



April 23, 2020

Dear Fellow Shareholders:

At the moment, the coronavirus pandemic easily overshadows everything else in our Company and our country. As with almost all casino companies, our operations are closed in order to slow the spread of the novel coronavirus (COVID-19). As a result of our closures, we've been forced to lay off 98% of our team members, which has been painful for everyone at our Company. The remaining core employees are standing by, maintaining our properties, and preparing for the day that we can reopen.

Like all casino stocks and the stock market in general, our stock price has been pummeled. Investors are understandably focused on survivability, rather than past results or future prospects. The shift in focus happened fast, as the scale of the pandemic and its disruption became obvious.

We have shrunk our payroll significantly and many variable costs are not incurred while operations are closed. Yet, our debts remain outstanding and continue to accrue interest during the pandemic period. Other expenses, like real estate taxes, insurance, utility costs, and many of our leases, continue to cost money, even while operations are closed. The debt covenants of many companies, including ours, did not anticipate an extended period where all operations would be closed. Accordingly, some companies will need to seek relief from lenders for covenant breaches and there is no certainty that such relief will be given. There are several unprecedented Federal and State relief programs in process. We may very well qualify for some of those programs, but the specific rules are still evolving and, as a result, we cannot assure you that we will be able to qualify for any of these programs.

We intend to be a survivor. We believe that we have excellent relationships with our lenders. They recently agreed to waive the relevant March 31 covenants in our loan agreements in recognition of the circumstances. We expect to have that agreement executed imminently. We had roughly \$21.4 million in cash or equivalents as of last week and we estimate our "burn rate" of minimal expenses with operations closed is in the neighborhood of \$3 million per month, including debt service. We are also significantly diversifying our income with the introduction of mobile sports betting in Indiana and Colorado, which should be a significant income source apart from our brick-and-mortar casinos.

Under these challenging circumstances, we have reasons for optimism.

As I write this, respected public health officials are now saying that the pandemic in the U.S. may be nearing its peak. Sadly, an unknown number of people will probably lose their lives before it is over. However, the total death toll seems likely to be less than was once feared. These forecasts differ by model and by region, but many of these models have life returning to normal, or at least some semblance of a new "normal," by the end of the second quarter. There will still be uncertainties — for example, the state of the economy and the amount of mobility that will be permitted — but the trend appears that it will be toward normality.

The "new normal" will be familiar to us, but different. For example, the custom of shaking hands may never be the same. It stems from medieval times, where one showed that there was not a weapon held in the right hand. Today, we are all aware that each hand might harbor hidden viruses and it is better for all concerned if the two hands do not touch. Ultimately, nice smiles and a nod suffice as a safer and more considerate greeting. The Japanese are ahead of us on this; they traditionally bow politely rather than shake hands.

"Social distancing" has become a part of our lexicon. We wash our hands more often and are more careful to use soap. We might be more likely to stay home when sick, or to wear masks when we have a common cold so as not to spread our germs. Food

workers, in particular, are paying more attention to wearing gloves and other good sanitary practices — practices introduced decades ago in hospitals and dental practices. It's sad that we've been forced to adapt these practices because of a deadly new virus, but the practices themselves are good. They should ultimately reduce the spread of many diseases, helping us all to remain healthy.

We intend for our Company to survive and rebound in the “new normal.” Most of our revenues stem from slot machines. It is relatively easy to employ social distancing in a sea of slot machines. Rarely are our slot floors at greater than 50% occupancy; we've always chosen to have enough slot machines so that our customers can find the games and denominations that they desire, even on busy evenings. A married couple might choose to sit together, but it is relatively easy for that couple, or an individual, to find slot machines where there are adjoining empty seats.

We are planning measures that will help. We intend to use infrared devices to attempt to stop individuals with fevers, both customers and employees, from entering our casinos. We will allow customers to block adjoining machines to ensure social distancing. We will provide gloves, masks and hand sanitizer for those who want them. We will continuously wipe and disinfect our slot machines, paying particular attention to high-touch surfaces including buttons and screens. We intend to rapidly implement any new technology that comes along that can help make our customers less susceptible to the spread of the disease.

In some of our restaurants, we are removing seats where appropriate to increase the distance between tables. In other restaurants, we are installing dividers between tables. At our buffets, we will have properly-trained and protected employees plate the food, rather than have many different customers handle the same serving utensils. We will offer disposable menus in every restaurant and we will not have condiments and other typically-shared items on the tables. We are planning alternatives for our customers where the food is delivered from the kitchen in a sealed fashion.

We believe there will be some necessary changes in the way that we operate for at least some period of time after we reopen. It is complicated to ensure social distancing at a traditional table game, for example. We plan to offer “stadium gaming” at some of our properties as an alternative, where customers are playing blackjack, craps or roulette at podium devices spaced an appropriate distance apart. It provides a table games-like experience while ensuring social distancing.

We anticipate that, at least in some markets and for some period of time, valet parking might be less popular, as customers may not want someone else's hands on their car's steering wheel or dashboard. In lieu of valet parking, we have acquired golf cart-type vehicles that can offer customers a ride from self-park areas to the front door.

We intend to be careful in our handling of money, to protect both customers and employees. A virus can survive for some period of time on a coin, a chip, or a dollar bill. A “ticket in-ticket out” (TITO) ticket is much less likely to be handled by multiple people. There are also many systems that securely handle transactions digitally, ranging from “Apple Pay” or similar at our cash registers to working with regulators to allow credits to be transferred digitally from slot machine to slot machine, or even to be used to buy meals or other services. The technology exists, and we already have much of it installed, to have a cashless casino hotel, which could happen if the regulations are revised appropriately.

We've always been fastidious at cleaning our guest rooms, but now intend to do so with even better training and attention. We intend to pre-register a greater proportion of our guests to reduce interactions at the front desk, providing both better service and improved social distancing.

Of course, it may be some time before we can again sponsor concerts and other group events. We look forward to that day, but it may be at least several months away.

Amongst the side effects of the pandemic is an uncertain economy. Unemployment has soared and the ramifications of a widespread shutdown may stretch for many months. On the other hand, the government stimulus programs are also unprecedented

in both breadth and scope. When we are allowed to reopen, we intend to do so cautiously, anticipating that it might take some time for business activity to recover. However, we also will be prepared to expand our operations if and when activity warrants.

We are fortunate in that, while small, we are diverse and operate primarily in the regional gaming business. Our customers are local. Almost no one flies to visit our casinos; our customers drive to us from their homes that are generally less than an hour away. Decisions are typically made to visit us one or two days ahead of time, versus visits to destination resorts that are often booked months in advance. We have almost no meeting and convention business, something we sometimes rue, as it can be profitable. Today we are happy that we don't rely upon it. In our opinion, it may take many months and perhaps years for the meeting and convention business to recover from this pandemic.

We have not experienced a crisis exactly like this before. However, when we've been forced to close by hurricanes, flooding rivers, snowstorms and forest fires, our business has generally rebounded quickly when the crisis passed. Even after 9/11, when all air service was halted, regional gaming generally fared better than destination gaming. The same has also been true in recessions. We offer a comparatively inexpensive gaming experience, one that is often still affordable in recessionary times.

Sports Betting

Our business was in the process of diversifying when the pandemic hit. Sports betting has been offered for many years within Nevada. Our casino at Lake Tahoe has a small outsourced sportsbook and customers in Fallon can place sports bets at a kiosk within the casino. Mississippi approved sports betting within the casino in 2018 and our sports desk in the Silver Slipper opened in September of that year. That sportsbook directly contributed almost a million dollars to our Adjusted Property EBITDA in 2019, while also attracting incremental business to our casino.

In two of the states where we operate, Indiana and Colorado, sports betting was legalized during 2019, in both cases tied to physical casinos operating in the state. Customers can make bets within the casino, as in Mississippi and Nevada, but also over the internet. Online sports betting has been legal for a few years in New Jersey and has proven to be a large and reliable revenue stream. Because of our small size and limited geographic reach, we have chosen to participate in sports betting with companies that specialize in this field.

We have a total of six contracts with three companies introducing mobile sports betting in Indiana and Colorado. Those companies are Churchill Downs, Wynn Interactive, and a well-established, private European company named Smarkets. Even though professional sports activities are largely temporarily limited, those companies continue to work towards receiving the appropriate gaming licenses, including having their websites and gaming applications tested and approved. One of those licensees began operations in Indiana on December 30, 2019. The Colorado regulators intend to begin allowing sports betting within a few weeks and we expect all six of our contracts between the two states to be up and running during 2020.

Each of those six contracts is unique, but they all have certain common attributes. We receive a percentage of the net gaming revenues. We share in the revenues even of patrons who have never visited our casinos. We were paid a total of \$6 million, termed "market access fees," after the signing of the six contracts. While those fees are non-refundable and qualify as income, GAAP requires us to capitalize that income and bring it onto the income statement over the initial ten-year lives of the contracts. There is also a guaranteed minimum annual fee in each contract and the fee begins accruing with the acceptance of the first bet. The sum of the minimum guarantees is \$7 million per year. As noted, the contracts have ten-year terms, with each of our partners having renewal rights for two additional five-year terms. If any one of the six contracts results in a percentage of revenues exceeding the minimum guarantee, then our mobile sports betting revenues should exceed \$7 million per year. We have very few expenses related to this new revenue source, and we should not incur anything resembling the maintenance capital expenditures of the traditional casino business. We expect this business to materially increase our cash flows from operations.

Recognize that mobile sports betting can be very profitable. There is no investment in brick-and-mortar. It doesn't require a large number of employees. The software developed for one jurisdiction will usually suffice in most jurisdictions. The gaming taxes

are generally variable. Much of the investment is in customer acquisition, which involves advertising (largely online) and incentives and promotions that may be offered. The betting activity usually involves public sporting events and the sports betting operations generally do not have to fund such events.

It also involves a clientele that is largely different from the clientele of our casinos. Hence, we view it as complementary rather than competitive with our core business.

We chose to participate in sports betting with others, rather than develop this business alone. We did not have the in-house expertise, although presumably it could be hired or sub-contracted. More importantly, in sports betting, there are sometimes large sums bet on one statistical event, resulting in potential risk for the casino operator. Our casinos and their soon-to-be operable mobile sports operations in Colorado and Indiana have effectively four “home” NFL teams — the Denver Broncos, the Indianapolis Colts, and the close-to-Indiana Chicago Bears and Cincinnati Bengals. The single biggest betting event of the year is typically the Super Bowl. If any of these four teams is in the Super Bowl and playing against any of the other 28 teams that are not in our market area, we might have an unbalanced book.

We experienced some of this first-hand recently at our sports betting desk at the Silver Slipper. At that property, we do carry some risk, operating in partnership with a well-established sportsbook operator. This past January, the football team from Louisiana State University (LSU), in nearby Baton Rouge, won the NCAA National Championship. Although we ordinarily love to root for the local team, we lost almost \$300,000 at our sportsbook that day on that one game. That sportsbook is quite small compared to the bets that might be taken online in a more populous region, such as Indiana and Colorado. The experience, however, endorsed our earlier decision to participate in the mobile sports betting business in a more risk-averse way.

We feel differently about the broader online gaming business. This is where customers can play their favorite table games and slot machines on the internet, potentially winning or losing on the game. New Jersey launched online gaming in 2013 and it has grown into a significant business. Today, it is still double the size of the state’s online sports betting, which launched in 2018. It does not seem to have had a negative impact on the revenues of the brick-and-mortar casinos in Atlantic City. Delaware, Pennsylvania, West Virginia and Michigan have recently legalized online gaming, and we believe that other states will eventually follow. The technology behind online gaming is simpler than sports betting and is readily available. The risk to the house is really no different from the gaming risks that we incur every day, wherein there are a large number of individual statistical events and the outcome is highly predictable. If and when online gaming may become legalized in the jurisdictions in which we operate, we may choose to offer it directly to our existing and potential clientele.

2019 Results

While this is only April, the past calendar year seems to have ended a long time ago. Results from that year may be only partially indicative of what we might achieve as we reopen.

There were positives and negatives in the year.

On the positive side, our most important property — the Silver Slipper in Hancock County, Mississippi, near New Orleans — had a record year, with \$73.2 million of revenue. Adjusted Property EBITDA of \$13.2 million was 8.5% above that earned in 2018. This was its most profitable year since it opened in 2006. Over the past five years, we added a hotel, a swimming pool and beach club, and an oyster bar. We recently refurbished the casino, the porte cochere, and the buffet and upgraded the slot machine player system. Largely as a result of those improvements, Adjusted Property EBITDA has increased 75% from what the property achieved in 2014.

We had some challenges at Rising Star, in Rising Sun, Indiana. We faced some new competition, with a new casino in nearby Louisville, Kentucky, and significant enhancements at other regional competitors. During several key months in the spring and summer, the main highway leading to the property was being repaved, making it significantly easier to visit competing casinos.

The ferry service that we introduced in mid-2018 helped offset some of that disruption. We temporarily waived the fees to build ferry ridership and offset the highway construction, but still incurred the significant costs to operate the ferry. We started charging again for the ferry in early March, except for casino customers, and intend to continue with this policy when we are allowed to reopen.

Beginning in August, we attempted a different marketing approach, with some broad-based efforts targeting a somewhat different clientele. Frankly, it didn't work. The increase in marketing costs did not result in a commensurate increase in revenues. We changed course and invested in a new slot system, replacing a system that was some 20 years old. The new system offers a much better customer experience, but also provides us with much better customer information, allowing us to target our marketing more effectively. We then had difficulties with the installation of that system. During the installation, we were required to effectively do a factory reset of every slot machine. We had not foreseen that the rebooting process would result in the failure of many of our machines. At one point in November, half of our slot machines were out of service. We installed the same system in the same timeframe in Cripple Creek, Colorado, where different regulations did not require a reboot of each machine, and the installation was completed quickly with minimal disruption.

We were overcoming these challenges in the first part of 2020, but then the pandemic forced us to shut down. We've used the shut-down period since mid-March as an opportunity to revisit our staffing requirements and our players' club program at Rising Star. We intend to introduce a new, revised players' club when we reopen.

At Bronco Billy's, in Colorado, we have been preparing to build a four-star hotel attached to our casino. This is an underserved market, where casino revenues per capita are much lower than in comparable markets. While there are plenty of slot machines in Cripple Creek, in our opinion, there are not enough hotel rooms. Furthermore, the quality of the hotel rooms is not high. That is an opportunity.

In the past two years, we assembled quite a bit of land and received city approval to close two public rights-of-way. The planned hotel would replace much of the surface parking used today by customers of Bronco Billy's. Hence, Phase One required the construction of a parking garage prior to the construction of the new hotel. We raised the money, through debt and the issuance of some equity, earmarked to build the garage. We began construction, relocating several utilities, gas lines and storm sewers in this historic town and demolishing several buildings. We were flattening the site and beginning the installation of the foundations for the garage when the pandemic hit. We temporarily stopped construction of the garage to ensure that the Company would have the resources to fund the minimal required expenditures during a potentially protracted shutdown. Because no one can be sure how long we might be closed, or how quickly our business might rebound after reopening, we thought it prudent to conserve our resources.

It is also possible that the financial market for casinos will remain difficult for an extended period. We have not yet raised the funding for the hotel, which is the larger, second phase of the project. There is little impetus for us to complete the garage today and then have to wait for an extended period of time for the financial markets to stabilize to where we can fund the hotel on terms that are favorable to shareholders. We also have to weigh construction of that hotel against other alternatives that we might have. We continue to believe that the hotel in Cripple Creek would achieve a high return on investment, but these are very uncertain times, fraught with both risks and opportunities. At the moment, we are on the sidelines, monitoring the pandemic, the economy, the financial markets and our other opportunities.

Meanwhile, we attempted something small in Cripple Creek that wasn't successful. As we assembled land for the larger project, we ended up leasing, with a right to buy, a building at the corner of Bennett Avenue (the "Las Vegas Strip of Cripple Creek") and Third Street. That building, while built to resemble the surrounding buildings built in the late 1800s, was actually built in the 1990s and operated for several years as a casino. It failed, due largely to the overhead costs of a small casino and its lack of parking, despite being on one of the town's most important corners. We received regulatory approval to operate it as an adjunct of Bronco Billy's, sharing its overhead, although it is not physically attached to our main casino. In November 2018, we reopened it with a Christmas theme, which is something we've used successfully on a seasonal basis at Rising Star.

In effect, it proved our original thesis that Cripple Creek has too many slot machines and not enough hotel rooms. Our overall revenues rose, but that was not sufficient to offset the operating costs and rent at the satellite casino. It almost single-handedly resulted in the decline in our Cripple Creek Adjusted Property EBITDA from \$4.8 million in 2017 to \$3.0 in 2019. It was not large enough or special enough to move the needle on the numbers of people coming to Cripple Creek, or on how long they stayed and what they spent during their stay.

We closed the Christmas Casino in March, coincidentally only a few hours before we were forced to close all of our Colorado operations. We plan to reopen Bronco Billy's without the Christmas Casino, hopefully consolidating its revenues back into the one property and materially saving on our expenses. Our lease and purchase option for that building have approximately 16 months to go, not including our potential renewal options. We will reexamine what to do with the property after we have reopened and had several months to reestablish operations.

In Northern Nevada, our operations consist of the Grand Lodge and Stockman's casinos. Combined, operating results were modestly below the prior year. At Grand Lodge, a lower table games hold percentage affected results. Results at Stockman's reflect a temporary decrease in activity at the nearby Fallon Naval Air Station. That air base continues to expand, which should benefit our operations in the longer-term.

The current situation is challenging. Yet, we believe that we have the resources to withstand a temporary closure, even if it is a few months in duration. Our small group of core people is still here, working hard and deferring one-third of our pay, hoping to reopen better and stronger than we were previously.

Especially in these difficult times, I thank everyone for your support and understanding. We will continue to do the best we can to be proper stewards of your invested capital.



Daniel R. Lee
President and Chief Executive Officer

Note: This letter supplants the glossy annual reports that are still prepared by some companies; such a report would not be economical for our small company. For a full description of our financial results, please see our annual report on Form 10-K that was filed with the Securities and Exchange Commission and that is available on our website, at www.fullhouseresorresorts.com.

This letter and the accompanying Notice and proxy statement contain statements that are "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Some forward-looking statements in this letter include, but are not limited to, the statements regarding our expectation to qualify for federal and state relief programs in response to COVID-19; our intention to survive the pandemic and rebound; our intentions to make changes to our casino and hotel operations and to implement adaptive measures as a result of COVID-19, including, but not limited to, employing social distancing measures, wiping and disinfecting surfaces, changes in food service, and implementing gaming alternatives such as "stadium gaming"; our expectations regarding changes in certain aspects of our operations, including valet parking, handling of financial transactions, cleaning of guest rooms and pre-registrations; expectations regarding resumption of concerts and group events; our intention to exercise caution upon reopening; our anticipation that it may take time for business to recover and our ability to expand when needed; our expectations regarding our new sports betting operations, including timing for launch of such operations and the anticipated impact on our cash flows; our intention to introduce a new player's club and to waive ferryboat fees for casino customers when reopened at Rising Star; our belief that the hotel in Cripple Creek would achieve a high return on investment; and our belief that we have the resources to withstand a temporary closure of our casinos. 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 the control of Full House, including our ability to qualify for and successfully access federal and state relief in connection with COVID-19; our ability to successfully implement our sports betting operations in the anticipated time frame and to accurately forecast its impact on our cash flows; risks related to entering into sports betting operations (including our ability to establish and maintain relationships with key partners or vendors, the ability and/or willingness of our partners to sustain sports betting operations should they experience an extended period of unprofitability, and the ability to replace existing partners or vendors on similar terms as our existing revenue guarantees); delays in timing for Colorado regulators to begin allowing sports betting; the ability of the sports betting companies to obtain appropriate gaming licenses and obtain and maintain the necessary approvals (including in Colorado, Indiana, Nevada and Mississippi); changes in our business strategies; the ability to amend our debt covenants on reasonable terms, if at all; disruptions in our operations (including construction projects) and loss of revenue due to the coronavirus outbreak; general macroeconomic conditions; actions by government officials at the federal, state or local level with respect to steps to be taken, including, without limitation, temporary or extended shutdowns, social distancing and shelter-in place orders, in connection with the coronavirus outbreak; our ability to effectively manage and control expenses during temporary or extended shutdown periods; the impact of temporary or extended shutdowns on our ability to maintain compliance with the terms and conditions of our debt instruments and other material contracts; our ability to maintain strong relationships with regulators, employees, lenders, suppliers, customers, insurance carriers, and other stakeholders; and the impact of any uninsured losses. Information concerning potential risk factors that could affect our financial condition and results of operations is included in the reports we file with the Securities and Exchange Commission, including, but not limited to, our Form 10-K for the most recently ended fiscal year and our other periodic reports filed with the Securities and Exchange Commission. We are under no obligation to (and expressly disclaim any such obligation to) update or revise the forward-looking statements as a result of new information, future events or otherwise. Actual results may differ materially from those indicated in the forward- looking statements.

This letter also contains supplemental financial information and should only be viewed in conjunction with our audited financial results reported using U.S. generally accepted accounting principles (GAAP) and as filed with the Securities and Exchange Commission. A reconciliation between non-GAAP measures such as Adjusted EBITDA and GAAP measures is attached as Annex 1 to this proxy statement and can also be found in the Company's Form 10-K for the fiscal year ended December 31, 2019.