, subject to and as provided in Section 2.3 below. Executive shall, at all times, perform such services in compliance with, and to the extent of his authority, shall to the best of his ability cause the Company to be in compliance with, any and all laws, rules and regulations applicable to Company of which Executive is aware. Executive may rely on Company's counsel, outside counsel, and other appropriate professional advisors in connection with such matters. Executive shall, at all times during the Term, in all material respects adhere to and obey any and all written internal rules and regulations governing the conduct of Company's employees, as established or modified from time to time; provided, however, in the event of any conflict between the provisions of this Agreement and any such rules or regulations, the provisions of this Agreement shall control.

2.2 Location of Services. Executive shall be permitted to maintain his principal place of employment at Company's operations located in Bay St. Louis, Mississippi. Executive understands he will be required to routinely travel to Company's various operations and corporate office as part of his employment. Such locations include but are not limited to: Cripple Creek, Colorado; Rising Sun, Indiana; Waukegan, Illinois; Bay St. Louis, Mississippi; Fallon, Nevada; Incline Village, Nevada; Las Vegas, Nevada.

2.3 Exclusive Service. Except as otherwise expressly provided herein, Executive shall devote his entire business time, attention, energies, skills, learning and best efforts to the business of Company. Executive may participate in social, civic, charitable, religious, business, educational or professional associations and serve on the boards of directors of companies, so long as such participation does not materially interfere with the duties and obligations of Executive hereunder. This Section 2.3, however, shall not be construed to prevent Executive from making passive outside investments so long as such investments do not require material time of Executive or otherwise interfere with the performance of Executive's duties and obligations hereunder. Executive shall not make any investment in an enterprise that competes with Company without the prior written approval of the Company after full disclosure of the facts and circumstances; provided, however, that this sentence shall not preclude Executive from owning up to one percent (1%) of any class of the securities of a publicly-traded entity (a "Permissible Investment"). During the Term, Executive shall not directly or indirectly work for or provide services to or, except as permitted above, own an equity interest in any person, firm or entity engaged in the casino gaming, card club or horse racing business. In this regard, Executive acknowledges that the gaming industry is national in scope and that accordingly this covenant shall apply throughout the United States.

2.4 Licensing. Executive shall apply for all applicable gaming licenses within the time periods required by the applicable gaming regulatory bodies governing the jurisdictions in which the Company and its subsidiaries do business. Executive shall comply with all licensing requirements and Company policies governing the same. Company shall bear all expenses incurred in connection with such applications and licenses.

ARTICLE 3

COMPENSATION

3.1 Salary. In consideration for Executive's services hereunder, Company shall pay Executive an annual base salary (the "Base Salary") at the rate of four hundred thousand dollars and zero cents (\$400,000.00) per year, payable in accordance with Company's regular payroll schedule from time to time, but no less often than monthly (and less any deductions required for Social Security, state, federal and local withholding taxes, and any other authorized or mandated withholdings). During the Term, Executive may be eligible for annual review and merit increase of Executive's Base Salary; however, such merit increase of Base Salary is not guaranteed and should the Company determine that Executive shall not receive a merit increase for such applicable year, such decision shall not constitute a material breach by the Company.

3.1.5 Salary True Up. The Company recognizes Executive's appointment by the Company's Board of Director was on February 16, 2022, subject to execution of this Agreement. In recognition of the delay in entering into this Agreement, the Company hereby agrees to pay Executive a one-time lump sum payment (less any deductions required for Social Security, state, federal and local withholding taxes, and any other authorized or mandated withholdings) of the incremental difference between Executive's salary in effect at the time of entering this Agreement and the new salary of \$400,000.00 provided herein in Section 3.1, pro-rated for the period of time between Executive's appointment as COO and the effective date of this Agreement.

3.2 Bonus. Executive may be eligible to earn cash bonuses with respect to each year of the Term during which Executive is employed under this Agreement (an "Annual Bonus"), in an amount determined at the discretion of its Board of Directors or its Compensation Committee, in consultation with the Chief Executive Officer, as applicable, based on the performance of Company and Executive. The Board or its Compensation Committee may take into consideration in determining such Annual Bonus some or all of the following: Company's overall profitability and such profitability relative to its peers; the strategic planning for Company and the progress in executing such plans; the sales, profitability, relative performance and maintenance of each of Company's properties and their market position; Company's return on invested capital and return on equity; relationships with regulators, employees and the communities in which Company operates; execution of construction or refurbishment projects, if any, in terms of the resultant improvements to the business and the timing and cost of such projects; the succession planning and organizational development of its executives and employees; Executive's overall compensation relative to his peers; and any other factors that the Board or its Compensation Committee determines to be appropriate. Subject to Section 6.5.3(b) hereof, payment of any Annual Bonus(es), to the extent any Annual Bonus(es) become payable, will be contingent upon Executive's continued employment through the applicable payment date, which shall occur on the date on which Annual Bonuses are paid generally to Company's senior executives (provided that such bonuses shall in any event be paid no later than March 15 of the year following the year in which the Annual Bonus was earned).

3.3 Stock Compensation. Executive shall be eligible to participate in the Employer's 2015 Equity Incentive Plan, as amended ("Equity Plan") at a level that is commensurate with the position and comparable to that of other executive officers of the Company, which shall be determined in the sole discretion of the Company's Compensation Committee. Stock compensation is not guaranteed and should Executive not receive any stock compensation through the 2015 Equity Plan for such applicable year, such decision shall not constitute a material breach by the Company. Executive's rights with respect to any Change of Control shall be dictated by the terms of the Equity Plan, as defined therein. Executive further understands that all decisions relating to stock awards may only be made by the Company Compensation Committee and that there is no guarantee that it will accept recommendations made by the Company CEO. Executive expressly acknowledges that failure of the Company Compensation Committee to award stock options is not a breach of this Agreement.

ARTICLE 4

EXECUTIVE BENEFITS

4.1 Vacation. Executive shall be entitled to four (4) weeks' vacation each calendar year, without reduction in compensation. In the year of termination or expiration of the contract, Executive shall be entitled to the same four (4) weeks of vacation per year on a pro rata basis.

4.2 Company Employee Benefits. Executive shall be eligible to participate in all employment benefits, including all group insurance for medical, dental, vision, life, disability and pension plan benefits and any other benefits on the same basis as they are available generally to other senior executives of Company under Company personnel policies in effect from time to time. In the event that Company's group health plan or Executive's alternative medical coverage not provided by the Company (and elected by Executive in his sole discretion) does not cover the annual physical examination of Executive and Executive's spouse at the clinic of Executive's choice, Company shall bear the cost of such examinations. Additionally, the Company shall bear reasonable travel costs, at a clinic of Executive's choice.

4.2.5 Life and Disability Insurance. Subject to Executive satisfying any medical underwriting requirements (including any required physical examinations), Company shall use its reasonable business efforts to obtain and maintain in full force and effect during the Term, term life insurance issued by an insurance company(s) covering the life of Executive for the benefit of his designated beneficiary(s) in the amount of \$400,000 and long-term disability insurance providing for a single sum disability payment in an amount equal to \$400,000 (collectively, the "Insurance Policies"). In the event Executive desires to maintain Insurance Policies in amounts in excess of \$400,000 for each policy provided by the Company, Executive may reimburse the Company for any difference in premium for the increase in said policy.

4.3 [Reserved].

4.4 Indemnification. Executive shall have the benefit of indemnification to the fullest extent permitted by applicable law, which indemnification shall continue after the termination of this Agreement (for any reason) for such period as may be necessary to continue to indemnify Executive for his acts during the term hereof. Company shall defend Executive in connection with any such claims and shall reimburse Executive's directly incurred defense costs. Company shall cause Executive to be covered by the current policies of director and officer liability insurance covering directors and officers of Company, copies of which have been provided to Executive, in accordance with their terms, to the maximum extent of the coverage available for any director or officer of Company. Company shall use commercially reasonable efforts to cause the current policies of directors and officers liability insurance covering directors and officers of Company to be maintained throughout the Term and for such period thereafter as may be necessary to continue to cover acts of Executive during the term of his employment (provided that Company may substitute therefor, or allow to be substituted therefor, policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to the insured in any material respect).

ARTICLE 5

REIMBURSEMENT FOR EXPENSES

5.1 Executive shall be reimbursed by Company for all ordinary and necessary expenses incurred by Executive in the performance of his duties or otherwise in furtherance of the business of Company in accordance with the policies of Company in effect from time to time. Executive shall keep accurate and complete records of all such expenses, including but not limited to, proof of payment and purpose.

ARTICLE 6

TERMINATION

6.1 Termination for Cause or without Cause. Company shall have the right to terminate Executive's employment for Cause or without Cause. Each of the following events shall constitute Cause.

6.1.1 Failure to Perform Duties. If neglects to perform the material duties of his employment under this Agreement in a professional and businesslike manner after having received written notice specifying such failure to perform and after the expiration following such notice of a period providing a reasonable opportunity to perform such duties (or as soon thereafter as practicable so long as Executive commences effectuation of such remedy within such time period and diligently pursues such remedy to completion as soon as possible).

6.1.2 Willful Breach. If Executive willfully commits a material breach of this Agreement or a material willful breach of his fiduciary duty to Company.

6.1.3 Wrongful Acts. If Executive is convicted of a felony involving acts of moral turpitude or commits fraud, misrepresentation, embezzlement, or other acts of material misconduct against Company (including violating or condoning the violation of any material rules or regulations of gaming authorities which could have a material adverse effect on Company) that would make the continuance of his employment by Company materially detrimental to Company.

6.1.4 Disability. If Executive is physically or mentally disabled from the performance of a major portion of his duties for a continuous period of 120 days or greater, which determination shall be made in the reasonable exercise of Company's judgment, provided, however, if Executive's disability is the result of a serious health condition as defined by the federal Family and Medical Leave Act or any equivalent, applicable state law ("FMLA"), Executive's employment shall not be terminated due to such disability at any time during or after any period of FMLA-qualified leave except as permitted by FMLA. If there should be a dispute between Company and Executive as to Executive's physical or mental disability for purposes of this Agreement, the question shall be settled by the opinion of an impartial reputable physician or psychiatrist agreed upon by the parties or their representatives, or if the parties cannot agree within ten days after a request for designation of such party, then a physician or psychiatrist designated by the Clark County Medical Association or equivalent association located in metropolitan area of New Orleans, Louisiana or Gulfport, Mississippi. The certification of such physician or psychiatrist as to the questioned dispute shall be final and binding upon the parties hereto.

6.1.5 Failure To Be Licensed. If Executive fails to be licensed in all jurisdictions in which Company or its subsidiaries has gaming facilities within the date required by any gaming regulatory body in such jurisdiction, or if any of such licenses shall be revoked or suspended at any time during the Term, then Company may by written notice to Executive terminate the Agreement for Cause.

6.1.6 Executive dies.

6.2 [Reserved].

6.3 Termination by Executive. Executive shall have the right to terminate Executive's employment under this Agreement at any time without Good Reason by giving notice of such termination to Company. In addition, Executive may terminate his employment under this Agreement on thirty (30) days prior notice to Company for Good Reason. For purposes of this Agreement, "Good Reason" shall mean and be limited to a material breach of this Agreement by Company (including without limitation any material reduction in the compensation, authority or duties of Executive in which Executive is no longer a Senior Vice President and Chief Operating Officer of a publicly-held company and the failure of Company to remedy such breach within thirty (30) days after written notice (or as soon thereafter as practicable so long as it commences effectuation of such remedy within such time period and diligently pursues such remedy to completion as soon as possible). Executive and Company acknowledge and agree that should Executive no longer hold the title of Silver Slipper's General Manager or hold the same scope of authority and responsibilities as General Manager, such change in title and/or responsibilities shall not constitute "Good Reason," and all other provisions of this Agreement remain in effect.

6.4 Effectiveness on Notice. Any termination under this Section 6 (other than death) shall be effective upon receipt of notice by Executive or Company, as the case may be, of such termination or upon such other later date as may be provided herein or specified by Company or Executive in the notice, except as otherwise provided in this Section 6.

6.5 Effect of Termination.

6.5.1 Payment of Salary and Expenses Upon Termination. If Executive's employment with Company terminates for any reason, the Term shall terminate concurrently therewith, and Company shall pay or cause to be paid to Executive (or his beneficiary upon death) all earned but unpaid salary and benefits (if any) through the Termination Date (as defined below), payable within thirty (30) days following the Termination Date, or such earlier date as required by applicable law. In addition, promptly upon submission by Executive of his unpaid expenses incurred prior to the Termination Date and owing to Executive pursuant to Article 5, reimbursement for such expenses shall be made. In addition, Company shall make all payments and fulfill its obligations provided in Section 4.4.

6.5.2 Termination for Cause. If Executive's employment and the Term of this Agreement are terminated for "Cause," Executive shall not be entitled to receive any payments other than as specified in Section 6.5.1; provided that Executive may exercise any vested options and receive any benefits described in Section 6.5.2(a).

(a) Termination for Disability or Death. In the event of a termination under Section 6.1.4 (for disability) or 6.1.6 (for death), Executive shall receive the benefits under the life and long-term disability insurance policies which Company provides pursuant to Section 4.2.5. Eligibility and benefits regarding either insurance program shall be governed by the provisions of the insurance program or policy and shall not be the responsibility of Company except that Company has the obligation to purchase such insurance and make payments such that the policies remain effective during the Term. In addition to those already vested, each outstanding, unvested Company stock option held by Executive shall conditionally vest and become exercisable with respect to the number of shares underlying each such option that would have vested over the one-year period immediately following the Termination Date, had Executive remained employed by Company during such one-year period. In the event of a termination under Section 6.1.4, the "Covenant Not to Compete" set forth in Section 7.3 below shall not apply in any respect to Executive and the term of the "No Hire Away Policy" in Section 7.4 shall be limited to six months from the date of termination.

6.5.3 Termination Without Cause or Termination by Executive for Good Reason. If Company terminates Executive's employment without Cause or Executive terminates his employment for Good Reason, then following Executive's Separation from Service (as defined below) (such date, the "Termination Date"), in each case subject to and conditioned upon compliance with Section 6.8 below (in addition to amounts payable under Section 6.5.1 above):

(a) Cash Severance. Executive shall be entitled to receive an amount equal to the sum of (i) an amount equal to the average Annual Bonus earned by Executive with respect to two (2) years immediately preceding the calendar year in which the Termination Date occurs, adjusted pro rata for the portion of the year worked by Executive between the immediately preceding January 1 and the Termination Date, and (ii) one (1) year's Base Salary (collectively, the "Severance"), payable in substantially equal installments in accordance with Company's normal payroll procedures during the period commencing on the date of Executive's "separation from service" from Company (within the meaning of Section 409A (as defined below) (a "Separation from Service") and ending on the first anniversary of the Termination Date provided, that no Severance payments shall be made prior to the first payroll date occurring on or after the thirtieth (30th) day following the date of such Separation from Service (such payroll date, the "First Payroll Date") (with amounts otherwise payable prior to the First Payroll Date paid on the First Payroll Date without interest thereon); provided, further, that if a Change in Control that constitutes a "change in control event" within the meaning of Section 409A occurs within six (6) months before the Termination Date, the amounts payable under this Section 6.5.3(a) shall be paid in a lump-sum on the First Payroll Date.

(b) Prior Year Bonus. Executive shall be entitled to receive any unpaid Annual Bonus to which Executive would have become entitled for the calendar year of Company that ends prior to the calendar year in which the Termination Date occurs had Executive remained employed through the payment date, payable in a single lump-sum payment on the date on which annual bonuses are paid to Company's senior executives generally for such calendar year, but in no event later than March 15th of the calendar year immediately following the calendar year in which the Termination Date occurs, with the actual date within such period determined by Company in its sole discretion.

(c) Benefits. Executive will also be entitled to receive health benefits coverage for Executive and his dependents, and life and disability insurance coverage for Executive, under the same or comparable plan(s) or arrangement(s) under which Executive was covered immediately before his termination of employment. Such health benefits and insurance coverage shall be paid for by Company to the same extent as if Executive were still employed by Company, and Executive will be required to make such payments as Executive would be required to make if Executive were still employed by Company. The benefits provided under this Section 6.5.3(c) shall continue until the earlier of (1) the first anniversary of the Termination Date or (2) the date Executive becomes covered or is eligible to be covered under any other group health plan or group disability plan (as the case may be) not maintained by Company or any of its subsidiaries; provided, however, that if such other group health plan excludes any pre-existing condition that Executive or Executive's dependents may have when coverage under such group health plan would otherwise begin, coverage under this Section 6.5.3(c) shall continue (but not beyond the period described in clause (1) of this sentence) with respect to such pre-existing condition until such exclusion under such other group health plan lapses or expires. In the event Executive is required to make an election under Sections 601 through 607 of the Employee Retirement Income Security Act of 1974, as amended (commonly known as COBRA) to qualify for the benefits described in this Section 6.5.3(c), the obligations of Company and its subsidiaries under this Section 6.5.3(c) shall be conditioned upon Executive's timely making such an election. Notwithstanding anything to the contrary contained herein, if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) Company is otherwise unable to continue to cover Executive under its group health plans without incurring penalties (including without limitation, pursuant to Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments over the continuation coverage period (or the remaining portion thereof). In addition, Company shall continue to maintain each Insurance Policy until the first anniversary of the Termination Date.

(d) [Reserved].

(e) The "Covenant Not to Compete" set forth in Section 7.3 below shall not apply in any respect to Executive (except as the same may affect his entitlement to payments under Section 6.5.3(a) hereof) and the term of the "No Hire Away Policy" in Section 7.4 shall be limited to six months from the Termination Date.

Notwithstanding the foregoing, it shall be a condition to Executive's right to receive the amounts provided for in Sections 6.5.3(a) – (d) hereof that Executive (or Executive's estate or beneficiaries, if applicable) execute and deliver to Company an effective release of claims in substantially the form attached hereto as Exhibit A (the "Release") within twenty-one (21) days (or, to the extent required by law, forty-five (45) days) following the Termination Date and that Executive (or Executive's estate or beneficiaries, if applicable) not revoke such Release during any applicable revocation period. In addition, Company shall execute a general release of claims in substantially the form attached hereto as Exhibit B. Should Executive compete with Company or its subsidiaries prior to the end of first anniversary of the Termination Date in a manner that would have violated Section 7.3 but for the effect of Section 6.5.3(e), Executive shall not be entitled to receive any additional payments from Company under this Section 6.5.3 with respect to periods after the commencement of any such competitive activity or otherwise and all such remaining obligations shall be extinguished.

6.6. Suspension. In lieu of terminating Executive's employment hereunder for Cause under Section 6.1, Company shall have the right, at its sole election, to suspend the performance of duties by Executive under this Agreement during the continuance of events or circumstances under Section 6.1 for an aggregate of not more than 30 days during the Term (the "Default Period") by giving Executive written notice of Company's election to do so at any time during the Default Period. Company shall have the right to extend the Term beyond its normal expiration date by the period(s) of any suspension(s). Company's exercise of its right to suspend the operation of this Agreement shall not preclude Company from subsequently terminating Executive's employment hereunder. Executive shall not render services to any other person, firm or corporation in the casino business during any period of suspension. Executive shall be entitled to continued compensation and benefits pursuant to the provisions of this Agreement during the Default Period.

6.7. [Reserved].

6.8. Six-Month Delay. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments or benefits payable under Section 6.5.3 hereof, shall be paid to Executive during the six (6)-month period following Executive's Separation from Service if Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"). If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of Executive's death), Company shall pay Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such period.

ARTICLE 7

CONFIDENTIALITY

7.1. Nondisclosure of Confidential Material. In the performance of his duties, Executive may have access to confidential records, including, but not limited to, legal matters, contractual agreements, development, marketing, organizational, financial, managerial, administrative and sales information, data, specifications and processes presently owned or at any time hereafter developed or used by Company or its agents or consultants that is not otherwise part of the public domain (collectively, the "Confidential Material"); provided, however, that financial information shall not be considered Confidential Information after the expiration of one year following termination of Executive's employment, and all other information shall not be considered Confidential Information after the expiration of two years following termination of Executive's employment. All such Confidential Material is considered secret and is disclosed to Executive in confidence. Executive acknowledges that the Confidential Material constitutes proprietary information of Company which draws independent economic value, actual or potential, from not being generally known to the public or to other persons who could obtain economic value from its disclosure or use, and that Company has taken efforts reasonable under the circumstances, of which this Section 7.1 is an example, to maintain its secrecy. Except in the performance of his duties to Company or as required by a court order, Executive shall not, directly or indirectly for any reason whatsoever, disclose, divulge, communicate, use or otherwise disclose any such Confidential Material, unless such Confidential Material ceases to be confidential because it has become part of the public domain (not due to a breach by Executive of his obligations hereunder). Executive shall also take all reasonable actions appropriate to maintain the secrecy of all Confidential Information. All records, lists, memoranda, correspondence, reports, manuals, files, drawings, documents, equipment, and other tangible items (including computer software), wherever located, incorporating the Confidential Material, which Executive shall prepare, use or encounter, shall be and remain Company's sole and exclusive property and shall be included in the Confidential Material. Upon termination of this Agreement, or whenever requested by Company or discovered by Executive, Executive shall promptly use his best efforts to deliver to Company any and all of the Confidential Material, not previously delivered to Company, that is in the possession or under the control of Executive. Provided that Executive returns all Confidential Materials as required by this provision, this provision shall not apply to the use by Executive of information that Executive knows or has learned in the course of his employment by Company and that Executive cannot avoid using in the course of his duties in any subsequent employment.

7.2 Assignment of Intellectual Property Rights. Any ideas, processes, know-how, copyrightable works, mask works, trade or service marks, trade secrets, inventions, developments, discoveries, improvements and other matters that may be protected by intellectual property rights, that relate to Company's business and are the results of Executive's efforts during the Term (collectively, the "Executive Work Product"), whether conceived or developed alone or with others, and whether or not conceived during the regular working hours of Company, shall be deemed works made for hire and are the property of Company. In the event that for whatever reason such Executive Work Product shall not be deemed a work made for hire, Executive agrees that such Executive Work Product shall become the sole and exclusive property of Company, and Executive hereby assigns to Company his entire right, title and interest in and to each and every patent, copyright, trade or service mark (including any attendant goodwill), trade secret or other intellectual property right embodied in Executive Work Product. Company shall also have the right, in its sole discretion to keep any and all of Executive Work Product as Company's Confidential Material. The foregoing work made for hire and assignment provisions are and shall be in consideration of this agreement of employment by Company, and no further consideration is or shall be provided to Executive by Company with respect to these provisions. Executive agrees to execute any assignment documents Company may require confirming Company's ownership of any of Executive Work Product. Executive also waives any and all moral rights with respect to any such works, including without limitation any and all rights of identification of authorship and/or rights of approval, restriction or limitation on use or subsequent modifications.

7.3 Covenant Not to Compete. In the event this Agreement is terminated by Company for Cause under Section 6.1 above, or by Executive without Good Reason, then for a period of one (1) year after the Termination Date, Executive shall not, directly or indirectly, work for or provide services to, or own an equity interest (except for a Permissible Investment) in any person, firm or entity engaged in the casino gaming, card club or horse racing business which competes against Company in any "market" in which Company owns, operates or has commenced substantive and ongoing development plans and/or construction plans ("Plans") for a casino, card club or horse racing facility. For purposes of this Agreement, "market" shall be defined as the area within a 75-mile radius (in a straight line) of any casino, card club or horse racing facility owned or operated by Company or in which the Company has developed Plans.

7.4 No Hire Away Policy. In the event this Agreement is terminated prior to the normal expiration of the Term, either by Company for Cause under Section 6.1 above, or by Executive without Good Reason, then for a period of one year after the Termination Date, Executive shall not, directly or indirectly, for himself or on behalf of any entity with which he is affiliated or employed, hire any person known to Executive to be an employee of Company or any of its subsidiaries (or any person known to Executive to have been such an employee within six months prior to such occurrence unless such employee was laid-off or terminated by Company). Executive shall not be deemed to hire any such person so long as he did not directly or indirectly engage in or encourage such hiring.

7.5 Non-Solicitation of Customers. During the Term and for a period of one year thereafter, or for a period of one year after the earlier termination of this Agreement prior to the expiration of the Term, and regardless of the reason for such termination (whether by Company or Executive), Executive shall not use customer lists or Confidential Material to solicit any customers of Company or its subsidiaries or any of their respective casinos or card clubs, or knowingly encourage any such customers to leave Company's casinos or card clubs or knowingly encourage any such customers to use the facilities or services of any competitor of Company or its subsidiaries.

7.6 Irreparable Injury. The promised service of Executive under this Agreement and the other promises of this Article 7 are of special, unique, unusual, extraordinary, or intellectual character, which gives them peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law.

7.7 Remedies for Breach. Executive agrees that money damages will not be a sufficient remedy for any breach of the obligations under this Article 7 and Article 2 hereof and that Company shall be entitled to injunctive relief (which shall include, but not be limited to, restraining Executive from directly or indirectly working for or having an ownership interest (except for a Permissible Investment in any person engaged in the casino, gaming or horse racing businesses) which violates this Agreement) and to specific performance as remedies for any such breach. Executive agrees that Company shall be entitled to such relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of proving actual damages and without the necessity of posting a bond or making any undertaking in connection therewith. Any such requirement of a bond or undertaking is hereby waived by Executive and Executive acknowledges that in the absence of such a waiver, a bond or undertaking might otherwise be required by the court. Such remedies shall not be deemed to be the exclusive remedies for any breach of the obligations in this Article 7 but shall be in addition to all other remedies available at law or in equity.

ARTICLE 8

FEES AND COSTS

8.1 Fees and Costs. The prevailing party in any litigation which results from disagreements between Company and Executive regarding this Agreement, as determined by the courts, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's reasonable costs, expenses, and attorneys' fees. Such reimbursement, however, shall be limited to the lesser of the total amount expended by either party.

ARTICLE 9

MISCELLANEOUS

9.1 Representations. Executive hereby represents and warrants to Company that (a) Executive is entering into this Agreement voluntarily and that the performance of Executive's obligations hereunder will not violate any agreement between Executive and any other person, firm, organization or other entity, and (b) Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by Executive's entering into this Agreement and/or providing services to Company pursuant to the terms of this Agreement. Company represents that Company has all corporate authority and all actions have been taken for it to enter into this Agreement, that this Agreement will not violate the terms of any other material agreements to which it is a party, and that the signatory to this Agreement on Company's behalf has all required corporate authority to bind Company to this Agreement.

9.2 Amendments. The provisions of this Agreement may not be waived, altered, amended or repealed in whole or in part except by the signed written consent of the parties sought to be bound by such waiver, alteration, amendment or repeal.

9.3 Entire Agreement. This Agreement constitutes the total and complete agreement of the parties and supersedes all prior and contemporaneous understandings and agreements heretofore made, and there are no other representations, understandings or agreements; this Agreement specifically supersedes the employment agreement between Executive and Silver Slipper Casino Venture LLC, wherein the Company is the sole member and manager, dated October 1, 2012.

9.4 Counterparts. This Agreement may be executed in one of more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument. Signatures delivered on electronically transmitted documents shall be effective to bind the signatory as though such documents were delivered in physical form.

9.5 Severability. Each term, covenant, condition or provision of this Agreement shall be viewed as separate and distinct, and in the event that any such term, covenant, condition or provision shall be deemed by a court of competent jurisdiction to be invalid or unenforceable, the court finding such invalidity or unenforceability shall modify or reform this Agreement to give as much effect as possible to the terms and provisions of this Agreement. Any term or provision which cannot be so modified or reformed shall be deleted and the remaining terms and provisions shall continue in full force and effect.

9.6 Waiver or Delay. The failure or delay on the part of Company or Executive to exercise any right or remedy, power or privilege hereunder shall not operate as a waiver thereof. A waiver, to be effective, must be in writing and signed by the party making the waiver. A written waiver of default shall not operate as a waiver of any other default or of the same type of default on a future occasion.

9.7 Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the parties to it and their respective heirs, legal representatives, successors and assigns, except as otherwise provided herein.

9.8 No Assignment or Transfer. Neither this Agreement nor any of the rights, benefits, obligations or duties hereunder may be assigned or transferred by Executive or by Company (except that Company may assign this Agreement to any affiliate of Company and this Agreement shall inure to the benefit of and be binding upon any successor of Company which may acquire, directly or indirectly, by merger, consolidation, purchase, or otherwise, all or substantially all of the assets of Company, and Executive may transfer his rights under Section 3.3 and the associated agreements for no consideration in connection with estate planning and in accordance with applicable law). Any prohibited, purported assignment or transfer by Executive shall be void.

9.9 Necessary Acts. Each party to this Agreement shall perform any further acts and execute and deliver any additional agreements, assignments or documents that may be reasonably necessary to carry out the provisions or to effectuate the purpose of this Agreement.

9.10 Governing Law. This Agreement and all subsequent agreements between the parties shall be governed by and interpreted, construed, and enforced in accordance with the laws of the State of Nevada.

9.11 Notices. All notices, requests, demands and other communications to be given under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service, if personally served on the party to whom notice is to be given, or 4 days after mailing, if mailed to the party to whom notice is to be given by certified or registered mail, return receipt requested, postage prepaid, and properly addressed to the party at his address set forth as follows or any other address that any party may designate by written notice to the other parties:

To Executive: at Executive's most recent address on the records of Company

To Company:

Full House Resorts, Inc.
Attn: General Counsel
1980 Festival Plaza Drive
#680
Las Vegas, NV 89135
Telephone: 702-221-7800
Facsimile: 702-221-8101

with copy to:
Michael Bonner
Greenberg Traurig LLP
10845 Griffith Peak Drive
Suite 600
Las Vegas, NV 89135
Telephone: 702-510-7720

9.12 Sarbanes-Oxley Act of 2002. Notwithstanding anything herein to the contrary, if Company determines, in its good faith judgment, that any transfer or deemed transfer of funds hereunder is likely to be construed as a personal loan prohibited by Section 13(k) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), then such transfer or deemed transfer shall not be made to the extent necessary or appropriate so as not to violate the Exchange Act and the rules and regulations promulgated thereunder.

9.13 Section 409A of the Code.

9.13.1 To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder (together, "Section 409A"). Notwithstanding any provision of this Agreement to the contrary, if Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, Company shall work in good faith with Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; provided, however, that this Section 9.13.1 shall not create an obligation on the part of Company to adopt any such amendment, policy or procedure or take any such other action, nor shall Company have any liability for failing to do so.

9.13.2 Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A.

9.13.3 To the extent that any payments or reimbursements provided to Executive under this Agreement are deemed to constitute compensation to Executive to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and Executive's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

9.14 Headings and Captions. The headings and captions used herein are solely for the purpose of reference only and are not to be considered as construing or interpreting the provisions of this Agreement.

9.15 Construction. All terms and definitions contained herein shall be construed in such a manner that shall give effect to the fullest extent possible to the express or implied intent of the parties hereby.

9.16 Counsel. Executive has been advised by Company that he should consider seeking the advice of counsel in connection with the execution of this Agreement and Executive has had an opportunity to do so. Executive has read and understands this Agreement and has sought the advice of counsel to the extent he has determined appropriate. Company shall reimburse Executive for the reasonable fees and expenses of Executive's counsel in connection with this Agreement.

9.17 Withholding of Compensation. Executive hereby agrees that Company may deduct and withhold from the compensation or other amounts payable to Executive hereunder or otherwise in connection with Executive's employment any amounts required to be deducted and withheld by Company under the provisions of any applicable Federal, state and local statute, law, regulation, ordinance or order.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

FULL HOUSE RESORTS, INC.,
a Delaware corporation

By: /s/ Daniel R. Lee
Name: Daniel R. Lee
Title: President, Chief Executive Officer

By: /s/ John Ferrucci
Name: John Ferrucci
Title: "Executive"

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EXHIBIT A
GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the "Releasees" hereunder, consisting of Full House Resorts, Inc., a Delaware corporation (the "Company") and each of its partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, and employees, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act, and the Nevada Fair Employment Practices Act. Notwithstanding the foregoing, this general release (the "Release") shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under Sections 4.4, 5, 6, 8.1, and Article 9 of that certain Employment Agreement, effective as of April 11, 2022, between Full House, Inc. and the undersigned (the "Employment Agreement"), (ii) to payments or benefits under any equity award agreement between the undersigned and Company, (iii) with respect to Article V of the Employment Agreement, (iv) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with Company, (v) to any Claims, including claims for indemnification and/or advancement of expenses, arising under any indemnification agreement between the undersigned and Company or under the bylaws, certificate of incorporation of other similar governing document of Company, or (vi) to any Claims which cannot be waived by an employee under applicable law.

IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990, THE UNDERSIGNED IS HEREBY ADVISED AS FOLLOWS:

- (A) EXECUTIVE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE;
- (B) EXECUTIVE HAS TWENTY-ONE (21) DAYS TO CONSIDER THIS RELEASE BEFORE SIGNING IT;
AND
- (C) EXECUTIVE HAS SEVEN (7) DAYS AFTER SIGNING THIS RELEASE TO REVOKE THIS RELEASE, AND THIS RELEASE WILL BECOME EFFECTIVE UPON THE EXPIRATION OF THAT REVOCATION PERIOD.

The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which Executive may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

The undersigned agrees that if Executive hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of _____, ____.

John Ferrucci

EXHIBIT B
GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, which are set forth in that certain Employment Agreement, dated April 11, 2022, (the "Employment Agreement") between Full House Resorts, Inc. (the "Company") and John Ferrucci ("Executive"), the Company, for itself and for (a) its subsidiaries, related and affiliated companies, (b) its predecessors, successors and assigns (c) its current and past officers and directors, and (d) its agents and employees, and in each case does hereby release and forever discharge the "Releasees" hereunder, consisting of Executive and his heirs and assigns, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, fixed or contingent that are known as of the date hereof (hereinafter called "Claims"), which the Company or any of its subsidiaries, related and affiliated companies, predecessors, successors, assigns, current and past officers and directors, agents and employees now have or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. Notwithstanding the foregoing, this General Release shall not operate to release any Claims which the undersigned may have relating to or arising out of (i) Executive's intentional, willful or reckless misconduct, (ii) Executive's fraud or breach of fiduciary duty or (iii) claims the Company does not know or suspect to exist in its favor as of the date hereof (the "Unreleased Claims").

The Company represents and warrants that there has been no assignment or other transfer of any interest in any Claim (other than Unreleased Claims) which it may have against the Releasees, or any of them. The Company agrees that if it or any of its subsidiaries, related and affiliated companies, predecessors, successors, assigns, current and past officers and directors, agents and employees hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the Company agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all reasonable attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

The Company further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the Company.

IN WITNESS WHEREOF, the Company has executed this Release this ____ day of _____, 20__.

FULL HOUSE RESORTS, INC.

By: _____
Its: President and Chief Executive Officer

**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 Quarterly Report on Form 10-Q 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 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 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: May 10, 2022

By: /s/ DANIEL R. LEE

Daniel R. Lee
Chief Executive Officer

**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 Quarterly Report on Form 10-Q 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 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 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: May 10, 2022

By: /s/ LEWIS A. FANGER

Lewis A. Fanger
Chief Financial Officer

**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**

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Lee, Chief Executive Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) 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 Full House Resorts, Inc.

Date: May 10, 2022

By: /s/ DANIEL R. LEE

Daniel R. Lee

Chief Executive Officer

**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**

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis A. Fanger, Chief Financial Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) 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 Full House Resorts, Inc.

Date: May 10, 2022

By: /s/ LEWIS A. FANGER

Lewis A. Fanger

Chief Financial Officer
