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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 September 30, 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:

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
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 November 3, 2022, there were 34,399,084 shares of Common Stock, \$0.0001 par value per share, outstanding.

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**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)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>				
Casino	\$ 29,721	\$ 32,506	\$ 88,293	\$ 99,217
Food and beverage	6,811	7,092	20,255	20,633
Hotel	2,490	2,469	7,076	7,190
Other operations, including contracted sports wagering	2,371	5,171	11,575	9,848
	<u>41,393</u>	<u>47,238</u>	<u>127,199</u>	<u>136,888</u>
<b>Operating costs and expenses</b>				
Casino	10,292	11,261	30,273	32,687
Food and beverage	6,814	6,199	20,134	17,487
Hotel	1,256	1,136	3,524	3,332
Other operations	587	576	1,594	1,522
Selling, general and administrative	15,218	14,791	44,795	43,211
Project development costs, net	(149)	318	33	491
Preopening costs	2,594	17	4,914	17
Depreciation and amortization	2,386	1,819	6,012	5,448
Loss on disposal of assets, net	—	2	3	674
	<u>38,998</u>	<u>36,119</u>	<u>111,282</u>	<u>104,869</u>
<b>Operating income</b>	<u>2,395</u>	<u>11,119</u>	<u>15,917</u>	<u>32,019</u>
<b>Other expense</b>				
Interest expense, net	(5,838)	(6,405)	(19,225)	(17,531)
Loss on modification and extinguishment of debt, net	(105)	—	(4,530)	(6,104)
Adjustment to fair value of warrants	—	—	—	(1,347)
	<u>(5,943)</u>	<u>(6,405)</u>	<u>(23,755)</u>	<u>(24,982)</u>
<b>(Loss) income before income taxes</b>	<u>(3,548)</u>	<u>4,714</u>	<u>(7,838)</u>	<u>7,037</u>
Income tax provision (benefit)	29	95	(16)	379
<b>Net (loss) income</b>	<u>\$ (3,577)</u>	<u>\$ 4,619</u>	<u>\$ (7,822)</u>	<u>\$ 6,658</u>
<b>Basic (loss) earnings per share</b>	<u>\$ (0.10)</u>	<u>\$ 0.13</u>	<u>\$ (0.23)</u>	<u>\$ 0.21</u>
<b>Diluted (loss) earnings per share</b>	<u>\$ (0.10)</u>	<u>\$ 0.13</u>	<u>\$ (0.23)</u>	<u>\$ 0.19</u>

See condensed notes to consolidated financial statements.

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

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 85,712	\$ 88,721
Restricted cash	156,117	176,572
Accounts receivable, net of reserves of \$254 and \$257	2,806	4,693
Inventories	1,658	1,660
Prepaid expenses and other	6,512	3,726
	<u>252,805</u>	<u>275,372</u>
Property and equipment, net	272,097	149,540
Operating lease right-of-use assets, net	15,556	15,814
Goodwill	21,286	21,286
Other intangible assets, net	10,877	10,896
Deposits and other	2,130	934
	<u>\$ 574,751</u>	<u>\$ 473,842</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 4,701	\$ 3,874
Construction payable	16,425	4,537
Accrued payroll and related	4,223	5,473
Accrued interest	4,322	9,861
Other accrued liabilities	9,256	10,252
Current portion of operating lease obligations	3,103	3,542
Current portion of finance lease obligation	530	514
	<u>42,560</u>	<u>38,053</u>
Operating lease obligations, net of current portion	12,962	12,903
Finance lease obligation, net of current portion	2,384	2,783
Long-term debt, net	401,429	301,619
Deferred income taxes, net	1,039	1,055
Contract liabilities, net of current portion	7,956	4,714
	<u>468,330</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 34,399,084 and 34,242,581 shares outstanding	4	4
Additional paid-in capital	110,249	108,911
Treasury stock, 903,465 and 1,059,968 common shares	(1,102)	(1,292)
(Accumulated deficit) retained earnings	(2,730)	5,092
	<u>106,421</u>	<u>112,715</u>
	<u>\$ 574,751</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	Treasury Stock		Retained	Total
	Shares	Dollars	Paid-in	Shares	Dollars	Earnings	Stockholders'
			Capital			(Accumulated	Equity
						Deficit)	
<b>Balance, January 1, 2022</b>	35,302	\$ 4	\$ 108,911	1,060	\$ (1,292)	\$ 5,092	\$ 112,715
Options exercised and restricted stocks vested	—	—	14	(103)	125	—	139
Stock-based compensation	—	—	343	—	—	—	343
Net income	—	—	—	—	—	110	110
<b>Balance, March 31, 2022</b>	35,302	4	109,268	957	(1,167)	5,202	113,307
Restricted stocks vested	—	—	(47)	(39)	47	—	—
Stock-based compensation	—	—	487	—	—	—	487
Net loss	—	—	—	—	—	(4,355)	(4,355)
<b>Balance, June 30, 2022</b>	35,302	4	109,708	918	(1,120)	847	109,439
Options exercised	—	—	9	(15)	18	—	27
Stock-based compensation	—	—	532	—	—	—	532
Net loss	—	—	—	—	—	(3,577)	(3,577)
<b>Balance, September 30, 2022</b>	35,302	\$ 4	\$ 110,249	903	\$ (1,102)	\$ (2,730)	\$ 106,421

	Common Stock		Additional	Treasury Stock		(Accumulated	Total
	Shares	Dollars	Paid-in	Shares	Dollars	Deficit)	Stockholders'
			Capital			Retained	Equity
						Earnings	
<b>Balance, January 1, 2021</b>	28,385	\$ 3	\$ 64,826	1,261	\$ (1,538)	\$ (6,614)	\$ 56,677
Equity offering, net	6,917	1	42,973	—	—	—	42,974
Options exercised	—	—	36	(34)	42	—	78
Stock-based compensation	—	—	124	—	—	—	124
Net loss	—	—	—	—	—	(3,445)	(3,445)
<b>Balance, March 31, 2021</b>	35,302	4	107,959	1,227	(1,496)	(10,059)	96,408
Options exercised	—	—	104	(152)	185	—	289
Stock-based compensation	—	—	199	—	—	—	199
Net income	—	—	—	—	—	5,484	5,484
<b>Balance, June 30, 2021</b>	35,302	4	108,262	1,075	(1,311)	(4,575)	102,380
Stock-based compensation	—	—	324	—	—	—	324
Net income	—	—	—	—	—	4,619	4,619
<b>Balance, September 30, 2021</b>	35,302	\$ 4	\$ 108,586	1,075	\$ (1,311)	\$ 44	\$ 107,323

See condensed notes to consolidated financial statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (7,822)	\$ 6,658
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	6,012	5,448
Amortization of debt issuance costs, discounts and premiums	1,227	991
Stock-based compensation	1,362	647
Change in fair value of stock warrants	—	1,347
Loss on disposal of assets, net	3	674
Proceeds from insurance related to property damage	—	1,334
Loss on modification and extinguishment of debt, net	4,530	6,104
Increases and decreases in operating assets and liabilities:		
Accounts receivable	1,887	360
Prepaid expenses, inventories and other	(2,784)	(3,229)
Deferred taxes	(16)	379
Common stock warrant liability	—	(4,000)
Contract liabilities	2,635	(600)
Accounts payable and accrued expenses	(6,994)	3,188
Net cash provided by operating activities	40	19,301
<b>Cash flows from investing activities:</b>		
Capital expenditures	(116,148)	(17,828)
Other	(1,086)	(164)
Net cash used in investing activities	(117,234)	(17,992)
<b>Cash flows from financing activities:</b>		
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	(7,945)	(9,421)
Repayment of Senior Secured Notes due 2024	—	(106,825)
Prepayment premiums of Senior Secured Notes due 2024	—	(1,261)
Repayment of finance lease obligation	(383)	(367)
Proceeds from exercise of stock options	166	367
Other	(108)	24
Net cash provided by financing activities	93,730	235,491
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(23,464)</b>	<b>236,800</b>
Cash, cash equivalents and restricted cash, beginning of period	265,293	37,698
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 241,829</b>	<b>\$ 274,498</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 27,726	\$ 13,180
<b>Non-Cash Investing Activities:</b>		
Accounts payable related capital expenditures	\$ 17,312	\$ 7,031

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 from seven permitted sports wagering “skins,” three in Colorado, three in Indiana, and one in Illinois that we expect to receive shortly after the opening of The Temporary. As of September 30, 2022, five of our seven online skins are contracted with other companies, and four of which are currently in operation. These contracts allow the counterparties to operate 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 within the next three months, subject to customary regulatory approvals.

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

<b>Segments and Properties</b>	<b>Locations</b>
<b>Colorado</b>	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
<b>Illinois</b>	
The Temporary and American Place (under construction)	Waukegan, IL (northern suburb of Chicago)
<b>Indiana</b>	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
<b>Mississippi</b>	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
<b>Nevada</b>	
Grand Lodge Casino	Incline Village, NV
(leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	(North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
<b>Contracted Sports Wagering</b>	
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 primarily on geographic regions within the United States and type of income. 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, as well as other factors, 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 and other world events have resulted in shipping delays, increased shipping costs, supply shortages, and inflationary pressures, including increases in prices for fuel, food, building materials, and other items. These increased costs, labor shortages, and supply shortages continued to put additional constraints on our operating business and our construction projects for the nine months ended September 30, 2022. We do not know when, or if, these cost, labor and supply chain issues will materially alleviate and, accordingly, they may continue to impact our existing business and our construction projects.

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, labor shortages, 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.

In May 2022, Rising Star sold its available "free play" for \$2.1 million. We received all of such amount during the third quarter of 2022. Because Indiana has a progressive gaming tax system and Rising Star is one of the smaller casinos in the state, the property has consistently sold its ability to deduct "free play" in computing gaming taxes to operators in higher tax tiers.

Management believes that, as of September 30, 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 casino 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 September 30, 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 in prior years, which were recorded as long-term liabilities and are being recognized as revenue ratably over the initial contract terms (or as accelerated due to termination), beginning with the commencement of operations. In May 2022, the Company received an additional \$5 million of non-refundable, one-time market access fees for its executed Illinois Sports Agreement. As with the prior Sports Agreements, such market access fee was capitalized and will be amortized over the initial term of the agreement, beginning with the commencement of operations. The market access fees are not refundable under ordinary circumstances.

**Indiana.** The Company's three Sports Agreements commenced operations in December 2019, April 2021 and December 2021. As noted below, one of these Sports Agreements ceased operations in May 2022.

**Colorado.** The Company's three Sports Agreements commenced operations in June 2020, December 2020 and April 2021. As noted below, one of these Sports Agreements ceased operations in May 2022.

**Illinois.** The Company signed a Sports Agreement in May 2022 for Illinois. Such operations are expected to commence shortly after the opening of The Temporary, pending the 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. As of September 30, 2022, \$1.5 million of such deferred revenue has been recognized during the year.

Deferred revenues consisted of the following, as discussed above:

<i>(In thousands)</i>		September 30, 2022	December 31, 2021
	Balance Sheet Location		
Deferred revenue, current	Other accrued liabilities	\$ 1,215	\$ 1,822
Deferred revenue, net of current portion	Contract liabilities, net of current portion	7,956	4,714
		<u>\$ 9,171</u>	<u>\$ 6,536</u>

On May 15, 2022, one of the Company's contracted parties for sports wagering ceased operations, which created one available skin in each of Colorado and Indiana. Accordingly, this accelerated the recognition of \$1.6 million of deferred revenue, which was recognized through the May 2022 termination date, as opposed to the remaining eight years of the original 10-year term. The Company is currently evaluating whether to utilize these two remaining skins itself or to find replacement operators for such skins. There is no certainty that the Company will be able to enter into agreements with third-parties related to these skins or operate these skins itself on better terms than the Company's prior 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 and nine months ended September 30, 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.

**Preopening costs.** Preopening costs are related to the preopening phases of new ventures, in accordance with accounting standards regarding start-up activities, and are expensed as incurred. These costs consist of payroll, advertising, outside services, organizational costs and other expenses directly related to new or start-up operations.

**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.

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.

**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 exercised its third renewal option to extend the lease term through January 2026, with current annual lease payments of \$0.4 million. Annual minimum rent will increase to \$0.5 million starting in February 2026 with adjustments on each anniversary thereafter, based on the consumer price index. 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.

In September 2022, the Company remeasured this lease's related ROU asset and liability balances on its balance sheet, by factoring in all renewal terms through January 2035 to reflect the partial overlap of Chamonix's construction on leased land. As a result of that overlap, the Company is deemed likely to exercise each renewal unless it exercises its purchase buyout right.

**Third Street Corner Building through August 2023 and Option to Purchase.** The Company began leasing this building in August 2018. This building is currently used as office space for Chamonix's construction personnel, obviating the need for construction trailers. The lease had an initial three-year term with annual lease payments of \$0.2 million. This was subsequently extended to August 13, 2023, with current annual lease payments of \$0.3 million. The Company has the right to purchase the building at any time during the extended lease term for \$2.8 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 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 12-month period preceding the acquisition (or pro-rated if less than 12 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.

**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-guestroom hotel at Rising Star Casino Resort. At any time during the lease term, the Company has the option to purchase the hotel, and approximately 3.01 acres of land on which it resides, 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 September 30, 2022, such potential purchase price was \$2.9 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 expenses are as follows:

<i>(In thousands)</i>		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Costs	Classification within Statement of Operations	2022	2021	2022	2021
<b>Operating leases:</b>					
Fixed/base rent	Selling, General and Administrative Expenses	\$ 1,206	\$ 1,112	\$ 3,549	\$ 3,357
Short-term payments	Selling, General and Administrative Expenses	33	29	103	29
Variable payments	Selling, General and Administrative Expenses	314	385	1,069	1,254
<b>Finance lease:</b>					
Amortization of leased assets	Depreciation and Amortization	39	39	118	118
Interest on lease liabilities	Interest Expense, Net	34	38	106	122
Total lease costs		<u>\$ 1,626</u>	<u>\$ 1,603</u>	<u>\$ 4,945</u>	<u>\$ 4,880</u>

Leases recorded on the balance sheet consist of the following:

<i>(In thousands)</i>		September 30, 2022	December 31, 2021
<b>Leases</b>	<b>Balance Sheet Classification</b>		
<b>Assets</b>			
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 15,556	\$ 15,814
Finance lease assets	Property and Equipment, Net <sup>(1)</sup>	4,605	4,722
Total lease assets		<u>\$ 20,161</u>	<u>\$ 20,536</u>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current Portion of Operating Lease Obligations	\$ 3,103	\$ 3,542
Finance	Current Portion of Finance Lease Obligation	530	514
<b>Noncurrent</b>			
Operating	Operating Lease Obligations, Net of Current Portion	12,962	12,903
Finance	Finance Lease Obligation, Net of Current Portion	2,384	2,783
Total lease liabilities		<u>\$ 18,979</u>	<u>\$ 19,742</u>

- (1) Finance lease assets are recorded net of accumulated amortization of \$3.1 million and \$3.0 million as of September 30, 2022 and December 31, 2021, respectively.

Maturities of lease liabilities as of September 30, 2022 are summarized as follows:

(In thousands)

Years Ending December 31,	Operating Leases	Financing Lease <sup>(1)</sup>
2022 (excluding the nine months ended September 30, 2022)	\$ 1,262	\$ 109
2023	3,694	652
2024	1,819	652
2025	1,543	652
2026	1,403	652
Thereafter	33,019	543
Total future minimum lease payments	42,740	3,260
Less: Amount representing interest	(26,675)	(346)
Present value of lease liabilities	16,065	2,914
Less: Current lease obligations	(3,103)	(530)
Long-term lease obligations	\$ 12,962	\$ 2,384

(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	September 30, 2022	December 31, 2021
<b>Weighted-average remaining lease term</b>		
Operating leases	23.2 years	21.5 years
Finance lease	5.0 years	5.8 years
<b>Weighted-average discount rate</b>		
Operating leases	9.70 %	9.32 %
Finance lease	4.50 %	4.50 %

Supplemental cash flow information related to leases is as follows:

(In thousands)

	Nine Months Ended September 30,	
Cash paid for amounts included in the measurement of lease liabilities:	2022	2021
Operating cash flows for operating leases	\$ 3,670	\$ 3,652
Operating cash flows for finance lease	\$ 106	\$ 122
Financing cash flows for finance lease	\$ 383	\$ 367

#### 4. ACQUISITIONS

**Fountain Square 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 consists of the following:

<i>(In thousands)</i>	September 30, 2022	December 31, 2021
Revolving Credit Facility due 2026	\$ —	\$ —
Senior Secured Notes due 2028 <sup>(1)</sup>	410,000	310,000
Less: Unamortized debt issuance costs, discounts and premiums, net	(8,571)	(8,381)
	<u>\$ 401,429</u>	<u>\$ 301,619</u>

(1) The estimated fair value of these notes was approximately \$370.2 million for September 30, 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.

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. 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 February 15, 2023.

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 or on the 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 12-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 September 30, 2022.

## 6. INCOME TAXES

The Company's effective income tax rates for the three and nine months ended September 30, 2022 were (0.8%) and 0.2%, respectively, compared to effective income tax rates of 2.0% and 5.4% for the corresponding prior-year periods. The change in the effective income tax rates was primarily due to 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's income tax expense or benefit for interim periods has been determined using an estimate of its annual effective tax rate ("AETR"), adjusted for discrete items. The Company notes this differs from the methodology used in the second quarter of 2022, as the factors that existed as of June 30, 2022 are no longer applicable.

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 September 30, 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, then we may reverse some or all of our valuation allowance. Such valuation allowance and its potential reversal have no impact on the actual income taxes paid.



## **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 could be renewed for three additional six-month periods, with the payment of \$5,000 for each extension. In October 2022, the Company subsequently paid \$5,000 to exercise its third and final six-month option extension through the end of May 2023.

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 Illinois. In exchange for such rights, the Company received a non-refundable market access fee of \$5 million in May 2022. The Company will also receive a percentage of revenues (as defined), subject to a minimum of \$5 million per year, once Circa Sports launches operations in Illinois. Such launch is anticipated in Spring 2023, contingent upon receipt of customary regulatory approvals. The term of the agreement is for eight years, followed by two four-year extension opportunities at the option of Circa Sports.

## 8. EARNINGS (LOSS) PER SHARE

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Net (loss) income — basic	\$ (3,577)	\$ 4,619	\$ (7,822)	\$ 6,658
Net (loss) income — diluted	\$ (3,577)	\$ 4,619	\$ (7,822)	\$ 6,658
<b>Denominator:</b>				
Weighted-average common and common share equivalents — basic	34,390	34,227	34,339	31,939
Potential dilution from share-based awards	89	2,409	60	2,400
Weighted-average common and common share equivalents — diluted	34,479	36,636	34,399	34,339
Anti-dilutive share-based awards excluded from the calculation of diluted loss per share	3,512	177	2,466	177

## 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, of which 5,734 performance-based shares were canceled in April 2022. In the second and third quarters of 2022, an additional 70,834 and 28,986 performance-based shares, respectively, were issued to other Company executives. 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, as the Company exceeded certain growth metrics in 2021, 23,325 previously-issued performance shares vested, resulting in the issuance of a similar number of shares of stock. Similarly, on May 15, 2022, an additional 6,917 performance shares vested.

*Restricted Stock Awards.* On May 19, 2022, the Company issued to non-executive members of its Board of Directors, as compensation for their annual service, a total of 51,849 restricted shares under the 2015 Plan, with a one-year vesting period.

As of September 30, 2022, the Company had 1,173,096 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 September 30, 2022:

	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
Options outstanding at January 1, 2022	3,221,956	\$ 2.19
Granted	434,598	7.71
Exercised	(94,749)	1.76
Canceled/Forfeited	(50,000)	8.72
Expired	—	—
Options outstanding at September 30, 2022	3,511,805	\$ 2.80
Options exercisable at September 30, 2022	2,825,128	\$ 1.87

Components of compensation expense are as follows:

<b>Compensation Expense</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Stock options	\$ 325	\$ 209	\$ 846	\$ 445
Restricted and performance-based shares	207	115	516	202
	<u>\$ 532</u>	<u>\$ 324</u>	<u>\$ 1,362</u>	<u>\$ 647</u>

As of September 30, 2022, there was approximately \$2.3 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 2.1 years. As of such date, there was also \$1.3 million of unrecognized compensation cost related to unvested restricted and performance shares, which is expected to be recognized over a weighted-average period of 1.5 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 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:

(In thousands)

	Three Months Ended September 30, 2022					
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
<b>Revenues</b>						
Casino	\$ 13,167	\$ 6,986	\$ 3,613	\$ 5,955	\$ —	\$ 29,721
Food and beverage	5,042	1,036	497	236	—	6,811
Hotel	1,292	975	223	—	—	2,490
Other operations, including contracted sports wagering	480	642	52	99	1,098	2,371
	<u>\$ 19,981</u>	<u>\$ 9,639</u>	<u>\$ 4,385</u>	<u>\$ 6,290</u>	<u>\$ 1,098</u>	<u>\$ 41,393</u>
<b>Adjusted Segment EBITDA</b>	\$ 4,235	\$ 1,343	\$ 36	\$ 2,280	\$ 1,083	\$ 8,977
<b>Other operating costs and expenses:</b>						
Depreciation and amortization						(2,386)
Corporate expenses						(1,219)
Project development costs						149
Preopening costs						(2,594)
Stock-based compensation						(532)
<b>Operating income</b>						<u>2,395</u>
<b>Other expenses:</b>						
Interest expense, net						(5,838)
Loss on modification of debt						(105)
						<u>(5,943)</u>
<b>Loss before income taxes</b>						<u>(3,548)</u>
Income tax provision						29
<b>Net loss</b>						<u>\$ (3,577)</u>

(In thousands)

Three Months Ended September 30, 2021						
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
<b>Revenues</b>						
Casino	\$ 14,578	\$ 7,906	\$ 5,288	\$ 4,734	\$ —	\$ 32,506
Food and beverage	5,156	891	740	305	—	7,092
Hotel	1,248	990	231	—	—	2,469
Other operations, including contracted sports wagering	556	2,799	81	93	1,642	5,171
	<u>\$ 21,538</u>	<u>\$ 12,586</u>	<u>\$ 6,340</u>	<u>\$ 5,132</u>	<u>\$ 1,642</u>	<u>\$ 47,238</u>
<b>Adjusted Segment EBITDA</b>	\$ 6,485	\$ 3,816	\$ 1,543	\$ 1,537	\$ 1,645	\$ 15,026
<b>Other operating costs and expenses:</b>						
Depreciation and amortization						(1,819)
Corporate expenses						(1,427)
Project development costs						(318)
Preopening costs						(17)
Loss on disposal of assets, net						(2)
Stock-based compensation						(324)
<b>Operating income</b>						<u>11,119</u>
<b>Other expense:</b>						
Interest expense, net						(6,405)
<b>Income before income taxes</b>						<u>4,714</u>
Income tax provision						95
<b>Net income</b>						<u>\$ 4,619</u>

(In thousands)

	Nine Months Ended September 30, 2022					
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
<b>Revenues</b>						
Casino	\$ 41,930	\$ 20,817	\$ 10,736	\$ 14,810	\$ —	\$ 88,293
Food and beverage	15,233	2,893	1,345	784	—	20,255
Hotel	3,802	2,771	503	—	—	7,076
Other operations, including contracted sports wagering	1,467	3,588	148	274	6,098	11,575
	<u>\$ 62,432</u>	<u>\$ 30,069</u>	<u>\$ 12,732</u>	<u>\$ 15,868</u>	<u>\$ 6,098</u>	<u>\$ 127,199</u>
<b>Adjusted Segment EBITDA</b>	\$ 15,442	\$ 6,374	\$ (49)	\$ 4,557	\$ 6,047	\$ 32,371
<b>Other operating costs and expenses:</b>						
Depreciation and amortization						(6,012)
Corporate expenses						(4,130)
Project development costs, net						(33)
Preopening costs						(4,914)
Loss on disposal of assets, net						(3)
Stock-based compensation						(1,362)
<b>Operating income</b>						<u>15,917</u>
<b>Other expenses:</b>						
Interest expense, net						(19,225)
Loss on modification of debt						(4,530)
						<u>(23,755)</u>
<b>Loss before income taxes</b>						<u>(7,838)</u>
Income tax benefit						(16)
<b>Net loss</b>						<u>\$ (7,822)</u>

(In thousands)

Nine Months Ended September 30, 2021						
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
<b>Revenues</b>						
Casino	\$ 47,489	\$ 22,507	\$ 16,127	\$ 13,094	\$ —	\$ 99,217
Food and beverage	15,411	2,577	1,777	868	—	20,633
Hotel	3,687	3,040	463	—	—	7,190
Other operations, including contracted sports wagering	1,546	3,629	259	254	4,160	9,848
	<u>\$ 68,133</u>	<u>\$ 31,753</u>	<u>\$ 18,626</u>	<u>\$ 14,216</u>	<u>\$ 4,160</u>	<u>\$ 136,888</u>
<b>Adjusted Segment EBITDA</b>	\$ 23,097	\$ 7,615	\$ 5,092	\$ 4,173	\$ 4,122	\$ 44,099
<b>Other operating costs and expenses:</b>						
Depreciation and amortization						(5,448)
Corporate expenses						(4,803)
Project development costs						(491)
Preopening costs						(17)
Loss on disposal of assets, net						(674)
Stock-based compensation						(647)
<b>Operating income</b>						<u>32,019</u>
<b>Other expenses:</b>						
Interest expense, net						(17,531)
Loss on extinguishment of debt						(6,104)
Adjustment to fair value of warrants						(1,347)
						<u>(24,982)</u>
<b>Income before income taxes</b>						7,037
Income tax provision						379
<b>Net income</b>						<u>\$ 6,658</u>

(In thousands)

	September 30, 2022	December 31, 2021
<b>Total Assets</b>		
Mississippi	\$ 83,529	\$ 85,838
Indiana	34,017	34,857
Colorado	322,261	258,436
Nevada	11,701	13,091
Contracted Sports Wagering	1,158	2,168
Corporate and Other <sup>(1)</sup>	122,085	79,452
	<u>\$ 574,751</u>	<u>\$ 473,842</u>

(1) Includes \$44.8 million related to American Place in 2022, which is expected to open within the next three months.

## 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”: three in Colorado, three in Indiana, and one in Illinois that we expect to receive shortly after the opening of The Temporary, pending customary regulatory approvals. As of September 30, 2022, five of our seven online skins are contracted with other companies, and four of which are currently in operation. These contracts allow the counterparties to operate 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 within the next three months, subject to customary regulatory approvals.

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

Segments and Properties	Locations
<b>Colorado</b>	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
<b>Illinois</b>	
The Temporary and American Place (under construction)	Waukegan, IL (northern suburb of Chicago)
<b>Indiana</b>	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
<b>Mississippi</b>	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
<b>Nevada</b>	
Grand Lodge Casino	Incline Village, NV
(leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	(North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
<b>Contracted Sports Wagering</b>	
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 relaxation of pandemic-related business restrictions since 2021.

However, the COVID-19 pandemic and certain precautionary and stimulus measures, as well as other factors, 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 and other world events have resulted in shipping delays, increased shipping costs, supply shortages, and inflationary pressures, including increases in prices for fuel, food, building materials, and other items. These increased costs, labor shortages, and supply shortages continued to put additional constraints on our operating business and our construction projects for the nine months ended September 30, 2022. We do not know when, or if, these cost, labor, and supply chain issues will materially alleviate and, accordingly, they may continue to impact our existing business and our construction projects.

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, labor shortages, 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 or on the 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 (anticipated in Spring 2023), subject to customary regulatory approvals. In exchange for such rights, we received a non-refundable market access fee of \$5 million in May 2022 and will also receive a percentage of revenues (as defined) totaling at least \$5 million, on an annualized basis, once Circa Sports commences operations in Illinois. The term of the agreement is for eight years, followed by 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 and nine months ended September 30, 2022 and 2021:

(In thousands)	Three Months Ended September 30,		Increase / (Decrease)	Nine Months Ended September 30,		Increase / (Decrease)
	2022	2021		2022	2021	
Revenues	\$ 41,393	\$ 47,238	(12.4)%	\$ 127,199	\$ 136,888	(7.1)%
Operating expenses	38,998	36,119	8.0 %	111,282	104,869	6.1 %
Operating income	2,395	11,119	(78.5)%	15,917	32,019	(50.3)%
Interest and other non-operating expenses, net	5,943	6,405	(7.2)%	23,755	24,982	(4.9)%
Income tax provision (benefit)	29	95	(69.5)%	(16)	379	(104.2)%
Net (loss) income	\$ (3,577)	\$ 4,619	(177.4)%	\$ (7,822)	\$ 6,658	(217.5)%

(In thousands)	Three Months Ended September 30,		Increase / (Decrease)	Nine Months Ended September 30,		Increase / (Decrease)
	2022	2021		2022	2021	
<b>Casino revenues</b>						
Slots	\$ 25,788	\$ 28,627	(9.9)%	\$ 77,151	\$ 86,243	(10.5)%
Table games	3,712	3,336	11.3 %	10,524	10,717	(1.8)%
Other	221	543	(59.3)%	618	2,257	(72.6)%
	29,721	32,506	(8.6)%	88,293	99,217	(11.0)%
<b>Non-casino revenues, net</b>						
Food and beverage	6,811	7,092	(4.0)%	20,255	20,633	(1.8)%
Hotel	2,490	2,469	0.9 %	7,076	7,190	(1.6)%
Other	2,371	5,171	(54.1)%	11,575	9,848	17.5 %
	11,672	14,732	(20.8)%	38,906	37,671	3.3 %
<b>Total revenues</b>	\$ 41,393	\$ 47,238	(12.4)%	\$ 127,199	\$ 136,888	(7.1)%

(In thousands)	Three Months Ended September 30,		Increase / (Decrease)	Nine Months Ended September 30,		Increase / (Decrease)
	2022	2021		2022	2021 <sup>(3)</sup>	
Slot coin-in	\$ 485,970	\$ 505,673	(3.9)%	\$ 1,418,874	\$ 1,470,067	(3.5)%
Slot win <sup>(1)</sup>	\$ 35,542	\$ 37,770	(5.9)%	\$ 105,018	\$ 111,633	(5.9)%
Slot hold percentage <sup>(2)</sup>	7.3 %	7.5 %	(0.2)pts	7.4 %	7.6 %	(0.2)pts
Table game drop	\$ 21,657	\$ 21,422	1.1 %	\$ 55,746	\$ 58,512	(4.7)%
Table game win <sup>(1)</sup>	\$ 3,791	\$ 3,397	11.6 %	\$ 10,668	\$ 10,798	(1.2)%
Table game hold percentage <sup>(2)</sup>	17.5 %	15.9 %	1.6 pts	19.1 %	18.5 %	0.6 pts

- (1) Does not reflect reductions in casino revenues from “discretionary comps” (see Note 2 of our Condensed Notes to Consolidated Financial Statements included in this quarterly report for details on our customer loyalty programs).
- (2) The three-year averages for slot hold percentage and table game hold percentage were 7.5% and 18.1%, respectively.
- (3) Reflects the correction of an immaterial error in the information provided for the nine-month period in the corresponding table in our Quarterly Report on Form 10-Q for the period ended September 30, 2021.

The following discussion is based on our consolidated financial statements for the three and nine months ended September 30, 2022 and 2021.

**Revenues.** Consolidated total revenues decreased by \$5.8 million and \$9.7 million for the respective three- and nine-month periods ended September 30, 2022, primarily due to the absence of government stimulus programs of the same scale as in the prior-year periods; the competitive launch of online sports wagering in nearby Louisiana, which adversely affected our in-house sportsbook in Mississippi; and construction disruptions at Bronco Billy's to advance the completion of our Chamonix project. Additionally, our revenues were impacted by factors that are inherently hard to quantify, as discussed in the "Recent Developments – COVID-19 Pandemic Update" section above. These include inflationary pressures, which could affect the spending pattern of customers, as well as labor shortages for us to meet the demands of potential customers. The decline in revenue was offset, in part, by "Other Non-casino Revenues" that included \$6.1 million of revenue related to our Contracted Sports Wagering segment for the nine months ended September 30, 2022, versus \$4.2 million in the prior-year period.

**Operating Expenses.** Consolidated operating expenses increased by \$2.9 million and \$6.4 million for the respective three and nine months ended September 30, 2022, primarily due to preopening costs for The Temporary (expected to open within the next three months) and for Chamonix (expected to open in mid-2023), as well as higher insurance, food and beverage costs. To a lesser extent, increases in operating expenses during 2022 were also attributed to additional professional fees and other expenses related to our growth.

See further information within our reportable segments described below.

### Interest and Other Non-Operating Expenses.

#### *Interest Expense*

Interest expense, net, consists of the following:

<i>(In thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest expense (excluding bond fee amortization and premium)	\$ 8,682	\$ 6,557	\$ 24,733	\$ 17,557
Amortization of debt issuance costs, discounts and premiums	430	357	1,227	991
Capitalized interest	(3,039)	(509)	(6,500)	(1,017)
Interest income and other	(235)	—	(235)	—
	<u>\$ 5,838</u>	<u>\$ 6,405</u>	<u>\$ 19,225</u>	<u>\$ 17,531</u>

The increases in interest expense for the three- and nine-month periods were primarily due to the February 2022 issuance of the Additional Notes to fund construction of The Temporary, which were offset by increases in capitalized interest related to construction of The Temporary and Chamonix projects.

#### *Other Non-Operating Expenses, Net*

For the respective three- and nine-month periods ended September 30, 2022, we had approximately \$0.1 million and \$4.5 million of other non-operating expenses, primarily consisting of debt modification costs related to our Additional Notes offering in February 2022. The corresponding prior-year periods had no other non-operating expense for the three-month period and \$7.5 million of other non-operating expense for the nine-month period, including \$6.1 million for 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 provision of \$29,000 and an income tax benefit of \$16,000 for the respective three and nine months ended September 30, 2022, which resulted in effective income tax rates of (0.8%) and 0.2%, respectively. For the three and nine months ended September 30, 2021, we recognized respective income tax provisions of \$95,000 and \$0.4 million, which resulted in effective income tax rates of 2.0% and 5.4%, respectively. The changes in the effective income tax rates were primarily due to the effects of tax amortization on indefinite lived intangibles in 2022, valuation allowances, and certain permanent differences between tax and financial reporting purposes.

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. We continue to evaluate the ability to realize our deferred tax assets and need for a valuation allowance on a quarterly basis. The valuation allowance, and the potential reversal of such allowance, have no bearing on the taxes actually paid by the Company.

#### *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.

<i>(In thousands)</i>	Three Months Ended September 30,		Increase / (Decrease)	Nine Months Ended September 30,		Increase / (Decrease)
	2022	2021		2022	2021	
<b>Revenues</b>						
Mississippi	\$ 19,981	\$ 21,538	(7.2)%	\$ 62,432	\$ 68,133	(8.4)%
Indiana	9,639	12,586	(23.4)%	30,069	31,753	(5.3)%
Colorado	4,385	6,340	(30.8)%	12,732	18,626	(31.6)%
Nevada	6,290	5,132	22.6 %	15,868	14,216	11.6 %
Contracted Sports Wagering	1,098	1,642	(33.1)%	6,098	4,160	46.6 %
	<u>\$ 41,393</u>	<u>\$ 47,238</u>	<u>(12.4)%</u>	<u>\$ 127,199</u>	<u>\$ 136,888</u>	<u>(7.1)%</u>
<b>Adjusted Segment EBITDA and Adjusted EBITDA</b>						
Mississippi	\$ 4,235	\$ 6,485	(34.7)%	\$ 15,442	\$ 23,097	(33.1)%
Indiana	1,343	3,816	(64.8)%	6,374	7,615	(16.3)%
Colorado	36	1,543	(97.7)%	(49)	5,092	(101.0)%
Nevada	2,280	1,537	48.3 %	4,557	4,173	9.2 %
Contracted Sports Wagering	1,083	1,645	(34.2)%	6,047	4,122	46.7 %
Adjusted Segment EBITDA	8,977	15,026	(40.3)%	32,371	44,099	(26.6)%
Corporate	(1,219)	(1,427)	(14.6)%	(4,130)	(4,803)	(14.0)%
Adjusted EBITDA	<u>\$ 7,758</u>	<u>\$ 13,599</u>	<u>(43.0)%</u>	<u>\$ 28,241</u>	<u>\$ 39,296</u>	<u>(28.1)%</u>
<b>Adjusted Segment EBITDA Margin</b>						
Mississippi	21.2 %	30.1 %	(8.9) pts	24.7 %	33.9 %	(9.2) pts
Indiana	13.9 %	30.3 %	(16.4) pts	21.2 %	24.0 %	(2.8) pts
Colorado	0.8 %	24.3 %	(23.5) pts	(0.4)%	27.3 %	(27.7) pts
Nevada	36.2 %	29.9 %	6.3 pts	28.7 %	29.4 %	(0.7) pts
Contracted Sports Wagering	98.6 %	100.2 %	(1.6) pts	99.2 %	99.1 %	0.1 pts

### **Mississippi**

Our Mississippi segment consists of the Silver Slipper Casino and Hotel. The prior-year periods were among the best in the property's history in terms of casino revenue and total revenue, benefiting from the issuance of government stimulus checks to customers. Compared to the prior-year periods, total revenues during the three and nine months ended September 30, 2022 decreased by 7.2% and 8.4%, respectively, primarily due to declines in casino revenue. Casino revenue for the three and nine months ended September 30, 2022 declined by 9.7% (or \$1.4 million) and 11.7% (or \$5.6 million), respectively. Slot revenue declined by 7.5% (or \$0.9 million) and 9.7% (or \$3.8 million) for the respective three- and nine-month periods due to lower volumes. Table games revenue declined by 9.7% and 2.4%, respectively, also due to lower volumes. Other casino revenues decreased by \$0.3 million and \$1.6 million for the respective three- and nine-month periods, primarily from our on-site sports book, which was affected by the competitive launch of online sports wagering within nearby Louisiana that started in January 2022.

Non-casino revenue decreased by 2.1% and 0.7% during the respective three and nine months ended September 30, 2022, primarily due to decreases in food and beverage revenue by 2.2% (or \$0.1 million) and by 1.2% (or \$0.2 million), respectively. Hotel revenues increased slightly by 3.5% (or \$43,000) and 3.1% (or \$0.1 million) for the respective three and nine months ended September 30, 2022, primarily due to higher average daily room rates. Hotel occupancy was 92.4% and 93.1% for the respective three and nine months ended September 30, 2022, compared to 94.0% and 94.2% for the respective prior-year periods. Other non-casino revenue decreased by 13.6% (or \$0.1 million) and 5.2% (or \$0.1 million) during the respective three and nine months ended September 30, 2022 from fewer ATM transactions and, as a result, reduced ATM commission income.

Adjusted Segment EBITDA for the three and nine months ended September 30, 2022 decreased by 34.7% and 33.1%, respectively, reflecting revenue declines from a lack of stimulus payments and the launch of online sports wagering in Louisiana mentioned above; increases of \$0.5 million and \$2.0 million, respectively, to the cost of food; and increases of \$0.5 million and \$1.2 million, respectively, in property insurance costs. However, we believe that such property insurance costs relative to income will be lower in future years, as the Company's diversity improves and it becomes less reliant on the Silver Slipper.

### **Indiana**

Our Indiana segment consists of Rising Star Casino Resort. Similar to the Silver Slipper, total revenues for the prior-year periods benefited from customers receiving government stimulus payments. Additionally, timing differences for Rising Star's annual sale of "free play" impacted comparisons for the third quarter, though not for the nine-month period. Rising Star sold \$2.1 million of "free play" during the second quarter of 2022, but not until the third quarter in the prior-year period. Moreover, a nearby facility with "historical racing machines" (which are a form of slot machine) opened in September 2022. As a result, for the three and nine months ended September 30, 2022, total revenues decreased by 23.4% and 5.3%, respectively, compared to the prior-year periods.

Casino revenue for the three and nine months ended September 30, 2022 declined by 11.6% (or \$0.9 million) and 7.5% (or \$1.7 million), respectively. Slot revenue decreased by 11.4% (or \$0.8 million) and 4.2% (or \$0.8 million) for the respective three and nine months ended September 30, 2022 due to lower volumes. Similarly, table game revenue declined by 13.3% (or \$0.1 million) and 31.3% (or \$0.9 million) for the respective three and nine months ended September 30, 2022.

Non-casino revenue decreased by 43.3% (or \$2.0 million) and increased by 0.1% (or \$8,000) during the respective three and nine months ended September 30, 2022, due to the timing of the sale of "free play" for \$2.1 million noted above, as well as increases in food and beverage revenue of 16.3% (or \$0.1 million) and 12.2% (or \$0.3 million) for the respective periods in 2022. Hotel revenues declined by 1.5% (or \$14,000) and 8.8% (or \$0.3 million) during the respective three and nine months ended September 30, 2022, due to fewer occupied room-nights. Rising Star had 12,413 occupied room-nights for the third quarter of 2022, compared to 12,808 occupied room-nights for the prior-year period. For the nine-months ended September 30, 2022, Rising Star had 35,742 occupied room-nights, compared to 39,227 occupied room-nights for the prior-year period.

Adjusted Segment EBITDA during the respective three and nine months ended September 30, 2022 decreased by 64.8% and 16.3%, primarily due to the sale of “free play” in an earlier quarter and lower volumes. Marketing costs during the three and nine months ended September 30, 2022 increased to address lower volumes during 2022, as the 2021 periods were assisted by the issuance of government stimulus checks to customers.

### **Colorado**

Our Colorado segment includes Bronco Billy’s Casino and Hotel and the Chamonix project. The Colorado gaming market, including Cripple Creek, has shown significant growth since betting limits were eliminated in May 2021. Bronco Billy’s, however, has incurred significant construction disruption, including temporarily-reduced gaming and restaurant capacity and the temporary absence of all on-site hotel rooms and on-site self-parking. Total revenues during the three and nine months ended September 30, 2022 decreased by 30.8% and 31.6%, respectively, reflecting business disruptions to accommodate the construction of Chamonix.

Casino revenue decreased by 31.7% (or \$1.7 million) and 33.4% (or \$5.4 million) for the three and nine months ended September 30, 2022, which were largely due to the construction disruptions mentioned above. For the respective three and nine months ended September 30, 2022, slot revenue declined by 32.8% (or \$1.7 million) and 35.1% (or \$5.5 million). Table games revenue fell by 5.5% (or \$12,000) during the quarter due to lower volumes, but rose by 30.6% (or \$0.1 million) during the nine months ended September 30, 2022 due to a higher hold percentage and increased volumes. Table games operations in the prior-year period were significantly affected by pandemic-related limitations.

Non-casino revenue decreased by 26.6% (or \$0.3 million) and 20.1% (or \$0.5 million) for the respective three and nine months ended September 30, 2022, due to declines in food and beverage revenue after the temporary closing of the property’s steakhouse in May 2022 and, to a lesser extent, declines in ATM and related surcharge income.

Adjusted Segment EBITDA for the respective three and nine months ended September 30, 2022 decreased by 97.7% to \$36,000 and 101.0% to \$(49,000). The decrease during the quarter was due to significant disruptions from the construction of Chamonix as mentioned above. To alleviate the lack of on-site parking, Bronco Billy’s currently offers complimentary valet parking and a free shuttle service to an off-site parking lot, both of which have resulted in increased operating expenses. The casino has also maintained much of its payroll, despite reduced activity levels, anticipating the need for the larger workforce required to open and operate Chamonix. Somewhat offsetting this, some expenses, such as gaming taxes and the cost of food and beverages, vary with activity levels.

In addition to construction disruption due to our neighboring Chamonix project, we are currently undergoing a modest refurbishment of a portion of Bronco Billy’s, expected to cost approximately \$2 million. Accordingly, Bronco Billy’s contribution to earnings will likely be impacted until the completion of the casino refurbishment near year-end, the augmentation of its restaurant capacity in the first quarter of 2023, and the expected opening of Chamonix in mid-2023. When Chamonix opens, Bronco Billy’s will share the significant on-site parking garage, valet and surface parking capacity of the new casino, and also benefit from Chamonix’s adjoining 300-guestroom hotel.

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 respective three and nine months ended September 30, 2022 increased by 22.6% and 11.6%, primarily due to higher casino revenue at Grand Lodge. Casino revenue increased by 25.8% (or \$1.2 million) and 13.1% (or \$1.7 million) for the three and nine months ended September 30, 2022. Slot revenue improved by 12.9% (or \$0.5 million) and 10.0% (or \$1.1 million) for the respective three and nine months ended September 30, 2022, due to increases in slot volumes at Grand Lodge. Table games revenue increased by 152.0% (or \$0.7 million) and 34.3% (or \$0.7 million) for the respective three and nine months ended September 30, 2022, due to increases in table games volume and higher hold percentages at Grand Lodge. Grand Lodge was also adversely affected in the prior-year's third quarter by significant wildfires in the area. Additionally, in July 2022, Stockman's resumed table games operations, which had remained closed since March 2020.

Adjusted Segment EBITDA increased to \$2.3 million and \$4.6 million for the respective three and nine months ended September 30, 2022, reflecting improvements in casino revenue. In the corresponding prior-year periods, Adjusted Segment EBITDA was \$1.5 million and \$4.2 million.

## ***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 September 30, 2022, revenues and Adjusted Segment EBITDA were both \$1.1 million, a decrease from \$1.6 million in the prior-year period. For the nine-months ended September 30, 2022, revenues were \$6.1 million and Adjusted Segment EBITDA was \$6.0 million, an increase from \$4.2 million of revenues and \$4.1 million of Adjusted Segment EBITDA 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 ceased operations in May 2022, when one of the Company's contracted parties ceased operations. We are currently evaluating whether to utilize our two idle skins – one in each of Colorado and Indiana – by ourselves or to find replacement operators for such skins. There is no certainty that we will be able to enter into agreements with third parties related to these skins or operate these skins ourselves on better terms than our prior agreements.

The results of this segment do not yet include income contribution from our agreement for a third party to operate on-site and online sports betting in Illinois. Under such agreement, we will receive a percentage of revenues, as defined in the contract, subject to an annualized minimum of \$5 million, with minimal expected expenses. We anticipate the Illinois sports operations will begin in Spring 2023. For details on our Illinois sports wagering agreement with Circa Sports, which is expected to commence operations shortly after the opening of The Temporary, see "*Recent Developments – Sports Wagering in Illinois*" as discussed above in the "Executive Overview."

## ***Corporate***

Corporate expenses for the respective three and nine months ended September 30, 2022 declined by 14.6% (or \$0.2 million) and 14.0% (or \$0.7 million), primarily due to a decrease in accrued bonus compensation. Corporate expenses were \$1.2 million and \$1.4 million for the three-months ended September 30, 2022 and 2021, respectively. For the nine-months ended September 30, 2022 and 2021, corporate expenses were \$4.1 million and \$4.8 million, 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 (loss) income and operating income to Adjusted EBITDA:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net (loss) income</b>	\$ (3,577)	\$ 4,619	\$ (7,822)	\$ 6,658
Income tax provision (benefit)	29	95	(16)	379
Interest expense, net	5,838	6,405	19,225	17,531
Loss on modification and extinguishment of debt, net	105	—	4,530	6,104
Adjustment to fair value of warrants	—	—	—	1,347
<b>Operating income</b>	2,395	11,119	15,917	32,019
Project development costs, net	(149)	318	33	491
Preopening costs	2,594	17	4,914	17
Depreciation and amortization	2,386	1,819	6,012	5,448
Loss on disposal of assets, net	—	2	3	674
Stock-based compensation	532	324	1,362	647
<b>Adjusted EBITDA</b>	<u>\$ 7,758</u>	<u>\$ 13,599</u>	<u>\$ 28,241</u>	<u>\$ 39,296</u>

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

**Three Months Ended September 30, 2022**

*(In thousands)*

	Operating Income (Loss)	Depreciation and Amortization	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
<b>Reporting segments</b>						
Mississippi	\$ 3,546	\$ 689	\$ —	\$ —	\$ —	\$ 4,235
Indiana	753	590	—	—	—	1,343
Colorado	(682)	361	—	357	—	36
Nevada	1,820	460	—	—	—	2,280
Contracted Sports Wagering	1,083	—	—	—	—	1,083
	<u>6,520</u>	<u>2,100</u>	<u>—</u>	<u>357</u>	<u>—</u>	<u>8,977</u>
<b>Other operations</b>						
Corporate	(4,125)	286	(149)	2,237	532	(1,219)
	<u>\$ 2,395</u>	<u>\$ 2,386</u>	<u>\$ (149)</u>	<u>\$ 2,594</u>	<u>\$ 532</u>	<u>\$ 7,758</u>

**Three Months Ended September 30, 2021**

*(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
<b>Reporting segments</b>							
Mississippi	\$ 5,794	\$ 690	\$ 1	\$ —	\$ —	\$ —	\$ 6,485
Indiana	3,247	569	—	—	—	—	3,816
Colorado	1,138	387	1	—	17	—	1,543
Nevada	1,402	135	—	—	—	—	1,537
Contracted Sports Wagering	1,645	—	—	—	—	—	1,645
	<u>13,226</u>	<u>1,781</u>	<u>2</u>	<u>—</u>	<u>17</u>	<u>—</u>	<u>15,026</u>
<b>Other operations</b>							
Corporate	(2,107)	38	—	318	—	324	(1,427)
	<u>\$ 11,119</u>	<u>\$ 1,819</u>	<u>\$ 2</u>	<u>\$ 318</u>	<u>\$ 17</u>	<u>\$ 324</u>	<u>\$ 13,599</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables for the three-month periods ended September 30, 2022 and 2021 included facility rents related to: (i) Mississippi of \$0.5 million during each of 2022 and 2021, (ii) Nevada of \$0.5 million during each of 2022 and 2021, and (iii) Colorado of \$3,000 during 2022 and \$0.1 million during 2021. In the third quarter of 2022, \$0.2 million of qualifying rent in Colorado was reclassified to preopening costs for Chamonix's expected opening in mid-2023.

**For the Nine Months Ended September 30, 2022**  
(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss / (gain) on Disposal of Assets	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
<b>Reporting segments</b>							
Mississippi	\$ 13,359	\$ 2,075	\$ 8	\$ —	\$ —	\$ —	\$ 15,442
Indiana	4,618	1,756	—	—	—	—	6,374
Colorado	(2,126)	1,057	(5)	—	1,025	—	(49)
Nevada	3,781	776	—	—	—	—	4,557
Contracted Sports Wagering	6,047	—	—	—	—	—	6,047
	<u>25,679</u>	<u>5,664</u>	<u>3</u>	<u>—</u>	<u>1,025</u>	<u>—</u>	<u>32,371</u>
<b>Other operations</b>							
Corporate	(9,762)	348	—	33	3,889	1,362	(4,130)
	<u>\$ 15,917</u>	<u>\$ 6,012</u>	<u>\$ 3</u>	<u>\$ 33</u>	<u>\$ 4,914</u>	<u>\$ 1,362</u>	<u>\$ 28,241</u>

**For the Nine Months Ended September 30, 2021**  
(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
<b>Reporting segments</b>							
Mississippi	\$ 20,484	\$ 2,024	\$ 589	\$ —	\$ —	\$ —	\$ 23,097
Indiana	5,837	1,778	—	—	—	—	7,615
Colorado	3,871	1,119	85	—	17	—	5,092
Nevada	3,761	412	—	—	—	—	4,173
Contracted Sports Wagering	4,122	—	—	—	—	—	4,122
	<u>38,075</u>	<u>5,333</u>	<u>674</u>	<u>—</u>	<u>17</u>	<u>—</u>	<u>44,099</u>
<b>Other operations</b>							
Corporate	(6,056)	115	—	491	—	647	(4,803)
	<u>\$ 32,019</u>	<u>\$ 5,448</u>	<u>\$ 674</u>	<u>\$ 491</u>	<u>\$ 17</u>	<u>\$ 647</u>	<u>\$ 39,296</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables for the nine-month periods ended September 30, 2022 and 2021 included facility rents related to: (i) Mississippi of \$1.5 million during 2022 and \$1.7 million during 2021, (ii) Nevada of \$1.4 million during each of 2022 and 2021, and (iii) Colorado of \$9,000 during 2022 and \$0.3 million during 2021. During the 2022 period, \$0.7 million of qualifying rent in Colorado was reclassified to preopening costs for Chamonix's expected opening in mid-2023.

## Liquidity and Capital Resources

### *Cash Flows*

As of September 30, 2022, we had \$241.8 million of cash and equivalents, including \$156.1 million of restricted cash dedicated to the completion of Chamonix's construction. 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 provided by operations during the nine-months ended September 30, 2022 was \$40,000, compared to cash provided by operations of \$19.3 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. Our operating cash flows decreased in 2022 primarily due to our decrease in revenues and income, which includes preopening expenses incurred for our upcoming openings of The Temporary and Chamonix.

**Cash flows – investing activities.** On a consolidated basis, cash used in investing activities during the nine-months ended September 30, 2022 was \$117.2 million, which primarily related to capital expenditures for Chamonix and The Temporary/American Place. Cash used in investing activities during the prior-year period was \$18.0 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 nine-months ended September 30, 2022 was \$93.7 million, compared to cash provided by financing activities of \$235.5 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 construct The Temporary. 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 (including related prepayment premiums), 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 future expansion of Silver Slipper, are likely to 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. Such future developments are highly uncertain and cannot be accurately predicted at this time, as discussed under "*Recent Developments*."

### *Debt*

**Long-term Debt.** At September 30, 2022, we had \$410.0 million of principal indebtedness outstanding under the Notes, no drawn amounts under the Credit Facility, and an outstanding \$1 million standby letter of credit related to The Temporary's construction. We also owe \$2.9 million related to our finance lease of a hotel at Rising Star. Substantially all of our debt has a fixed interest rate.

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 the completion of 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 \$100 million for all of 2022 and approximately \$125 million in 2023, with an expected opening of Chamonix in mid-2023.

*American Place.* We were selected by the Illinois Gaming Board to develop and operate American Place in Waukegan, Illinois. While the larger permanent facility is under construction, we are allowed to operate The Temporary by American Place. We plan to invest approximately \$40 million in 2022 and approximately \$60 million in 2023 to furnish, outfit and open The Temporary, including significant upfront gaming license payments and the purchase of casino equipment that is 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. The lease, which has been extended several times in the past, currently expires in August 2023. We believe that we have an excellent and synergistic relationship with Hyatt and hope to again extend the lease before its expiration, but there is no certainty that this will be the case. 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 expected revenues and expenses, our expectations regarding our ability to replace our terminated sports wagering contracts in Colorado and Indiana, our ability to operate sports wagering contracts ourselves, 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 September 30, 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 September 30, 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
31.1*	<a href="#">Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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: November 7, 2022

By: /s/ DANIEL R. LEE

Daniel R. Lee  
Chief Executive Officer  
(on behalf of the Registrant and as principal executive officer)

Date: November 7, 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)

**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: November 7, 2022

By: /s/ DANIEL R. LEE

Daniel R. Lee

Chief Executive Officer

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

I, Lewis A. Fanger, certify that:

1. I have reviewed this 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: November 7, 2022

By: /s/ LEWIS A. FANGER

Lewis A. Fanger

Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended September 30, 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: November 7, 2022

By: /s/ DANIEL R. LEE

Daniel R. Lee

Chief Executive Officer

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

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended September 30, 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: November 7, 2022

By: /s/ LEWIS A. FANGER

Lewis A. Fanger

Chief Financial Officer

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