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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2024
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-32583

FULL HOUSE RESORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction
of incorporation or organization)*

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

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

89135
(Zip Code)

(702) 221-7800

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of May 6, 2024, there were 34,637,361 shares of Common Stock, \$0.0001 par value per share, outstanding.

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

	Three Months Ended	
	March 31,	
	2024	2023
Revenues		
Casino	\$ 51,673	\$ 35,987
Food and beverage	9,769	7,660
Hotel	2,852	2,144
Other operations, including contracted sports wagering	5,630	4,315
	<u>69,924</u>	<u>50,106</u>
Operating costs and expenses		
Casino	20,575	13,344
Food and beverage	9,760	7,455
Hotel	2,163	1,219
Other operations	791	482
Selling, general and administrative	24,935	18,229
Project development costs	—	7
Preopening costs	1,663	10,497
Depreciation and amortization	10,625	5,859
Loss on disposal of assets	18	—
	<u>70,530</u>	<u>57,092</u>
Operating loss	<u>(606)</u>	<u>(6,986)</u>
Other (expense) income		
Interest expense, net	(10,250)	(4,819)
Gain on insurance settlement	—	355
	<u>(10,250)</u>	<u>(4,464)</u>
Loss before income taxes	<u>(10,856)</u>	<u>(11,450)</u>
Income tax provision (benefit)	416	(35)
Net loss	<u>\$ (11,272)</u>	<u>\$ (11,415)</u>
Basic loss per share	<u>\$ (0.33)</u>	<u>\$ (0.33)</u>
Diluted loss per share	<u>\$ (0.33)</u>	<u>\$ (0.33)</u>

See notes to condensed consolidated financial statements.

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

	March 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and equivalents	\$ 25,682	\$ 36,155
Restricted cash	20,606	37,639
Accounts receivable, net of provision for credit losses of \$1,299 and \$1,189	5,050	5,332
Inventories	1,935	1,839
Prepaid expenses and other	3,999	3,674
	<u>57,272</u>	<u>84,639</u>
Property and equipment, net	459,955	457,907
Operating lease right-of-use assets, net	43,900	44,704
Finance lease right-of-use assets, net	1,983	2,318
Goodwill	21,286	21,286
Other intangible assets, net of accumulated amortization of \$8,148 and \$8,140	84,713	76,271
Deposits and other	1,330	1,332
	<u>\$ 670,439</u>	<u>\$ 688,457</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 13,628	\$ 12,794
Income taxes payable	489	489
Construction payable	11,328	20,667
Accrued payroll and related	6,156	4,097
Accrued interest	4,655	14,248
Other accrued expenses and current liabilities	19,838	19,779
Current portion of operating lease obligations	4,803	4,784
Current portion of finance lease obligations	1,731	1,694
	<u>62,628</u>	<u>78,552</u>
Operating lease obligations, net of current portion	39,488	40,248
Finance lease obligations, net of current portion	2,258	2,705
Other long-term liabilities, net of current portion	24,824	16,075
Long-term debt, net	465,895	465,153
Deferred income taxes, net	2,100	1,684
Contract liabilities, net of current portion	5,961	6,192
	<u>603,154</u>	<u>610,609</u>
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 35,302,549 and 35,302,549 shares issued and 34,590,150 and 34,590,150 shares outstanding	4	4
Additional paid-in capital	114,038	113,329
Treasury stock, 712,399 and 712,399 common shares	(869)	(869)
Accumulated deficit	(45,888)	(34,616)
	<u>67,285</u>	<u>77,848</u>
	<u>\$ 670,439</u>	<u>\$ 688,457</u>

See notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Dollars		Shares	Dollars		
Balance, January 1, 2024	35,302	\$ 4	\$ 113,329	712	\$ (869)	\$ (34,616)	\$ 77,848
Stock-based compensation	—	—	709	—	—	—	709
Net loss	—	—	—	—	—	(11,272)	(11,272)
Balance, March 31, 2024	<u>35,302</u>	<u>\$ 4</u>	<u>\$ 114,038</u>	<u>712</u>	<u>\$ (869)</u>	<u>\$ (45,888)</u>	<u>\$ 67,285</u>

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Dollars		Shares	Dollars		
Balance, January 1, 2023	35,302	\$ 4	\$ 110,590	895	\$ (1,091)	\$ (9,712)	\$ 99,791
Options exercised	—	—	12	(4)	5	—	17
Stock-based compensation	—	—	748	—	—	—	748
Net loss	—	—	—	—	—	(11,415)	(11,415)
Balance, March 31, 2023	<u>35,302</u>	<u>\$ 4</u>	<u>\$ 111,350</u>	<u>891</u>	<u>\$ (1,086)</u>	<u>\$ (21,127)</u>	<u>\$ 89,141</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (11,272)	\$ (11,415)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	10,625	5,859
Amortization of debt issuance costs, discounts and premiums	743	547
Non-cash change in ROU operating lease assets	804	1,026
Stock-based compensation	709	748
Loss on disposal of assets	18	—
Provision for (recovery of) credit losses	255	(50)
Gain on insurance settlement	—	(355)
Other operating activities	—	390
Deferred income taxes	416	(35)
Increases and decreases in operating assets and liabilities:		
Accounts receivable	27	(1,520)
Prepaid expenses, inventories and other	(421)	18
Operating lease liabilities	(741)	(997)
Contract liabilities	(1,714)	643
Accounts payable and other liabilities	(3,849)	(2,151)
Net cash used in operating activities	<u>(4,400)</u>	<u>(7,292)</u>
Cash flows from investing activities:		
Capital expenditures	(22,636)	(51,832)
Proceeds from insurance settlement related to property damage	—	355
Acquisition of intangible assets	(1)	(50,250)
Other	2	—
Net cash used in investing activities	<u>(22,635)</u>	<u>(101,727)</u>
Cash flows from financing activities:		
Proceeds from Senior Secured Notes due 2028 borrowings	—	40,000
Payment of debt discount and issuance costs	—	(6,420)
Borrowings under revolving credit facility	3,000	36,000
Repayment of revolving credit facility borrowings	(3,000)	(9,000)
Repayment of finance lease obligations	(410)	(358)
Proceeds from exercise of stock options	—	17
Other	(61)	—
Net cash (used in) provided by financing activities	<u>(471)</u>	<u>60,239</u>
Net decrease in cash, cash equivalents and restricted cash	(27,506)	(48,780)
Cash, cash equivalents and restricted cash, beginning of period	73,794	191,176
Cash, cash equivalents and restricted cash, end of period	<u>\$ 46,288</u>	<u>\$ 142,396</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2024	2023
Supplemental Cash Flow Disclosure:		
Cash paid for interest, net of amounts capitalized	\$ 19,037	\$ 14,048
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Payables and accruals incurred for capital expenditures	\$ 7,136	\$ 31,375
Accrued liability related to asset acquisition	8,449	—
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	—	29,238
Right-of-use asset and liability remeasurements:		
Operating leases	—	2,341
Financing leases	—	(207)

See notes to condensed consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED 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 seven casinos: six on real estate that we own or lease and one located within a hotel owned by a third party. In February 2023, we opened our temporary American Place facility, which we are permitted to operate until August 2027; we have already begun the design work for the permanent replacement facility. In December 2023, we began the phased opening of our newest property, Chamonix Casino Hotel (“Chamonix”), located adjacent to our existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado. Additionally, we benefit from seven permitted sports wagering “skins” – three in Colorado, three in Indiana, and one in Illinois. Other companies currently operate the active online sports wagering websites under their brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts. Regarding our remaining idle skins, we continue to evaluate whether to operate our remaining idle skins ourselves or to have other third parties operate them. However, there is no certainty that we will be able to enter into agreements with replacement operators or successfully operate the skins ourselves.

For additional information about the Company’s segments, see [Note 8](#).

The following table presents selected information concerning our segments:

Segments and Properties	Locations
Midwest & South	
American Place*	Waukegan, IL (northern suburb of Chicago)
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
West	
Bronco Billy’s Casino and Chamonix Casino Hotel*	Cripple Creek, CO (near Colorado Springs)
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)
Contracted Sports Wagering	
Three sports wagering websites (“skins”), one of which is currently idle	Colorado
Three sports wagering websites (“skins”), two of which are currently idle	Indiana
One sports wagering website (“skin”), commenced in August 2023	Illinois

* The temporary American Place facility and Chamonix opened on February 17 and December 27, 2023, respectively.

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 condensed consolidated financial statements should be read in conjunction with the Company’s 2023 annual consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

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The interim condensed 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 condensed 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.

Methods and assumptions used to estimate the fair value of financial instruments are affected by the duration of the instruments and other factors used by market participants to estimate value. The carrying amounts for cash and equivalents, restricted cash, accounts receivable, and accounts payable approximate their estimated fair value because of the short durations of the instruments and inconsequential rates of interest.

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 an interest-bearing account to fund the completion of the Chamonix construction project, in accordance with the Company's debt covenants.

Accounts Receivable and Credit Risk. Accounts receivable consist primarily of casino, hotel, certain sports wagering contracts that pay us in arrears, and other receivables. Accounts receivable are typically non-interest bearing, recorded initially at cost, and are carried net of an appropriate reserve to approximate fair value. Loss 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 and expected 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.

<i>(In thousands)</i>	March 31, 2024	December 31, 2023
Casino	\$ 356	\$ 343
Trade Accounts	3,106	3,479
Other Operations, excluding Contracted Sports Wagering	154	185
Contracted Sports Wagering	2,428	1,932
Other	305	582
	6,349	6,521
Less: Provision for credit losses	(1,299)	(1,189)
	<u>\$ 5,050</u>	<u>\$ 5,332</u>

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The following table shows the movement in the provision for credit losses recognized for accounts receivable that occurred during the period:

(In thousands)

	2024	2023
Balance at January 1	\$ 1,189	\$ 249
Current period provision for (recovery of) credit losses	255	(50)
Write-offs	(145)	—
Balance at March 31	<u>\$ 1,299</u>	<u>\$ 199</u>

At March 31, 2024, estimated loss reserves for the current year include an additional provision of \$250,000 in connection with two online sports wagering agreements, which remain active in Colorado and Indiana as of this report date. Management regularly evaluates the adequacy of the Company's recorded reserves. As of March 31, 2024, we believe that no significant concentrations of credit risk existed for which a reserve had not already been recorded.

Other Intangible Assets. In March 2023, the Company paid \$50.3 million to the Illinois Gaming Board ("IGB") for required gaming license fees to operate the temporary American Place facility, and upon its opening, the permanent facility. Management has deemed the gaming license in Illinois as having an indefinite economic life, as such license is eligible for renewal every four years if all regulatory requirements are met. There is an additional one-time reconciliation fee, based on interim gaming revenues, which is calculated three years after commencing operations. The minimum present value of this long-term obligation was determined as of March 31, 2024 to be \$23.4 million, which also corresponds to the increase in cost basis for the gaming license in Illinois. See [Note 6](#) for details.

The long-term obligation for the Company's gaming license in Illinois consisted of the following, as discussed above:

(In thousands)

	March 31, 2024	December 31, 2023
IGB Reconciliation Fee due 2026*	\$ 33,870	\$ 22,092
Less: Amount representing interest	(10,516)	(7,187)
Present value of IGB Reconciliation Fee	<u>\$ 23,354</u>	<u>\$ 14,905</u>

* This one-time fee will be paid in six annual installments beginning in February 2026.

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.

The transaction price for a casino wager is the difference between gaming wins and losses, not the total amount wagered. As such wagers have similar characteristics, the Company accounts for its gaming transactions on a portfolio basis by recognizing net win per gaming day versus 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.

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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 casino 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 for various loyalty program benefits, primarily for "free casino play," complimentary dining, or hotel stays, among others, depending on each property's specific offers. Upon redemption, the related revenue is recognized at retail value within the department providing the goods or services. Unredeemed points are forfeited if the customer becomes and remains inactive for a specified period of time. Such liabilities were approximately \$0.8 million for each of March 31, 2024 and December 31, 2023, and these amounts are included in "other accrued expenses and current liabilities" on the condensed consolidated balance sheets.

Revenue for food and beverage, hotel, and other revenue transactions, as described in "Other Revenues" below, includes the retail value of (i) discretionary comps and (ii) comps provided in return for redemption of loyalty points. 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 American Place (the "Sports Agreements"). As part of these long-term Sports Agreements, the Company received one-time "market access" fees, which are recorded as long-term liabilities and then recognized as revenue ratably over the initial contract terms (or as accelerated due to early termination), beginning with the earlier of operations commencement or contractual commencement. In the third quarter of 2023, a contracted party ceased online operations in Indiana and Colorado, thus creating one available skin in each state.

Indiana. Under the Company's one active Sports Agreement in Indiana that commenced in December 2021, we receive a percentage of revenues (as defined), subject to an annualized minimum of \$1.0 million, while the \$1.0 million market access fee is being amortized over the initial 10-year term of the agreement. For its two idle skins, the Company could operate the skins itself or utilize replacement operators. There is no certainty that the Company will be able to enter into agreements with replacement operators or successfully operate the skins itself.

Colorado. Under the Company's two active Sports Agreements in Colorado, we receive a percentage of revenues (as defined), subject to annualized minimums totaling \$2.0 million. Market access fees of \$1.0 million for each agreement, which commenced in June 2020 and March 2023, are being amortized over their 10-year terms. For its idle skin, the Company could operate the skin itself or utilize a replacement operator. There is no certainty that the Company will be able to enter into an agreement with a replacement operator or successfully operate the skin itself.

Illinois. Under the Company's Sports Agreement in Illinois, we receive a percentage of revenues (as defined), subject to a minimum of \$5.0 million per year. A market access fee of \$5.0 million is being amortized over the eight-year term of the Sports Agreement, which began its contractual term in August 2023.

In addition to the market access fees, deferred revenue includes quarterly and annual prepayments of contracted revenue, as required in two of the Sports Agreements. As of March 31, 2024, \$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>	Balance Sheet Location	March 31, 2024	December 31, 2023
Deferred revenue, current	Other accrued expenses and current liabilities	\$ 4,692	\$ 6,175
Deferred revenue, net of current portion	Contract liabilities, net of current portion	5,961	6,192
		<u>\$ 10,653</u>	<u>\$ 12,367</u>

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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 8](#).

Income Taxes. For interim income tax reporting for the three months ended March 31, 2024, 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, 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, as well as depreciation (or amortization) expense associated with the ROU asset, depending on whether those ROU assets are expected to transfer to the Company upon lease expiration. If ownership of a finance lease ROU asset is expected to transfer to the Company upon lease expiration, then it is included with the Company's property and equipment; other qualifying finance lease ROU assets, based on other classifying criteria under Accounting Standards Codification 842 ("ASC 842"), are disclosed separately as "Finance Lease Right-of-Use Assets, Net." 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, plus any qualifying initial direct costs paid prior to commencement for ROU assets. 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 or terminate the lease when it is reasonably certain that the Company will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term for operating leases. For finance leases, the ROU asset depreciates/amortizes on a straight-line basis over the shorter of the lease term or useful life of the ROU asset as applicable, 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 both the Chamonix and American Place developments.

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

Accounting Pronouncements:

ASU 2023-09, Income Taxes, Topic 740, Improvements to Income Tax Disclosures (“Update 2023-09”). In December 2023, the FASB issued Update 2023-09 to improve income tax disclosure requirements, primarily related to rate reconciliations and income taxes paid. Update 2023-09 is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact of the adoption of Update 2023-09 to the condensed consolidated financial statements.

ASU 2023-07, Segment Reporting, Topic 280, Improvements to Reportable Segment Disclosures (“Update 2023-07”). In November 2023, the FASB issued Update 2023-07 to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Update 2023-07 is to be applied retrospectively and is effective for financial statements issued for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact of the adoption of Update 2023-07 on the condensed consolidated financial statements.

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 material leases in which it is the lessor. As lessee, the Company has finance leases for a hotel and certain equipment, as well as operating leases for land, casino and office space, equipment, and buildings. The Company’s remaining lease terms, including extensions, range from one month to approximately 98 years. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants, but the land leases at Silver Slipper and American Place do include contingent rent, as further discussed below.

Operating Leases

Waukegan Ground Lease through February 2122 and Option to Purchase. In January 2023, the Company’s subsidiary, FHR-Illinois, LLC, entered into a 99-year ground lease (the “Ground Lease”) for approximately 32 acres of land (the “City-Owned Parcel”) with the City of Waukegan in Illinois (the “City”). The ground lease commenced concurrently with the opening of American Place on February 17, 2023. The City-Owned Parcel and an adjacent 10-acre parcel owned by the Company comprise the location of American Place, including its temporary facility. Annual rent under the Ground Lease is the greater of (i) \$3.0 million (the “Annual Guaranteed Minimum Rent”), or (ii) 2.5% of gross gaming revenue (as defined in the lease) generated by American Place.

The Company has the right to purchase the City-Owned Parcel at any time during the term of the Ground Lease for \$30 million. If it does so prior to the opening of the permanent American Place facility, then it must continue to pay rent due to the City under the Ground Lease until the permanent casino is open.

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Silver Slipper Casino Land Lease through April 2058 and Option to Purchase. In 2004, the Company's subsidiary, Silver Slipper Casino Venture, LLC, entered into a land lease for approximately 31 acres of marshlands and a seven-acre parcel on which the Silver Slipper Casino and Hotel is situated. Annual minimum rent is \$0.9 million throughout the lease term until 2058, plus contingent rents of 3% of gross gaming revenue (as defined in the lease) in excess of \$3.65 million per month.

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. The Company's subsidiary, FHR-Colorado LLC, leases certain parcels, 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.

The Company's related ROU asset and liability balances on its balance sheet factor in all renewal terms through January 2035, as the Company is deemed likely to exercise each renewal unless it exercises its purchase buyout right.

Grand Lodge Casino Lease through December 2024. 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 4](#)). 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 annual rent of \$2.0 million is applicable through the remaining lease term. In February 2023, the lease was amended to extend the current term through December 31, 2024 (with no changes to rent). Accordingly, the Company remeasured this lease's related ROU asset and liability balances on its balance sheet upon the effective date of the amendment.

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 March 31, 2024, such potential purchase price was \$2.1 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.

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The components of lease expenses are as follows:

(In thousands)

Lease Costs	Classification within Statement of Operations	Three Months Ended March 31,	
		2024	2023
Operating leases:			
Fixed/base rent	Selling, General and Administrative Expenses	\$ 1,963	\$ 1,792
Short-term payments	Selling, General and Administrative Expenses	—	22
Variable payments	Selling, General and Administrative Expenses	263	305
Finance leases:			
Amortization of leased assets	Depreciation and Amortization	375	353
Interest on lease liabilities	Interest Expense, Net	79	111
Total lease costs		<u>\$ 2,680</u>	<u>\$ 2,583</u>

Leases recorded on the balance sheet consist of the following:

(In thousands)

Leases	Balance Sheet Classification	March 31, 2024	December 31, 2023
Assets			
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 43,900	\$ 44,704
Finance lease assets	Property and Equipment, Net ⁽¹⁾	4,370	4,409
Finance lease assets	Finance Lease Right-of-Use Assets, Net ⁽²⁾	1,983	2,318
Total lease assets		<u>\$ 50,253</u>	<u>\$ 51,431</u>
Liabilities			
Current			
Operating	Current Portion of Operating Lease Obligations	\$ 4,803	\$ 4,784
Finance	Current Portion of Finance Lease Obligations	1,731	1,694
Noncurrent			
Operating	Operating Lease Obligations, Net of Current Portion	39,488	40,248
Finance	Finance Lease Obligations, Net of Current Portion	2,258	2,705
Total lease liabilities		<u>\$ 48,280</u>	<u>\$ 49,431</u>

(1) Finance lease assets are recorded net of accumulated amortization of \$2.8 million for March 31, 2024 and \$2.7 million for December 31, 2023.

(2) These finance lease assets are recorded separately from Property and Equipment due to meeting qualifying classification criteria under ASC 842, but ownership of such assets is not expected to transfer to the Company upon term expiration. Additionally, amortization of these assets are expensed over the duration of the lease term or the assets' estimated useful lives, whichever is earlier.

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Maturities of lease liabilities as of March 31, 2024 are summarized as follows:

(In thousands)

Years Ending December 31,	Operating Leases	Finance Leases
2024 (excluding the three months ended March 31, 2024)	\$ 5,835	\$ 1,468
2025	5,722	1,721
2026	4,864	652
2027	4,515	489
2028	4,515	—
Thereafter	312,066	—
Total future minimum lease payments	337,517	4,330
Less: Amount representing interest	(293,226)	(341)
Present value of lease liabilities	44,291	3,989
Less: Current lease obligations	(4,803)	(1,731)
Long-term lease obligations	<u>\$ 39,488</u>	<u>\$ 2,258</u>

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

Lease Term and Discount Rate	March 31, 2024	December 31, 2023
Weighted-average remaining lease term		
Operating leases	68.8 years	67.9 years
Finance leases	2.6 years	2.8 years
Weighted-average discount rate		
Operating leases	10.91 %	10.91 %
Finance leases	7.34 %	7.46 %

Supplemental cash flow information related to leases is as follows:

(In thousands)

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 1,901	\$ 1,763
Operating cash flows for finance leases	\$ 79	\$ 111
Financing cash flows for finance leases	\$ 410	\$ 378

4. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands)

	March 31, 2024	December 31, 2023
Revolving Credit Facility due 2026	\$ 27,000	\$ 27,000
8.25% Senior Secured Notes due 2028	450,000	450,000
Less: Unamortized debt issuance costs and discounts/premiums, net	(11,105)	(11,847)
	<u>\$ 465,895</u>	<u>\$ 465,153</u>

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Senior Secured Notes due 2028. On February 12, 2021, the Company issued \$310.0 million aggregate principal amount of 8.25% Senior Secured Notes due 2028 (the “2028 Notes”) to refinance all of its prior notes and repurchase all of its outstanding warrants. Additionally, \$180 million of bond proceeds were initially placed into a construction reserve account to fund the construction of Chamonix, which was later increased to \$221 million in January 2022 to reflect an expansion of the project.

On February 7, 2022, the Company closed a private offering for an additional \$100.0 million of Senior Secured Notes due 2028, which sold at a price of 102.0% of such principal amount. Proceeds from this sale were used: (i) to develop, equip and open the temporary American Place facility, which the Company intends to operate while it designs and constructs its permanent facility, (ii) to pay the transaction fees and expenses of such offer and sale, and (iii) for general corporate purposes. The additional notes from this sale were issued pursuant to the indenture, dated as of February 12, 2021 (the “Original Indenture”), to which the Company issued the \$310.0 million of 2028 Notes described above. In connection with the issuance of the additional notes in February 2022, the Company and the subsidiary guarantors party to the Original Indenture also entered into three Supplemental Indentures with Wilmington Trust, National Association, as trustee.

On February 21, 2023, the Company issued an additional \$40.0 million of senior secured notes (the “Additional Notes”), thereby increasing the outstanding borrowing under the 2028 Notes to \$450.0 million (collectively, the “Notes”). Related to the issuance of the Additional Notes, the Company further amended the indenture governing the Notes (collectively, the “Amended Indenture”) and amended its revolving credit facility. Proceeds from the offering of the Additional Notes, net of related expenses and discounts, were approximately \$34 million and were used: (i) to open American Place, including the payment of related Illinois gaming license fees in March 2023, and (ii) for general corporate purposes. The Additional Notes are essentially identical to the 2028 Notes, as they are treated as a single series of senior secured debt securities with the 2028 Notes and also as a single class for all purposes under the Amended Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

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.

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 Amended 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, 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 (unless such net proceeds are reinvested in the business), upon certain changes of control, or should the Company have certain unused funds in the construction disbursement account following the completion of Chamonix (expected around mid-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 %

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

On February 21, 2023, the Company entered into a Second Amendment to Credit Agreement with Capital One, which, among other things, increased the amount of additional indebtedness permitted under the Company’s Credit Agreement from \$25.0 million to \$40.0 million (collectively, the “Credit Facility”). Such amendment permitted the issuance of the Additional Notes, as described above.

The interest rate per annum applicable to loans under the Credit Facility is currently, 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.

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. As of March 31, 2024, the Company was in compliance with this financial covenant and \$27.0 million of borrowings were outstanding under the Credit Facility.

Fair Value of Long-Term Debt. The estimated fair value of the Notes was approximately \$431.9 million for March 31, 2024 and \$423.0 million for December 31, 2023, which values were estimated using quoted market prices (Level 1 inputs). The fair value of the Credit Facility approximates its carrying amount, as it is revolving, variable rate debt, and is classified as a Level 2 measurement.

5. INCOME TAXES

The Company’s effective income tax rate for the three months ended March 31, 2024 and 2023 was (3.8%) and 0.3%, respectively. The change in the effective income tax rate was primarily due to the Company’s projections for pre-tax book income in 2024, the effects of tax amortization on indefinite-lived intangibles in 2024, valuation allowances, and certain permanent differences between tax and financial reporting purposes. The Company’s income tax provision or benefit for interim periods has been determined using an estimate of its annual effective tax rate (“AETR”), adjusted for discrete items.

The Company continues to assess the realizability of deferred tax assets (“DTAs”) and concluded that it has not met the “more-likely-than-not” threshold. As of March 31, 2024, 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.

6. COMMITMENTS AND CONTINGENCIES

Litigation

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

Contingent Gaming License Fees in Illinois

As required for its gaming licensure at American Place, the Company is required to make a "Reconciliation Payment" to the State of Illinois. The Reconciliation Payment is calculated three years after the commencement of gaming operations in Illinois in an amount equal to 75% of the adjusted gross receipts for the most lucrative trailing 12-month period of operations, offset by certain licensing fees paid by the Company in the first quarter of 2023. The Reconciliation Payment is due in annual installments over a period of six years, beginning in 2026.

7. EARNINGS (LOSS) PER SHARE

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

(In thousands)

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss — basic	\$ (11,272)	\$ (11,415)
Net loss — diluted	\$ (11,272)	\$ (11,415)
Denominator:		
Weighted-average common shares — basic	34,590	34,410
Potential dilution from share-based awards	—	—
Weighted-average common and common share equivalents — diluted	34,590	34,410
Anti-dilutive share-based awards excluded from the calculation of diluted loss per share	4,212	3,846

8. SEGMENT REPORTING AND DISAGGREGATED REVENUE

The Company manages its reporting segments based on geographic regions within the United States and type of income. The Company's management views the regions where each of its casino resorts are located as reportable segments, in addition to its contracted sports wagering segment. Reportable 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 profitability 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, certain 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.

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The following tables present the Company's segment information:

(In thousands)

	Three Months Ended March 31, 2024			
	Midwest & South	West	Contracted Sports Wagering	Total
Revenues				
Casino	\$ 40,909	\$ 10,764	\$ —	\$ 51,673
Food and beverage	8,510	1,259	—	9,769
Hotel	2,008	844	—	2,852
Other operations, including contracted sports wagering	3,205	165	2,260	5,630
	<u>\$ 54,632</u>	<u>\$ 13,032</u>	<u>\$ 2,260</u>	<u>\$ 69,924</u>
Adjusted Segment EBITDA	\$ 12,682	\$ (133)	\$ 1,935	\$ 14,484
Other operating costs and expenses:				
Depreciation and amortization				(10,625)
Corporate expenses				(2,075)
Preopening costs				(1,663)
Loss on disposal of assets				(18)
Stock-based compensation				(709)
Operating loss				<u>(606)</u>
Other expense:				
Interest expense, net				(10,250)
				<u>(10,250)</u>
Loss before income taxes				<u>(10,856)</u>
Income tax expense				416
Net loss				<u>\$ (11,272)</u>

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(In thousands)

	Three Months Ended March 31, 2023			
	Midwest & South	West	Contracted Sports Wagering	Total
Revenues				
Casino	\$ 28,852	\$ 7,135	\$ —	\$ 35,987
Food and beverage	6,897	763	—	7,660
Hotel	2,040	104	—	2,144
Other operations, including contracted sports wagering	3,013	122	1,180	4,315
	<u>\$ 40,802</u>	<u>\$ 8,124</u>	<u>\$ 1,180</u>	<u>\$ 50,106</u>
Adjusted Segment EBITDA	\$ 10,687	\$ 56	\$ 1,161	\$ 11,904
Other operating costs and expenses:				
Depreciation and amortization				(5,859)
Corporate expenses				(1,779)
Project development costs				(7)
Preopening costs				(10,497)
Stock-based compensation				(748)
Operating loss				<u>(6,986)</u>
Other (expense) income:				
Interest expense, net				(4,819)
Gain on insurance settlement				355
				<u>(4,464)</u>
Loss before income taxes				(11,450)
Income tax benefit				(35)
Net loss				<u>\$ (11,415)</u>

(In thousands)

	March 31, 2024	December 31, 2023
Total Assets		
Midwest & South	\$ 300,099	\$ 298,072
West	359,974	372,875
Contracted Sports Wagering	1,222	977
Corporate and Other	9,144	16,533
	<u>\$ 670,439</u>	<u>\$ 688,457</u>

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, 2023, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on March 15, 2024. 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, among other amenities, casino gambling, hotel accommodations, dining, golf, RV camping, sports betting, entertainment and retail outlets. We currently operate seven casinos: six on real estate that we own or lease and one located within a hotel owned by a third party. In February 2023, we opened our temporary American Place facility, which we are permitted to operate until August 2027; we have already begun the design work for the permanent replacement facility. In December 2023, we began the phased opening of our newest property, Chamonix Casino Hotel (“Chamonix”), located adjacent to our existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado. Additionally, we benefit from seven permitted sports wagering “skins” – three in Colorado, three in Indiana, and one in Illinois. Other companies operate the active sports wagering websites under their brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts. Regarding our remaining idle skins, we continue to evaluate whether to operate them ourselves or to have other third parties operate them. However, there is no certainty that we will be able to enter into agreements with replacement operators or successfully operate the skins ourselves.

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

Segments and Properties	Locations
Midwest & South	
American Place*	Waukegan, IL (northern suburb of Chicago)
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
West	
Bronco Billy’s Casino and Chamonix Casino Hotel*	Cripple Creek, CO (near Colorado Springs)
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)
Contracted Sports Wagering	
Three sports wagering websites (“skins”), one of which is currently idle	Colorado
Three sports wagering websites (“skins”), two of which are currently idle	Indiana
One sports wagering website (“skin”), commenced in August 2023	Illinois

* The temporary American Place facility and Chamonix opened on February 17 and December 27, 2023, respectively.

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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 gaming regulations, most of our revenues are cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Our revenues are primarily derived from slot machines, but also include other gaming activities, including table games, keno and sports betting. In addition, we derive a significant amount of revenue from our hotels and our food and beverage outlets. We also derive revenues from our golf course and ferry boat service at Rising Star, our RV parks owned at Rising Star and managed at Silver Slipper, 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 set minimum and maximum betting limits for our slot machines and table games based on market conditions, customer demand and other factors. Our gaming revenues are derived from a broad base of guests that includes both high- and low-stakes players. At Silver Slipper, our sports book operations are in partnership with a company specializing in race and sports betting. At Rising Star, Bronco Billy's, and American Place, we have contracted with other companies to operate our online sports wagering skins under their own brands in exchange for a percentage of revenues, as defined, subject to annual minimum amounts. Our operating results may also be affected by, among other things, overall economic conditions affecting the disposable income of our guests, weather conditions affecting access to our properties, achieving and maintaining cost efficiencies, taxation and other regulatory changes, and competitive factors, including but not limited to, additions and improvements to the competitive supply of gaming facilities, as well as pandemics and similar widespread health emergencies.

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, especially contrasted with different seasonal quarters, are not necessarily comparable. Results for any particular quarter or year 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

Chamonix Casino Hotel. Designed to integrate with our adjacent Bronco Billy's Casino, Chamonix is the only luxury casino hotel located near the Colorado Springs metropolitan area. On December 27, 2023, we began its phased opening, starting with the casino, meeting space, and approximately one-third of its 300 guestrooms. The remainder of Chamonix's guestrooms came online gradually during the first quarter. Our high-end steakhouse, 980 Prime by Barry Dakake, began welcoming its first guests on April 19, 2024, and our pool and spa are expected to begin operations before Memorial Day weekend.

American Place. In February 2023, we opened our temporary American Place facility in Waukegan, Illinois, which we are permitted to operate until August 2027. American Place currently includes approximately 940 slot machines, 48 table games, a fine-dining restaurant, two additional restaurants, a center bar and a sportsbook. We have already begun design work for the permanent American Place facility, which is expected to include a world-class casino, state-of-the-art sportsbook, premium boutique hotel comprised of 20 luxurious villas, and various food and beverage outlets.

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 are not necessarily 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 slot win and table game 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, Adjusted Segment EBITDA Margin and Adjusted Property EBITDA:

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 8](#). In addition, we use Adjusted Segment EBITDA Margin, which is calculated by dividing Adjusted Segment EBITDA by the segment’s total revenues.

Same-store Adjusted Segment EBITDA is Adjusted Segment EBITDA further adjusted to exclude the Adjusted Property EBITDA of properties that have not been in operation for a full year. Adjusted Property EBITDA is defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening expenses, certain 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 property.

Results of Operations

Consolidated operating results

The following tables summarize our consolidated operating results for the three months ended March 31, 2024 and 2023:

<i>(In thousands)</i>	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Revenues	\$ 69,924	\$ 50,106	39.6 %
Operating expenses	70,530	57,092	23.5 %
Operating loss	(606)	(6,986)	91.3 %
Interest and other non-operating expenses, net	10,250	4,464	129.6 %
Income tax expense (benefit)	416	(35)	1,288.6 %
Net loss	\$ (11,272)	\$ (11,415)	1.3 %

<i>(In thousands)</i>	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Casino revenues			
Slots	\$ 42,509	\$ 31,528	34.8 %
Table games	9,040	4,351	107.8 %
Other	124	108	14.8 %
	<u>51,673</u>	<u>35,987</u>	<u>43.6 %</u>
Non-casino revenues, net			
Food and beverage	9,769	7,660	27.5 %
Hotel	2,852	2,144	33.0 %
Other	5,630	4,315	30.5 %
	<u>18,251</u>	<u>14,119</u>	<u>29.3 %</u>
Total revenues	<u>\$ 69,924</u>	<u>\$ 50,106</u>	<u>39.6 %</u>

<i>(In thousands)</i>	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Slot coin-in	\$ 724,849	\$ 540,228	34.2 %
Slot win ⁽¹⁾	\$ 53,132	\$ 41,165	29.1 %
Slot hold percentage ⁽²⁾	7.3 %	7.6 %	(0.3)pts
Table game drop	\$ 46,928	\$ 25,955	80.8 %
Table game win ⁽¹⁾	\$ 9,260	\$ 4,417	109.6 %
Table game hold percentage ⁽²⁾	19.7 %	17.0 %	2.7 pts

(1) Does not reflect reductions in casino revenues from “discretionary comps” (see [Note 2](#) for more information on our customer loyalty programs).

(2) The three-year averages for slot hold percentage and table game hold percentage were 7.4% and 18.3%, respectively. A significant portion of our results in the recent and prospective quarters reflect the opening of two new casinos. Their win percentages may differ from historical averages.

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The following discussion is based on our condensed consolidated financial statements for the three months ended March 31, 2024 and 2023.

Revenues. Consolidated total revenues increased by 39.6% (or \$19.8 million) for the three months ended March 31, 2024 compared to the prior-year period. This was primarily due to a full quarter of operations in 2024 at American Place, which opened on February 17, 2023. Revenues during the first quarter of 2024 also benefited from the phased opening of Chamonix, which began on December 27, 2023. Gaming revenues from our integrated Bronco Billy's/Chamonix facility increased by \$3.6 million (or 115.6%), which helped offset gaming revenue declines at the Company's other properties of \$2.0 million (or 8.6%), when compared to the prior-year period.

For more information, see "Supplemental Information – Same-store Operating Results."

Operating Expenses. Consolidated operating expenses increased by 23.5% (or \$13.4 million) for the three months ended March 31, 2024, compared to the prior-year period. These increases were primarily due to the commencement of operations at American Place in February 2023 and Chamonix in December 2023. For American Place, these expenses included \$6.2 million in selling, general and administrative costs, and \$5.5 million in depreciation and amortization. Similarly for Chamonix, these expenses included \$1.5 million of preopening costs, \$3.8 million in selling, general and administrative costs, and \$3.7 million in depreciation and amortization for the three months ended March 31, 2024.

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>	Three Months Ended	
	March 31,	
	2024	2023
Interest expense (excluding bond fee amortization and discounts/premiums)	\$ 10,208	\$ 9,020
Amortization of debt issuance costs and discounts/premiums	743	547
Capitalized interest	(361)	(3,472)
Interest income and other	(340)	(1,276)
	<u>\$ 10,250</u>	<u>\$ 4,819</u>

The increase in net interest expense for the three months ended March 31, 2024 was primarily due to reductions in capitalized interest, as construction of the temporary American Place and Chamonix facilities are largely complete. Additionally, as we invested cash into the construction of both projects, our cash balances were lower during the 2024 period, resulting in reduced interest income. Further, we issued \$40.0 million in Additional Notes in February 2023, so the prior-year period reflects only a partial quarter of related interest expense.

Other Non-Operating Expenses, Net

For the three months ended March 31, 2024, we had no other non-operating expense. The corresponding prior-year period had \$355,000 of other non-operating income, consisting primarily of insurance settlement proceeds from hurricane damage at Silver Slipper in 2020.

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Income Tax Expense. We recognized an income tax provision of \$416,000 and an income tax benefit of \$35,000 for the respective three months ended March 31, 2024 and 2023, which resulted in effective income tax rates of (3.8%) and 0.3%, respectively. The change in the effective income tax rate was primarily due to the effects of tax amortization on indefinite-lived intangibles in 2024, as well as 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 2024 results. As we have incurred losses in prior periods, we anticipate any current-year taxable income will be offset by tax 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.

	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Revenues			
Midwest & South	\$ 54,632	\$ 40,802	33.9 %
West	13,032	8,124	60.4 %
Contracted Sports Wagering	2,260	1,180	91.5 %
	<u>\$ 69,924</u>	<u>\$ 50,106</u>	<u>39.6 %</u>
Adjusted Segment EBITDA and Adjusted EBITDA			
Midwest & South	\$ 12,682	\$ 10,687	18.7 %
West	(133)	56	(337.5)%
Contracted Sports Wagering	1,935	1,161	66.7 %
Adjusted Segment EBITDA	14,484	11,904	21.7 %
Corporate	(2,075)	(1,779)	16.6 %
Adjusted EBITDA	<u>\$ 12,409</u>	<u>\$ 10,125</u>	<u>22.6 %</u>
Adjusted Segment EBITDA Margin			
Midwest & South	23.2 %	26.2 %	(3.0) pts
West	(1.0)%	0.7 %	(1.7) pts
Contracted Sports Wagering	85.6 %	98.4 %	(12.8) pts

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The following table presents the financial results of our Midwest & South operations on a same-store basis for the three months ended March 31, 2024 and 2023 for revenues and Adjusted Segment EBITDA; see “Non-GAAP Financial Measure” for additional information.

Same-store operations exclude results of new and acquired operating segments that have not been in operations for longer than a year, starting from the date of commencement or acquisition through the end of the reporting period. Accordingly, for Midwest & South, we have excluded the results of American Place for periods subsequent to its commencement of operations.

<i>(In thousands)</i>	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Midwest & South same-store total revenues ⁽¹⁾	\$ 28,824	\$ 30,382	(5.1)%
American Place	25,808	10,420	147.7 %
Midwest & South total revenues	<u>\$ 54,632</u>	<u>\$ 40,802</u>	33.9 %
Midwest & South same-store Adjusted Segment EBITDA ⁽¹⁾	\$ 5,301	\$ 7,114	(25.5)%
American Place	7,381	3,573	106.6 %
Midwest & South Adjusted Segment EBITDA	<u>\$ 12,682</u>	<u>\$ 10,687</u>	18.7 %
Midwest & South same-store Adjusted Segment EBITDA margin ⁽¹⁾	18.4 %	23.4 %	(5.0) pts
American Place	28.6 %	34.3 %	(5.7) pts
Midwest & South Adjusted Segment EBITDA margin	23.2 %	26.2 %	(3.0) pts

(1) Same-store operations exclude results from American Place, which opened on February 17, 2023.

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The following table presents the financial results of our Contracted Sports Wagering operations on a same-store basis for the three months ended March 31, 2024 and 2023 for revenues and Adjusted Segment EBITDA; see “Non-GAAP Financial Measure” for additional information.

Same-store operations exclude results of new and acquired operating segments that have not been in operations for longer than a year, starting from the date of commencement or acquisition through the end of the reporting period. Accordingly, for Contracted Sports Wagering, we have excluded the results in Illinois for periods subsequent to its contractual commencement of revenue payments.

(In thousands)

	Three Months Ended		Increase / (Decrease)
	March 31,		
	2024	2023	
Contracted Sports Wagering same-store total revenues ⁽¹⁾	\$ 825	\$ 1,180	(30.1)%
Illinois	1,435	—	N.M.
Contracted Sports Wagering total revenues	<u>\$ 2,260</u>	<u>\$ 1,180</u>	91.5 %
Contracted Sports Wagering same-store Adjusted Segment EBITDA ⁽¹⁾	\$ 546	\$ 1,161	(53.0)%
Illinois	1,389	—	N.M.
Contracted Sports Wagering Adjusted Segment EBITDA	<u>\$ 1,935</u>	<u>\$ 1,161</u>	66.7 %
Contracted Sports Wagering same-store Adjusted Segment EBITDA margin ⁽¹⁾	66.2 %	98.4 %	(32.2) pts
Illinois	96.8 %	— %	96.8 pts
Contracted Sports Wagering Adjusted Segment EBITDA margin	85.6 %	98.4 %	(12.8) pts

N.M. Not meaningful.

(1) Same-store operations exclude results from Illinois, which contractually commenced on August 15, 2023.

Midwest & South

Our Midwest & South segment includes Silver Slipper Casino and Hotel, Rising Star Casino Resort and American Place, which opened in Waukegan, Illinois, in February 2023. Total revenues for the three months ended March 31, 2024 increased by 33.9% (or \$13.8 million), primarily due to a full quarter of operations from American Place. Excluding results from American Place, same-store revenues declined by 5.1% (or \$1.6 million), in part due to adverse winter weather over several weekend periods, resulting in lower casino revenue.

Reflecting the February 2023 opening of American Place, casino revenue increased by 41.8% (or \$12.1 million) for the three months ended March 31, 2024. Slot revenue for the segment increased by 30.3% (or \$7.7 million), and table games revenue increased by 130.2% (or \$4.4 million). Excluding results from American Place, same-store casino revenue declined by 10.4% (or \$2.0 million) for the three months ended March 31, 2024, primarily due to lower slot and table games volumes at Silver Slipper and Rising Star, compared to the prior-year period. In addition to the adverse weather noted above, Rising Star continues to compete with a relatively new racetrack casino that opened in September 2022 in Northern Kentucky.

Non-casino revenue increased by 14.8% (or \$1.8 million) for the three months ended March 31, 2024, largely due to increases in food and beverage revenue. Food and beverage revenue rose 23.4% (or \$1.6 million), reflecting the opening of additional food and beverage venues, and expansion of operating hours, at American Place throughout 2023 and early 2024. Hotel revenues for the segment declined by 1.6% (or \$32,000) for the three months ended March 31, 2024, as American Place does not currently have hotel operations.

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Adjusted Segment EBITDA increased by 18.7% (or \$2.0 million) for the three months ended March 31, 2024. This increase reflects a full quarter of operations at American Place, which generated \$7.4 million of Adjusted Property EBITDA, offsetting a decline in same-store Adjusted Segment EBITDA from \$7.1 million to \$5.3 million (or 25.5%) for the three months ended March 31, 2024. Same-store operations were primarily affected by significant snowfall over several weekends, when the majority of guests typically visit our casinos, declines in casino revenues and higher operating costs at Silver Slipper, including property insurance.

West

Our West segment includes Grand Lodge, Stockman's Casino, Bronco Billy's Casino and Hotel, and Chamonix Casino Hotel, which began its phased opening on December 27, 2023. The market in Cripple Creek, Colorado, is seasonal, favoring the summer months. 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 is located near several major ski resorts. While Grand Lodge typically benefits from a "good" snow year, resulting in extended periods of operation at the nearby ski areas, excessive snow levels can also result in challenging driving conditions or the closure of roads leading to the property.

Total revenues increased by 60.4% (or \$4.9 million) for the three months ended March 31, 2024, primarily due to the phased opening of Chamonix, which was designed to integrate with existing operations at Bronco Billy's. Results for the prior-year period reflected planned business disruptions to accommodate the construction of Chamonix.

Casino revenue increased by 50.9% (or \$3.6 million) for the three months ended March 31, 2024, reflecting contributions from Chamonix and improved operating conditions at Bronco Billy's. Slot revenue increased by 53.6% (or \$3.3 million) for the three months ended March 31, 2024, despite decreases in slot volumes at Grand Lodge and Stockman's. Table games revenue rose by \$0.3 million (or 32.6%) for the three months ended March 31, 2024, with increased table games revenues from our Colorado operations, including Chamonix, accounting for the entire period-over-period change.

Non-casino revenue improved by \$1.3 million for the three months ended March 31, 2024. Food and beverage revenues increased by \$0.5 million for the three months ended March 31, 2024, and hotel revenues rose by \$0.7 million. These improvements came from Chamonix, which benefited from the opening of its 300-room hotel gradually throughout the first quarter of 2024 and related increases in guest volumes at Chamonix's and Bronco Billy's restaurants.

Adjusted Segment EBITDA of \$(0.1) million for the three months ended March 31, 2024 compares to \$0.1 million in the prior-year period. Current-period results reflect the phased opening of Chamonix Casino Hotel, which is currently operating less efficiently than expected in future quarters. Elevated expenses include the training of new employees and additional marketing costs expected to benefit future operations. Results in the current period also reflect significant snowfall over several weekends, when guest traffic at our casinos is typically strongest, and the loss of electrical power to the entire city of Cripple Creek for three days.

Contracted Sports Wagering

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

For the three months ended March 31, 2024, revenues grew 91.5%, from \$1.2 million in the prior-year period to \$2.3 million, and Adjusted Segment EBITDA rose 66.7%, from \$1.2 million to \$1.9 million. These results reflect the launch of our permitted Illinois sports skin in August 2023. Under the Illinois sports wagering agreement, we receive a percentage of revenues (as defined), subject to an annualized minimum of \$5 million, with minimal expected expenses. Additionally, we receive a percentage of on-site sports revenue, as defined. Such agreement contributed \$1.4 million in revenues, as well as Adjusted Segment EBITDA, during the 2024 period.

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Additionally, these results reflect the commencement of a replacement contract in Colorado, which began contributing to our results in March 2023, as well as a provision for credit losses on sports wagering receivables of \$0.3 million in the first quarter of 2024. There was no such provision for the prior-year period.

We currently have two idle sports skins in Indiana and one idle sports skin in Colorado. We continue to evaluate whether to operate our idle skins ourselves or to have other third parties operate them. However, there is no certainty that we will be able to enter into agreements with replacement operators or successfully operate the skins ourselves.

Corporate

Corporate expenses for the three months ended March 31, 2024 rose 16.6% (or \$0.3 million), primarily due to an increase in third-party professional services, as compared to the prior-year period. Corporate expenses were \$2.1 million and \$1.8 million for the three months ended March 31, 2024 and 2023, respectively.

Non-GAAP Financial Measure

“Adjusted EBITDA” is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening expenses, certain 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 the 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 and operating loss to Adjusted EBITDA:

(In thousands)

	Three Months Ended	
	March 31,	
	2024	2023
Net loss	\$ (11,272)	\$ (11,415)
Income tax expense (benefit)	416	(35)
Interest expense, net	10,250	4,819
Gain on insurance settlement	—	(355)
Operating loss	(606)	(6,986)
Project development costs	—	7
Preopening costs	1,663	10,497
Depreciation and amortization	10,625	5,859
Loss on disposal of assets	18	—
Stock-based compensation	709	748
Adjusted EBITDA	\$ 12,409	\$ 10,125

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

Three Months Ended March 31, 2024

(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments						
Midwest & South	\$ 5,809	\$ 6,736	\$ 18	\$ 119	\$ —	\$ 12,682
West	(5,536)	3,859	—	1,544	—	(133)
Contracted Sports Wagering	1,935	—	—	—	—	1,935
	<u>2,208</u>	<u>10,595</u>	<u>18</u>	<u>1,663</u>	<u>—</u>	<u>14,484</u>
Other operations						
Corporate	(2,814)	30	—	—	709	(2,075)
	<u>\$ (606)</u>	<u>\$ 10,625</u>	<u>\$ 18</u>	<u>\$ 1,663</u>	<u>\$ 709</u>	<u>\$ 12,409</u>

Three Months Ended March 31, 2023

(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments						
Midwest & South	\$ (4,666)	\$ 5,256	\$ —	\$ 10,097	\$ —	\$ 10,687
West	(916)	572	—	400	—	56
Contracted Sports Wagering	1,161	—	—	—	—	1,161
	<u>(4,421)</u>	<u>5,828</u>	<u>—</u>	<u>10,497</u>	<u>—</u>	<u>11,904</u>
Other operations						
Corporate	(2,565)	31	7	—	748	(1,779)
	<u>\$ (6,986)</u>	<u>\$ 5,859</u>	<u>\$ 7</u>	<u>\$ 10,497</u>	<u>\$ 748</u>	<u>\$ 10,125</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables for the three-month periods ended March 31, 2024 and 2023 included facility rents related to: (i) Midwest & South of \$1.4 million in 2024 and \$0.9 million in 2023, and (ii) West of \$0.6 million in 2024 and \$0.7 million in 2023.

Liquidity and Capital Resources

Cash Flows

As of March 31, 2024, we had \$46.3 million of cash and equivalents, including \$20.6 million of restricted cash dedicated to the completion of Chamonix's construction. We estimate that between \$10 million and \$15 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. Over the last several years, we invested in two large construction projects that are now open to the public: American Place, which opened in February 2023, and Chamonix, which opened in December 2023.

Cash flows – operating activities. On a consolidated basis, cash used in operations during the three months ended March 31, 2024 was \$4.4 million, compared to cash used in operations of \$7.3 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. During the current period, we benefited from a full quarter of operations at American Place, which opened in February 2023.

Cash flows – investing activities. On a consolidated basis, cash used in investing activities during the three months ended March 31, 2024 was \$22.6 million, primarily related to Chamonix. Cash used in investing activities during the prior-year period was \$101.7 million, which included a gaming license payment of \$50.3 million required to open American Place, as well as capital expenditures to construct Chamonix and American Place.

Cash flows – financing activities. On a consolidated basis, cash used in financing activities during the three months ended March 31, 2024 was \$0.5 million, compared to cash provided by financing activities of \$60.2 million in the prior-year period. During 2023, net borrowings from the Credit Facility totaled \$27.0 million, and we received \$40.0 million of gross proceeds from the issuance of our Additional Notes to open American Place.

Other Factors Affecting Liquidity

We have significant outstanding debt and contractual obligations, in addition to planned capital expenditures related to the completion of Chamonix. 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, may require additional financing and/or temporarily reduce the Company's ability to repay debt.

Our operations are subject to financial, economic, competitive, regulatory and other factors, many of which are beyond our control. Such future developments are highly uncertain and cannot be accurately predicted at this time.

Debt

Long-term Debt. At March 31, 2024, we had \$450.0 million of principal indebtedness outstanding under the Notes, and \$27.0 million outstanding under the Credit Facility. We also owe \$2.1 million related to our finance lease of a hotel at Rising Star. With the exception of the Credit Facility, all of our debt is at fixed interest rates. See [Note 4](#) for details on our debt obligations.

Other

Capital Investments. In addition to normal maintenance capital expenditures, we expect to make significant capital investments related to the completion of Chamonix and, in the future, the permanent American Place facility.

Chamonix. We began the phased opening of Chamonix on December 27, 2023. 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 4](#)). As of March 31, 2024, the balance of such restricted cash account was approximately \$20.6 million, which we expect to invest in the second and third quarters of 2024. In April 2024, we opened Chamonix's high-end steakhouse; its spa and rooftop pool are expected to open in the second quarter of 2024.

American Place. We were selected by the IGB to develop and operate American Place in Waukegan, Illinois. While the larger permanent facility is under development, we are operating the temporary American Place facility, which opened in February 2023. As previously noted, we have been approved to operate the temporary American Place facility until August 2027, thus delaying any expected meaningful capital expenditures for the permanent American Place facility until 2026 and 2027. During 2024, we currently expect to invest modest additional amounts into the temporary American Place facility, primarily related to the February 2024 completion of the property's high-end restaurant and, potentially, modest additional amounts related to construction planning for the permanent American Place facility. While we expect to internally generate a portion of the needed funds to complete American Place, we will likely need additional financing, as well. Lawsuits filed by an unsuccessful bidder for the Waukegan gaming license – and against parties unrelated to us – may impact our ability to arrange such financing and, therefore, delay the start of meaningful construction.

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

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

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 on December 31, 2024. We believe that we have an excellent and synergistic relationship with the lessor and hope to again extend the lease before its expiration, but there is no certainty that this will be the case. See [Note 3](#) for more 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, 2023. 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, 2023. There has been no significant change in our estimation methods since the end of 2023.

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; our expected construction budgets, estimated commencement and completion dates, expected amenities, and our expected operational performance for Chamonix and American Place; our expectations regarding the legal proceedings related to the process whereby we were granted the gaming license for American Place; our expectations regarding our ability to generate operating cash flow and to obtain debt financing on reasonable terms and conditions for the construction of the permanent American Place facility; our investments in capital improvements and other projects, including the amounts of such investments, the timing of commencement or completion of such capital improvements and projects, and the resulting impact on our financial results; our sports wagering contracts with third-party providers, including the expected revenues and expenses and our expectations regarding the operation and usage of our available idle sports wagering contracts, our ability to replace any terminated sports wagering contracts or our ability to operate sports wagering contracts ourselves; our expectations regarding our ability to extend the lease at the Grand Lodge Casino; 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 and litigation 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, 2023, 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, 2023, 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. You should also be aware that while we communicate from time to time with securities analysts, we do not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, you should not assume that we agree with any statement or report issued by any analyst, irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not our responsibility and are not endorsed by us.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures — As of March 31, 2024, we completed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, 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.

Item 5. Other Information

Insider Trading Arrangements — On March 13, 2024, Elaine Guidroz, our Senior Vice President, Secretary and General Counsel, adopted a trading arrangement for the sale of securities of our common stock (a “Rule 10b5-1 Trading Plan”) that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Ms. Guidroz’s Rule 10b5-1 Trading Plan, which has a term until February 28, 2025, provides for the sale of up to 28,800 shares of common stock pursuant to one or more market or limit orders.

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 condensed 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, 2023.

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Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of principal executive officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of principal financial officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

FULL HOUSE RESORTS, INC.

Date: May 8, 2024

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

Date: May 8, 2024

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: May 8, 2024

By: /s/ DANIEL R. LEE

Daniel R. Lee

Chief Executive Officer

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

I, Lewis A. Fanger, certify that:

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

Date: May 8, 2024

By: /s/ LEWIS A. FANGER

Lewis A. Fanger

Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Lee, Chief Executive Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Full House Resorts, Inc.

Date: May 8, 2024

By: /s/ DANIEL R. LEE

Daniel R. Lee

Chief Executive Officer

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

In connection with the Quarterly Report on Form 10-Q of Full House Resorts, Inc. for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis A. Fanger, Chief Financial Officer of Full House Resorts, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Full House Resorts, Inc.

Date: May 8, 2024

By: /s/ LEWIS A. FANGER

Lewis A. Fanger

Chief Financial Officer
