

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

FORM 10-K

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

For the fiscal year ended: December 31, 2022

☐ 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. 001-32583

FULL HOUSE RESORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

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

(702) 221-7800
(Registrant's Telephone Number, Including Area Code)

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

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

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

None
(Title of class)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of Registrant's voting and non-voting common stock held by non-affiliates of the Registrant, as of June 30, 2022 (the last business day of the Registrant's most recently completed second fiscal quarter), was: \$198.1 million. As of March 13, 2023, there were 34,411,616 shares of common stock, \$0.0001 par value per share, outstanding.

Documents Incorporated by Reference

The information required by Part III of this Form 10-K is incorporated by reference from the Registrant's definitive proxy statement relating to the annual meeting of stockholders to be held in 2023, which definitive proxy statement is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended December 31, 2022.

**FULL HOUSE RESORTS, INC.
TABLE OF CONTENTS**

PART I	<u>Page</u>
Item 1. Business	3
Forward-Looking Statements	10
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	33
Item 2. Properties	34
Item 3. Legal Proceedings	34
Item 4. Mine Safety Disclosures	34
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6. [Reserved]	35
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	50
Item 8. Financial Statements and Supplementary Data	51
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	83
Item 9A. Controls and Procedures	83
Item 9B. Other Information	84
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	84
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	84
Item 11. Executive Compensation	84
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	84
Item 13. Certain Relationships and Related Transactions, and Director Independence	84
Item 14. Principal Accounting Fees and Services	84
PART IV	
Item 15. Exhibits, Financial Statement Schedules	85
Item 16. Form 10-K Summary	88
SIGNATURES	89

PART I

Item 1. Business.

Introduction

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

The Company currently operates six casinos: five on real estate that we own or lease and one located within a hotel owned by a third party. Construction continues for a seventh property, Chamonix Casino Hotel (“Chamonix”), adjacent to our existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado. We are also designing our permanent American Place casino destination, which will be built adjacent to a temporary facility that we opened in February 2023 named The Temporary by American Place (“The Temporary”). We intend to operate The Temporary until the opening of American Place. Additionally, we benefit from seven permitted sports wagering “skins” – three in Colorado, three in Indiana, and one in Illinois. Other companies currently operate or will operate these online sports wagering sites under their brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts. Alternatively, we may also choose to operate any available skins ourselves in the future.

The following table presents selected information concerning our casino resort properties as of December 31, 2022:

Segments and Properties	Locations
Colorado	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
Illinois	
The Temporary by American Place (opened on February 17, 2023) and American Place (under development)	Waukegan, IL (northern suburb of Chicago)
Indiana	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
Mississippi	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Nevada	
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	Incline Village, NV (North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
Contracted Sports Wagering	
Three sports wagering websites (“skins”)	Colorado
Three sports wagering websites (“skins”)	Indiana
One sports wagering website (“skin”), expected to commence Spring 2023	Illinois

We manage our casinos based primarily on geographic regions within the United States and type of income. Our corporate headquarters is in Las Vegas, Nevada.

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

Our casino properties generally operate 24 hours each day, 365 days per year. We also operate the hotel, food and beverage, and other on-site operations at Silver Slipper Casino and Hotel (“Silver Slipper”), Bronco Billy’s Casino and Hotel (“Bronco Billy’s”), Rising Star Casino Resort (“Rising Star”) and Stockman’s Casino (“Stockman’s”), as well as a golf course, recreational vehicle park (“RV park”) and ferry service at Rising Star and an RV park at Silver Slipper. At Grand Lodge Casino (“Grand Lodge”), the adjoining hotel and the food and beverage outlets are managed by Hyatt Regency Lake Tahoe Resort, Spa and Casino (“Hyatt Lake Tahoe”). In February 2023, we opened The Temporary. The Temporary currently operates for 20 hours per day, which may be expanded as operations continue to ramp up and we hire more employees.

Operating Properties

Silver Slipper Casino and Hotel (Hancock County, Mississippi)

The Silver Slipper is the western-most casino on the Mississippi Gulf Coast, midway between Biloxi, Mississippi and New Orleans, Louisiana. The property sits at the western end of an approximately eight-mile-long white sand beach, the closest such beach to the New Orleans and Baton Rouge metropolitan areas. Its customers are primarily from communities in southwestern Mississippi and southern Louisiana, including the North Shore of Lake Pontchartrain and the New Orleans and Baton Rouge metropolitan areas. In addition to its large, modern casino, the Silver Slipper offers 129 hotel rooms or suites, an on-site sportsbook, a fine-dining restaurant, a buffet, a quick-service restaurant, an oyster bar, a casino bar and a beachfront pool and bar. The Silver Slipper currently generates the most revenue and operating income of any of our properties.

The primary lease for the Silver Slipper includes approximately 38 acres, consisting of the seven-acre parcel on which the casino and hotel is situated and approximately 31 acres of protected marshlands. The lease term ends in April 2058. Through October 1, 2027, we have the option to buy out the lease.

We also manage a nearby 37-space, beachfront RV park under a management contract, which expires on March 31, 2025, unless canceled by either party with prior notice of 180 days.

Bronco Billy’s Casino and Hotel (Cripple Creek, Colorado)

Bronco Billy’s is located in Cripple Creek, Colorado, a historical gold mining town located approximately one hour from Colorado Springs and two hours from Denver. Its customers are primarily from the Colorado Springs/Pueblo/Cañon City metropolitan area, the second-largest metropolitan area in Colorado, with a population of approximately 982,000 residents. Its secondary market, the Denver metropolitan area, has a population of approximately four million people. Bronco Billy’s occupies a significant portion of the key city block of Cripple Creek’s “casino strip.” In addition to gaming space, it currently offers 14 hotel rooms, two casual dining outlets, and a steakhouse that was temporarily closed in May 2022 for renovation work. Bronco Billy’s owns much of its real estate, but also leases certain parking lots and buildings, including a portion of the hotel and casino, under a long-term lease. The lease has six renewal options in three-year increments through January 2035, and we have the right to buy out the lease at any time during its term. We also commenced a three-year lease in August 2018 for a key corner on our block that was subsequently extended through August 2023, which also includes an option to buy out the lease.

We are allowed to offer online sports wagering through three sports “skins” in Colorado. Rather than operate these sports skins ourselves, we contracted with three companies to operate such skins under their own brands in exchange for a percentage of revenues, as defined in each contract, subject to annual minimum amounts paid to us. For Colorado, the sum of the minimum annual amounts is expected to be \$3 million, including a contract that we signed in December 2022. We could receive more than \$3 million on an annualized basis if our percentage-share of sports revenue exceeds our contractual minimums. We incur minimal expenses related to these revenues. As of December 31, 2022, two of our skins were live, and our third skin began its contractual term in March 2023 (see Note 9 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data”).

Chamonix Casino Hotel (Cripple Creek, Colorado)

In 2018, we began planning and design work on Chamonix, a new and distinct, luxury hotel and casino, to be located adjacent to Bronco Billy’s in Cripple Creek. Following changes made to the state’s gaming laws in November 2020, including the elimination of betting limits and the approval of new table games, we increased the size of Chamonix by 67% to approximately 300 luxury guest rooms and suites, from our previously-planned 180 guest rooms. Our construction budget for Chamonix is approximately \$250 million. To fund such construction, on February 12, 2021 we issued \$310 million aggregate principal amount of 8.25% Senior Secured Notes due 2028 (the “2028 Notes”) and placed a portion of such proceeds into a restricted cash account dedicated to Chamonix’s construction (see Note 6 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data”). We expect to open Chamonix in phases, beginning in the third quarter of 2023.

Rising Star Casino Resort (Rising Sun, Indiana)

Rising Star is located on the banks of the Ohio River in Rising Sun, Indiana, approximately one hour from Cincinnati, Ohio, and within two hours of Indianapolis, Indiana, and Louisville and Lexington, Kentucky. In addition to its casino, Rising Star offers a land-based pavilion with approximately 31,500 square feet of meeting and convention space; a contiguous 190-guest-room hotel; an adjacent, leased 104-guest-room hotel set on three acres; a 56-space RV park; four dining outlets; surface parking; and an 18-hole golf course on over 230 acres. The 104-guest-room hotel is leased pursuant to an agreement that expires in October 2027 and contains a bargain purchase option, whereby we have the right to purchase the hotel and the landlord has the right to put the hotel to us, in both cases for \$1 upon maturity of the lease. We also own 1.3 acres located in Burlington, Kentucky that is used as part of our ferry boat operations, which connects the more populous Boone County, Kentucky to our Rising Star property in Indiana.

We are allowed to offer online sports wagering through three sports “skins” in Indiana. As in Colorado, we contracted with three companies to operate such skins under their own brands in exchange for a percentage of revenues, as defined in each contract, subject to annual minimum amounts. The sum of the minimum annual amounts in Indiana is currently \$2 million with minimal expected expenses. If our percentage-share of sports revenue exceeds our contractual minimums in one or more contracts, then we should receive in excess of \$2 million from our Indiana sports agreements on an annualized basis. As of December 31, 2022, two of our skins were live; the third skin operator ceased operations on May 15, 2022. We are currently evaluating whether to operate the idle skin ourselves or find a replacement operator. There is no certainty that we will be able to enter into an agreement with a replacement operator or successfully operate it ourselves.

Stockman’s Casino (Fallon, Nevada)

Stockman’s is located in Churchill County, Nevada, approximately one hour from Reno, Nevada. Stockman’s primarily serves the local market of Fallon and surrounding areas, including the nearby Fallon Naval Air Station, which is the Navy’s premier air training facility, informally referred to as the “Top Gun” school. In addition to its casino, Stockman’s offers a bar, fine-dining restaurant and coffee shop.

Grand Lodge Casino (Incline Village, Nevada)

We operate Grand Lodge at the Hyatt Lake Tahoe under a lease with Incline Hotel, LLC. Grand Lodge is located within the Hyatt Lake Tahoe in Incline Village, Nevada on the north shore of Lake Tahoe and includes approximately 20,990 square feet of leased space. The Hyatt Lake Tahoe is one of three AAA Four Diamond hotels in the Lake Tahoe area. Our casino’s customers consist of both locals and tourists visiting the Lake Tahoe area.

Subsequent to year-end, we and our landlord extended our lease through December 31, 2024. The lease is secured by our interests under such lease, consisting of certain collateral (as defined and described in a security agreement), and is subordinate to both our 8.25% Senior Secured Notes due 2028 and Revolving Credit Facility due 2026. We own the personal property, including slot machines. The landlord currently has an option to purchase our leasehold interest and operating assets of the Grand Lodge Casino at a defined price based partially on earnings.

American Place / The Temporary (Waukegan, Illinois)

In December 2021, we were chosen by the Illinois Gaming Board (“IGB”) to develop American Place, a new gaming and entertainment destination located in Waukegan, Illinois, a northern suburb of Chicago, subject to final regulatory approvals. Waukegan is the county seat of Lake County, which has a population of approximately 714,000. According to the U.S. Census Bureau, Lake County is the third most populous county in the state, and one of the wealthier counties in both Illinois and the United States.

In February 2023, we began opening The Temporary by American Place, a temporary casino facility that we will operate while the larger, more lavish American Place facility is under construction. In Spring 2023, we expect to augment the number of available games on our casino floor and increase the hours of operation for our casino and its amenities. We also expect to open The Temporary’s second restaurant in the coming weeks, followed by our fine-dining restaurant in the second quarter of 2023. When fully open, The Temporary will feature approximately 1,000 slot machines, 50 table games, a fine-dining restaurant, two additional restaurants, and a center bar.

The permanent American Place facility is slated to include a world-class casino with a state-of-the-art sports book; a premium boutique hotel comprised of 20 luxurious villas; a 1,500-seat live entertainment venue; a gourmet restaurant designed to rival the finest restaurants in Chicago; additional eateries and bars; and other amenities that will attract gaming and non-gaming patrons from throughout Chicagoland and beyond.

The Temporary and American Place are located on approximately 42 acres of land, consisting of approximately 10 acres of owned land and an adjoining approximately 32 acres that are under a 99-year lease with the City of Waukegan.

Government Regulation

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

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

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

Our businesses are also subject to other various federal, state, and local laws and regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, smoking, environmental matters, employees, currency transactions, taxation, zoning and building codes, construction, land use, and marketing and advertising. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results. See Part I, Item 1A. “Risk Factors” for additional discussion.

Costs and Effects of Compliance with Environmental Laws

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

Competition

The gaming industry is highly competitive. Gaming activities with which we compete include traditional commercial casinos and casino resorts in various states, including on tribal lands and at racetracks; state-sponsored lotteries; video poker in restaurants, bars and hotels; pari-mutuel betting on horse and dog racing and jai alai; sports betting; and card rooms. We also face competition from Internet lotteries, sweepstakes, and other Internet gaming services, beyond those in which we participate. Internet gaming services, which are legal in some states, allow customers to wager on a wide variety of sporting events and play Las Vegas-style casino games from home or in non-casino settings. Although there is no meaningful evidence to date that this has been the case, this could divert customers from our properties, and thus, adversely affect our business. All of our casinos, as well as other casinos that we may develop or acquire, compete with all these forms of gaming. We also compete with any new forms or jurisdictions of gaming that may be legalized, as well as with other types of entertainment. Some of our competitors have more personnel and greater financial or other resources than we do. The principal methods of competition are: location, with casinos located closer to their feeder markets at an advantage; casino, lodging, entertainment and other hospitality product quality in terms of facilities, customer service and ease of access; breadth of offerings, including the types of casino games and other non-gaming amenities; and marketing, including the amount, quality, and frequency of promotions offered to guests.

Silver Slipper Casino and Hotel

Silver Slipper is in Mississippi, but is close to the North Shore of Lake Pontchartrain, one of the most affluent and fastest-growing regions in Louisiana. Louisiana law permits 15 riverboat casinos, one land-based casino, four casinos at racetracks, and in certain areas, a limited number of slot machines at qualifying truck stops and off-track betting parlors. The legislation permitting riverboat and truck stop casinos requires a local referendum. At this time, all licenses for riverboat casinos in Louisiana have been granted and only one of such casinos is not currently in operation. In 2021, the owners of the closed casino attempted to move their gaming license from Bossier City to Slidell, Louisiana, where it would have competed with the Silver Slipper. Such efforts were not successful, as voters rejected the casino referendum by a vote of 63% to 37%. Mississippi does not have a limitation on the number of casino licenses, but requires casinos to be within approximately 800 feet of the Mississippi River shoreline or the Gulf of Mexico, as defined by state law. There are occasionally proposals to relocate casinos within Louisiana or to develop new casinos in Mississippi, but there are considerable political and economic constraints on such potential competition. Management does not believe such efforts will be successful in the foreseeable future.

Bronco Billy's Casino and Hotel and Chamonix Casino Hotel

Bronco Billy's and Chamonix are located in Cripple Creek, Colorado, which is a historical gold mining town located approximately one hour from Colorado Springs, on the west side of Pikes Peak. Cripple Creek is one of only three locations in Colorado where commercial gaming is permitted. The other two cities adjoin each other and are approximately one hour west of Denver and two hours from Colorado Springs. Downtown Denver and Colorado Springs are approximately 70 miles apart and certain suburbs of each metropolitan area largely merge into the other. Two Native American gaming operations also exist in southwestern Colorado and there are tribal casinos in Oklahoma, but these are much further from Colorado Springs and Denver than Cripple Creek. There are no federally-recognized Native American tribes in the Colorado Front Range, which includes Denver and Colorado Springs. As of December 31, 2022, Bronco Billy's was one of nine gaming facilities operating in Cripple Creek. One of those competitors added a 100-guest-room hotel in 2021. Chamonix, which is currently under construction, will be significantly larger and is planned to be higher in quality than any of the existing casinos in Cripple Creek.

Rising Star Casino Resort

Rising Star Casino Resort is located on the banks of the Ohio River in Rising Sun, Indiana, approximately one hour from Cincinnati, Ohio, and within two hours of Indianapolis, Indiana, and Louisville and Lexington, Kentucky. One of three riverboat casinos in southeastern Indiana, its closest competitors are each approximately 15 miles away, near bridges crossing the Ohio River. There is no bridge at Rising Star, but in September 2018, we commenced a ferry boat service connecting Rising Sun, Indiana, to the populous Northern Kentucky region. Rising Star also competes with a large land-based casino near Louisville; casinos in Ohio and elsewhere in Indiana; and slot parlors associated with racetracks in Kentucky. A significant slot parlor associated with a racetrack opened in Northern Kentucky in September 2022.

Stockman's Casino

Stockman's Casino is the largest of several casinos in Churchill County, Nevada, which has a population of approximately 25,000 residents. Churchill County is also the home of the Fallon Naval Air Station, the United States Navy's premier air training facility, informally referred to as the "Top Gun" school. While the Navy appears to be expanding its base in Fallon, a reduction of its activities at the base would likely have an adverse effect on Stockman's results of operations. Fallon is approximately 30 minutes east of the large Tesla battery factory and other developments in the Tahoe-Reno Industrial Center. Stockman's also competes with casinos in other rural communities in the area, as well as with casinos in Reno, some of which are significantly larger and offer more amenities.

Grand Lodge Casino

Grand Lodge is located in Incline Village, Nevada, and is one of four casinos located within a five-mile radius in the North Lake Tahoe area.

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

American Place / The Temporary

The Temporary (and, upon opening, American Place) compete against two existing casinos which primarily serve the suburbs north of Chicago, a tribal casino in Milwaukee, and slot machines in bars (limited to six machines per bar) in many parts of Illinois. The Temporary is the only full-service casino in Lake County, Illinois, which has a population of approximately 700,000 residents. Including areas neighboring Lake County, we estimate that The Temporary is the closest casino to more than one million individuals. The permanent American Place facility is being designed to offer more, and better, amenities than any other casino operating today in Illinois.

Marketing

Our marketing efforts are conducted through various means, including our customer loyalty programs and specialized marketing campaigns, such as our seasonal “Christmas Casino” event at Rising Star Casino Resort. We advertise through various channels, including radio, television, Internet, billboards, newspapers and magazines, direct mail, email and social media. We also maintain websites to inform customers about our properties and utilize social media sites to promote our brands, unique events, and special deals. Our customer loyalty programs include the Slipper Rewards Club, the Bronco Billy’s Mile High Rewards Club, the Rising Star VIP Club, the Grand Lodge Players Advantage Club®, the Stockman’s Winner’s Club, and Legacy Rewards. Under these programs, customers earn points based on their volume of wagering that may be redeemed for various benefits, such as “free play,” complimentary dining, and hotel stays.

Our properties do not have coordinated loyalty programs, due to the disparate locations of our properties. Instead, our loyalty programs focus on providing each casino’s customers the amenities they most prefer in each market.

Intellectual Property

We use a variety of trademarks, patents and copyrights in our operations and believe that we have all the licenses necessary to conduct our continuing operations. We have registered several trademarks with the United States Patent and Trademark Office or otherwise acquired the licenses to use certain trademarks, patents and copyrights that are material to conduct our business.

Employees

As of March 1, 2023, we had 13 full-time corporate employees, four of whom are executive officers and one additional senior management employee. Our casino properties had 1,268 full-time and 259 part-time employees, as follows:

Employee Count by Property / Location	March 1, 2023	
	Full-time	Part-time
Silver Slipper Casino and Hotel	437	62
Bronco Billy’s Casino and Hotel	150	61
Rising Star Casino Resort	215	81
Grand Lodge Casino	73	25
Stockman’s Casino	53	7
The Temporary / American Place	340	23
Corporate	13	—
Total Employees	1,281	259

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

Available Information

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

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) for which the Private Securities Litigation Reform Act of 1995 provides a safe harbor. These forward-looking statements 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 expected operational performance for The Temporary; our investments in capital improvements and other projects, including the amounts of such investments, the timing of commencement or completion of such capital improvements and projects and the resulting impact on our financial results; our sports wagering contracts with third-party providers, including the expected revenues and expenses and our expectations regarding our ability to replace our terminated sports wagering contract in Indiana or to operate sports wagering contracts ourselves; our expectation to exercise our buyout option on the Silver Slipper Casino and Hotel; adequacy of our financial resources to fund operating requirements and planned capital expenditures and to meet our debt and contractual obligations; expected sources of revenue; anticipated sources of funds; anticipated or potential legislative actions; beliefs in connection with our marketing efforts; factors that affect the financial performance of our properties; adequacy of our insurance; competitive outlook; outcome of legal matters; impact of recently issued accounting standards; and estimates regarding certain accounting and tax matters, among others.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the factors as discussed throughout Part I, Item 1A. “Risk Factors” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K.

These forward-looking statements speak only as of the date on which this statement is made, and we undertake no obligation to 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 1A. Risk Factors.

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

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

Summary of Risk Factors

The following is a summary of the risk factors discussed in Part I, Item 1A. “Risk Factors” of this Form 10-K. This summary should be read in conjunction with those Risk Factors and should not be relied upon as an exhaustive summary of the material risks facing our business.

Risks Related to our Business and Operations

- We face significant competition from other gaming and entertainment operations.
- We may face revenue declines if discretionary consumer spending drops due to an economic downturn.
- We cannot assure you that any of our contracted sports betting parties, through the use of our permitted website “skins,” will be able to compete effectively, that our contracted sports parties will have the ability and/or willingness to sustain sports betting operations should they experience an extended period of unprofitability, or that we will have the ability to replace existing partners or vendors on similar terms as our existing contractual revenue minimums.
- Marine transportation is inherently risky, and insurance may be insufficient to cover losses that may occur to our assets or result from our ferry boat operations.
- Our Mississippi casino hotel currently generates a significant percentage of our revenues and Adjusted EBITDA. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of that property.
- We derive our revenues and operating income from our properties located in Mississippi, Colorado, Indiana, Nevada and Illinois, and are especially subject to certain risks, including economic and competitive risks, associated with the conditions in those areas and in the states from which we draw patrons.
- Some of our operations are located on leased property. If the lessor of the Grand Lodge Casino exercises its buyout rights or if we default on this or certain of our other leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected casino.
- A prolonged closure of our casinos would negatively impact our ability to service our debt.
- The impact of the ongoing COVID-19 pandemic on our business and results of operations remains uncertain.
- Adverse weather conditions, road construction, gasoline shortages and other factors affecting our facilities and the areas in which we operate could make it more difficult for potential customers to travel to our properties and deter customers from visiting our properties.
- Our results of operations and financial condition could be materially adversely affected by the occurrence of natural disasters, including as a result of climate change, such as hurricanes, floods, wildfires, pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus pandemic, or other catastrophic events, including war, terrorism and gun violence.
- Several of our properties, including Silver Slipper, Bronco Billy’s and Rising Star, are accessed by our customers via routes that have few alternatives.
- We may incur property and other losses that are not adequately covered by insurance, including adequate levels of Weather Catastrophe Occurrence/Named Windstorm, Flood and Earthquake insurance coverage for our properties.
- We depend on our key personnel and our ability to attract and retain employees.
- Higher wage and benefit costs could adversely affect our business.
- Rising operating costs at our gaming properties could have a negative impact on our business.
- We face the risk of fraud and cheating.
- Win rates for our gaming operations depend on a variety of factors, some beyond our control.
- The concentration and evolution of the slot machine manufacturing industry could impose additional costs on us.
- Our business may be adversely affected by legislation prohibiting tobacco smoking.
- We rely on, among other things, trademarks, licenses, confidentiality procedures, and contractual provisions to protect our intellectual property rights and we may be unable to protect or may not be successful in protecting our intellectual property rights.
- Our commercial success depends upon us avoiding the infringement of intellectual property rights owned by others and any such infringements, including those that are inadvertent, may have a material adverse effect on our business.
- We are subject to risks related to corporate social responsibility and reputation.

Risks Related to Development and Growth Opportunities

- We are engaged from time to time in one or more construction and development projects, including Chamonix and American Place, and many factors could prevent us from completing them as planned.
- The construction costs for our growth projects, including Chamonix and American Place, may exceed budgeted amounts plus contingencies, which may result in insufficient funds to complete these projects or the need to raise additional capital.
- There is no assurance that our growth projects, including Chamonix and American Place, will not be subject to additional regulatory restrictions, delays, or challenges.
- There is no assurance that our growth projects, including Chamonix and American Place, will be successful.
- Failure to comply with the terms of our construction disbursement agreement related to Chamonix could limit our access to funds.
- We face a number of challenges prior to opening new or upgraded facilities.
- We may face disruption and other difficulties in integrating and managing facilities we have recently developed or acquired, or may develop or acquire in the future.
- The construction of Chamonix and American Place may inconvenience customers and disrupt business activity at the adjoining Bronco Billy's casino and the Temporary, respectively.
- The permanent American Place facility, additional growth projects or potential enhancements at our properties may require us to raise additional capital.
- The casino, hotel and resort industry is capital intensive, and we may not be able to finance expansion and renovation projects, which could put us at a competitive disadvantage.
- We may face risks related to our ability to receive regulatory approvals required to complete certain acquisitions, mergers, joint ventures, and other developments, as well as other potential delays in completing certain transactions.
- If we fail to obtain necessary government approvals in a timely manner, or at all, it can adversely impact our various expansion, development, investment and renovation projects.
- Insufficient or lower-than-expected results generated from our new developments and acquired properties may negatively affect our operating results and financial condition.

Risks Related to our Indebtedness

- Our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.
- The indenture governing the Notes and the Credit Facility impose restrictive covenants and limitations that could significantly affect our ability to operate our business and lead to events of default if we do not comply with the covenants.
- To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.
- We may not be able to generate sufficient cash flows to service all of our indebtedness and fund our operating expenses, working capital needs and capital expenditures, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- We depend on our subsidiaries for certain dividends, distributions and repayment of our indebtedness, including the Notes and any borrowings under the Credit Facility.
- Our ability to obtain additional financing on commercially reasonable terms may be limited.
- The obligations under the Notes and the Credit Facility are collateralized by a security interest in substantially all of our assets, so if we default on those obligations, the holders of the Notes and lenders under the Credit Facility could foreclose on our assets. In addition, the existence of these security interests may adversely affect our financial flexibility.
- We and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks described above.

Risks Related to our Legal and Regulatory Environment

- We face extensive regulation from gaming and other regulatory authorities and the cost of compliance or failure to comply with such regulations may adversely affect our business and results of operations.
- Changes in legislation and regulation of our business could have an adverse effect on our financial condition, results of operations and cash flows.
- Stockholders may be required to dispose of their shares of our common stock if they are found unsuitable by gaming authorities.

- We are subject to environmental laws and potential exposure to environmental liabilities.
- We are subject to litigation which, if adversely determined, could cause us to incur substantial losses.
- Our ferry boat service is highly regulated, which can adversely affect our operations.

Risks Related to Technology

- Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. If we experience damage or service interruptions, we may have to cease some or all of our operations, which will result in a decrease in revenue.
- Our information technology and other systems are subject to cyber-security risk, misappropriation of customer information and other breaches of information security.

General Risks

- Our ability to utilize our net operating loss (“NOL”) carryforwards and certain other tax attributes may be limited.
- The market price for our common stock may be volatile, and investors may not be able to sell their stock at a favorable price, or at all.
- The exercise of outstanding options to purchase common stock may result in substantial dilution and may depress the trading price of our common stock.

Risks Related to our Business and Operations

We face significant competition from other gaming and entertainment operations.

The gaming industry is characterized by an increasingly high degree of competition among a large number of participants. Our casinos and contracted sport wagering businesses compete with other forms of gaming, such as casinos, racetracks, state-sponsored lotteries, sweepstakes, charitable gaming, video gaming terminals at bars, restaurants, taverns and truck stops, illegal slot machines and skill games, fantasy sports and internet or mobile-based gaming platforms, including online gaming and sports betting. Certain state and other jurisdictions are considering expansion of such forms of gaming. Each of these could divert customers from our casinos and services, and thus materially and adversely affect our business.

In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas. As competing properties and new markets are opened, our operating results may be negatively impacted. In addition, some of our direct competitors in certain markets may have superior facilities and/or operating conditions. We expect each existing or future market in which we participate to be highly competitive. The competitive position of each of our casino properties is discussed in Part I, Item 1. “Business – Competition.”

In a broader sense, our casinos and sports wagering businesses face competition from all manner of leisure and entertainment activities, including other non-gaming resorts and vacation destinations, shopping, athletic events, television and movies, concerts, and travel.

We may face revenue declines if discretionary consumer spending drops due to an economic downturn.

Our revenues are highly dependent upon the volume and spending levels of customers at our properties and, as such, our business has been in the past, and could be in the future, adversely impacted by economic downturns. Decreases in discretionary consumer spending brought about by factors such as, but not limited to, lackluster recoveries from recessions; increases in costs of goods and services due to continued or increased inflationary pressures; pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as COVID-19; high unemployment levels; higher income taxes; low levels of consumer confidence; weakness or uncertainty in the housing market; cultural and demographic changes; the impact of high energy, fuel, food and healthcare costs; fears of war or actual conflicts, such as the Russian invasion of Ukraine, civil unrest, terrorism or violence; and increased stock market volatility may negatively impact our revenues and operating cash flow. This could lead to a reduction in discretionary spending by our guests on entertainment and leisure activities, which could have a material adverse effect on our revenues, cash flow and results of operations. Furthermore, during periods of economic contraction, our revenues may decrease while many of our costs remain fixed and some costs may increase, resulting in decreased earnings.

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

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

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

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

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

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

Our Mississippi casino hotel currently generates a significant percentage of our revenues and Adjusted EBITDA. Our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of that property.

For the year ended December 31, 2022, we generated 49.5% of our revenues and 51.7% of our Adjusted Segment EBITDA from our casino resort in Mississippi. Therefore, until our new developments are operating, our results will be dependent on the regional economies and competitive landscapes at our Mississippi property. Likewise, our ability to meet our operating and debt service requirements is dependent, in part, upon the continued success of this property.

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

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

- regional economic conditions;
- regional competitive conditions, including legalization or expansion of gaming in Mississippi, Colorado, Indiana, Nevada, Illinois or in neighboring states;
- allowance of new types of gaming, such as the introduction of online sports wagering in Louisiana or Internet gaming;
- reduced land or air travel due to increasing fuel costs or transportation disruptions; and,
- vulnerability to regional economic downturns in the markets in which we operate.

Some of our operations are located on leased property. If the lessor of the Grand Lodge Casino exercises its buyout rights or if we default on this or certain of our other leases, the applicable lessors could terminate the affected leases and we could lose possession of the affected casino.

We lease certain parcels of land at our Silver Slipper Casino and Hotel in Mississippi, certain land and buildings at Bronco Billy's Hotel and Casino in Colorado (much of which is to be utilized for Chamonix), one of the two hotels at our Rising Star Casino Resort in Indiana, and certain parcels at American Place in Illinois. We also lease casino space at our Grand Lodge Casino in Nevada. Unless we have a purchase option under such leases and exercise such option, we will have no interest in the improvements thereon at the expiration of the leases. We have purchase options on substantially all of our leased property, except for our corporate offices and the Grand Lodge Casino. It is either currently more advantageous for us to continue to lease rather than exercise such buyout options, or we have certain restrictions which only allow us to exercise the purchase option during certain future time periods. The obligations under the Notes and the Credit Facility are collateralized by a security interest in substantially all of our assets. The Notes contain representations and warranties, financial covenants, and restrictions on dividends customary for notes of this type. Mandatory prepayments, in whole or in part, of the Notes will be required upon the occurrence of certain events, including sales of certain assets, upon certain changes of control, or should the Company have certain unused funds in the construction disbursement account following the completion of Chamonix. The Credit Facility contains a number of negative covenants that, subject to certain exceptions, are substantially similar to the covenants contained in the Notes. The Credit Facility also requires compliance with a financial covenant as of the last day of each fiscal quarter, such that Adjusted EBITDA (as defined) for the trailing twelve-month period must equal or exceed the utilized portion of the Credit Facility, if drawn. Under certain circumstances and at the expirations of the underlying leases, we might be forced to exercise our buyout options in order to continue to operate those properties. There is no certainty that the funds could be raised at that time at a reasonable cost, or at all, to exercise some or all of the buyout options. The operating lease at the Grand Lodge Casino, which is set to expire on December 31, 2024, includes certain lessor buyout rights based upon a multiple of EBITDA that, if exercised, could result in the lessor purchasing our leasehold interest and the operating assets on terms that may be less than fair market value or financially unfavorable to us. Since we do not completely control the land, buildings, hotel and space underlying our leased properties, a lessor could take certain actions to disrupt our rights under the long-term leases, which are beyond our control. If the entity owning any leased land, buildings, hotel or space were to disrupt our use either permanently or for a significant period of time, and we were not in a position to exercise our buyout rights at that time, then the value of our assets could be impaired and our business and operations could be adversely affected. If we were to default on the lease, then the lessor could terminate the affected lease and we could lose possession of the affected land, buildings, hotel or space and any improvements thereon. The loss of the lease through exercise of buyout rights or through termination upon default could have a significant adverse effect on our business, financial condition and results of operations as we would then be unable to operate all or portions of the affected facilities, which, in turn, may result in a default under our debt agreements.

A prolonged closure of our casinos would negatively impact our ability to service our debt.

Our casinos are our primary sources of income and operating cash flows that we rely upon to pay all of our obligations and to remain in compliance with debt covenants under any indebtedness we may incur and meet our obligations when due. Because we operate in several different jurisdictions, we are subject to different legal and market conditions in order to remain open. We have no control over and cannot predict the length of any future operating restrictions or future closures of our casinos and hotels. Any required closures may require us to seek to amend our debt agreements, though there is no certainty that we would be successful in such efforts. Additionally, we may be required to seek additional liquidity through the issuance of new debt or equity, or through the sale of certain assets. Our ability to obtain additional financing would depend in part on factors outside of our control.

The impact of the ongoing COVID-19 pandemic on our business and results of operations remains uncertain.

The extent of the ongoing and future effects of pandemics, including COVID-19 and new variants, on our business remains uncertain and depends on a number of factors that are beyond our control, including the possibility that governmental regulations and directives enacted in the future may limit the operations of our properties or prohibit or discourage customers from visiting our properties. Our ability to attract customers to our properties and results of operations would be negatively impacted if we were required to reinstate limitations on the number of customers present in our facilities, reduce gaming operations, restrict hotel, food and beverage outlets or special events or implement other social distancing or health and safety measures. In addition, even as the COVID-19 pandemic subsides, the disruption already caused by the COVID-19 pandemic may still lead to prolonged changes in consumer behavior, the effects of which are still yet to be fully realized. The ultimate economic impacts to us of the evolving COVID-19 pandemic are uncertain and difficult to predict and could adversely impact our business, financial condition and results of operations.

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

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

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

Natural disasters and extreme weather conditions, potentially exacerbated by climate change, such as major hurricanes, tornadoes, typhoons, floods, fires and earthquakes, could adversely affect our business and operating results. Certain of our properties are located in areas that may be subject to extreme weather conditions. Hurricanes are common in the area in which our Mississippi property is located, and the severity of such natural disasters is unpredictable. In October 2020, Hurricane Zeta caused the temporary closure of the Silver Slipper and caused approximately \$5 million of damage, most of which was covered by insurance. In 2005, prior to the development of the Silver Slipper, Hurricanes Katrina and Rita caused significant damage in the Gulf Coast region. Additionally, our Indiana property is at risk of flooding due to its proximity to the Ohio River. Wildfires are also increasing in frequency and intensity, and the Western United States and the Rocky Mountain Region have been experiencing continuing drought conditions. Conversely, recent months have seen larger than normal snowfall in the Lake Tahoe region, sometimes impacting regional travel. Bronco Billy's and Grand Lodge were adversely affected by nearby forest fires and the impacts therefrom. Changes in federal, state, and local legislation and regulation based on concerns about climate change could result in increased regulatory costs, which may include capital expenditures at our existing properties to ensure compliance with any new or updated regulations. This may also adversely affect our operations. There can be no assurance that the potential impacts of climate change and severe weather will not have a material adverse effect on our properties, operations or business.

If a pandemic, epidemic or outbreak of an infectious disease, such as the COVID-19 pandemic, occurs in the United States or on a global scale, our business may be adversely affected. As described elsewhere in these Risk Factors, such events may result in closures of our properties, a period of business disruption, and/or in reduced operations, any of which could materially affect our business, financial condition and results of operations.

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

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

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

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

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

There is no certainty that insurance companies will continue to offer insurance at acceptable rates, or at all, in hurricane-prone areas or other areas affected by extreme weather, including the Mississippi Gulf Coast. Some insurance companies may significantly limit the amount of coverage they will write in these markets and increase the premiums charged for this coverage. Additionally, uncertainty can occur as to the viability of certain insurance companies. While we believe that the insurance companies from which we have purchased insurance policies will remain solvent, there is no certainty that this will be the case.

We depend on our key personnel and our ability to attract and retain employees.

We are highly dependent on the services of our executive management team and other members of our senior management team. Our ability to attract and retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies, and our growth prospects. The loss of the services of any members of our senior management team could have a material adverse effect on our business, financial condition and results of operations. We have faced increased challenges in attracting and retaining qualified employees, particularly in light of recent labor shortages, including increased employee resignations that took place throughout the United States as a result of the COVID-19 pandemic. If we fail to retain our current employees, it would be difficult and costly to identify, recruit and train replacements needed to continue to conduct and expand our business. There can be no assurance that we will be able to retain and motivate our employees.

Higher wage and benefit costs could adversely affect our business.

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

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

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

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

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

We face the risk of fraud and cheating.

Our gaming customers may attempt or commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit chips or other tactics, possibly in collusion with our employees. Internal acts of cheating could also be conducted by employees directly or through collusion with dealers, surveillance staff, floor managers or other casino or gaming area staff. While we carry insurance for employee theft, such insurance may not cover all or any of such losses. Failure to discover such acts or schemes in a timely manner could result in losses in our gaming operations. In addition, negative publicity related to such schemes could have an adverse effect on our reputation, potentially causing a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

A majority of our revenues are attributable to slot machines and related systems operated by us at our gaming facilities. It is important, for competitive reasons, that we offer popular and up-to-date slot machine games to our customers. A substantial majority of the slot machines sold in the U.S. in recent years were manufactured by only a few companies, and there has been recent consolidation activity within the gaming equipment sector. In recent years, slot machine manufacturers have frequently refused to sell slot machines featuring the most popular games, instead requiring participation lease arrangements. Participation slot machine leasing arrangements typically require the payment of a fixed daily rental or a percentage payment of coin-in or net win. Generally, a participation lease is more expensive over the long term than the cost to purchase a new machine. For competitive reasons, we may be forced to purchase new slot machines or enter into participation lease arrangements that are more expensive than our current costs associated with the continued operation of our existing slot machines. If the newer slot machines do not result in sufficient incremental revenues to offset the increased investment and participation lease costs, it could hurt our profitability.

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

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

We rely on, among other things, trademarks, licenses, confidentiality procedures, and contractual provisions to protect our intellectual property rights and we may be unable to protect or may not be successful in protecting our intellectual property rights.

Our commercial success depends upon our ability to develop brands and to successfully obtain or acquire proprietary or statutory protection for our intellectual property rights and to implement new or improved technologies purchased or licensed from third parties. We rely on, among other things, trademarks, licenses, confidentiality procedures, and contractual provisions to protect our intellectual property rights. While we enter into license, confidentiality, and non-disclosure agreements to attempt to limit access to, and distribution of, proprietary and confidential information, it is possible that:

- some or all of our confidentiality and non-disclosure agreements will not be honored;
- disputes concerning the ownership of intellectual property will arise with our strategic partners, users or others;
- unauthorized disclosure or use of our intellectual property, including know-how or trade secrets, will occur;
- we will be unable to successfully enforce our trademark or copyright rights; or
- contractual provisions may not be enforceable.

There can be no assurance that we will be successful in protecting our intellectual property rights or that we will become aware of third-party infringements that might be occurring. Inability to protect our intellectual property rights could have a material adverse effect on our prospects, business, financial condition or results of operations.

Our commercial success depends upon us avoiding the infringement of intellectual property rights owned by others and any such infringements, including those that are inadvertent, may have a material adverse effect on our business.

The industries in which we compete have many participants that own, or claim to own, intellectual property, including participants that own intellectual property similar to our own, and proprietary rights for technologies similar to those used or licensed by us. Some of this intellectual property may provide very broad protection to the third-party owners thereof. Patents in particular can be issued very rapidly and there is often a great deal of secrecy surrounding pending patent applications. We cannot determine with certainty whether any existing third-party intellectual property or the issuance of any new third-party intellectual property would require our partners or suppliers to alter their technologies or services, pay for licenses, challenge the validity or enforceability of the intellectual property, or cease certain activities. Third parties may assert intellectual property infringement claims against us and against our partners and/or suppliers. We may be subject to these types of claims either directly or indirectly through indemnities assuming liability for these claims that we may provide to certain partners or suppliers. There can be no assurance that our attempts to negotiate favorable intellectual property indemnities in favor of us with our partners or suppliers for infringement of third-party intellectual property rights will be successful or that a partner's or supplier's indemnity will cover all damages and losses suffered by us and our partners and other suppliers due to infringing products, or that we can secure a license, modification or replacement of a partner's or supplier's products with non-infringing products that may otherwise mitigate such damages and losses.

Some of our competitors have, or are affiliated with companies that have, substantially greater resources than us, and these competitors may be able to sustain the costs of complex intellectual property infringement litigation to a greater degree and for longer periods of time than us. Regardless of whether third-party claims of infringement against us have any merit, these claims could:

- adversely affect our relationships with our customers;
- be time-consuming to evaluate and defend;
- result in costly litigation;
- result in negative publicity for us;
- divert our management's attention and resources;
- cause product and software delivery delays or stoppages;
- subject us to significant liabilities;
- require us to enter into costly royalty or licensing agreements;
- require us to develop possible workaround solutions that may be costly and disruptive to implement; or
- require us to cease certain activities or to cease providing services in certain markets.

In addition to being liable for potentially substantial damages relating to intellectual property following an infringement action against us, we may be prohibited from commercializing certain technologies, or products or services unless we obtain a license from the holder of the applicable intellectual property rights. There can be no assurance that we will be able to obtain any such license or acquire intellectual property on commercially reasonable terms, or at all. If we do not obtain such a license, our prospects, business, operating results and financial condition could be materially adversely affected and we could be required to cease related business operations in some markets and restructure our business to focus on continuing operations in other markets.

We are subject to risks related to corporate social responsibility and reputation.

Many factors influence our reputation and the value of our brands, including the perception held by our customers, business partners, other key stakeholders and the communities in which we do business. Our business faces increasing scrutiny related to environmental, social and governance activities and risk of damage to our reputation and the value of our brands if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, climate change, workplace conduct, human rights, philanthropy and support for local communities. Any harm to our reputation could impact employee engagement and retention and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

Risks Related to Development and Growth Opportunities

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

We are currently constructing Chamonix in Cripple Creek, Colorado, adjoining and connected to our existing Bronco Billy's casino. We also intend to construct the permanent American Place facility in Waukegan, Illinois, located adjacent to The Temporary.

Construction of these types of projects have certain inherent risks, including the risks of fire, structural collapse, human error and electrical, mechanical and plumbing malfunction. Our development and expansion projects are exposed to significant risks, including:

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

The occurrence of any of the foregoing could increase the total costs of a project, or delay or prevent its construction, development, expansion or opening. Escalating construction costs may cause us to modify the design and scope of projects from those initially contemplated or cause the budgets for those projects to be increased. We generally carry insurance to cover certain liabilities related to construction, but not all risks are covered, and it is uncertain whether such insurance will provide sufficient payment in a timely fashion even for those risks that are insured and material to us.

The construction costs for our growth projects, including Chamonix and American Place, may exceed budgeted amounts plus contingencies, which may result in insufficient funds to complete these projects or the need to raise additional capital.

Delays in the completion of the plans and specifications for our growth projects, including Chamonix and American Place, could delay completion of the projects. In addition, completion of the plans and specifications while construction is in progress could cause inefficiencies, and certain items may need to be modified or replaced after they have been purchased, constructed or installed in order to conform to building code requirements or subsequently-developed plans and specifications. The Pre-Construction Services Agreement and Letter of Intent with our general contractor for Chamonix provides that the cost of construction may increase and the deadlines for the contractor's obligations to complete construction may be adjusted for alterations in the project's scope. We may enter into similar arrangements with the general contractor for American Place. We can give no assurance that changes in the scope of these projects will not increase the cost of the projects or extend their completion dates. We establish budgets for the projects based, in part, on our estimate of the cost of various construction goods and services for parts of the projects that, in some cases, are not yet fully designed. If the actual cost with respect to these allowance items exceeds the estimated amount, we will be responsible for the payment of those excess amounts out of the cash flow from our other operations and from cash balances and other financial resources. Our cash flow, cash reserves and other financial resources may not be adequate at any given time to address balancing of the construction budgets if there are increased costs. If our contingency, cash flow from operations and anticipated excess liquidity are insufficient to cover any shortfall, we may not have sufficient funds to complete the projects without seeking additional capital or at all.

There is no assurance that our growth projects, including Chamonix and American Place, will not be subject to additional regulatory restrictions, delays, or challenges.

We received approval of the plans for Chamonix from the Cripple Creek Historic Preservation Commission and Cripple Creek City Council in January and February 2021, respectively. Additionally, as part of these approvals, the Cripple Creek City Council voted to amend the prior Development Agreement with Bronco Billy's regarding the project, as an Amended and Restated Development Agreement, and further amended as the Second Amendment to Amended and Restated Development Agreement in which we are obligated to complete the project by December 31, 2023. If we do not complete the project by that date, the City may exercise its right of reversion for previously vacated rights of way of portions of 2nd Avenue and a nearby alley. If the project is substantially underway at the deadline, it is likely that the City Council would agree to extend the deadline; however, there is no certainty that would be the case. We are still developing our plans related to the permanent facility for American Place. Such plans will be subject to regulatory approval. Illinois regulations allow The Temporary to only operate for two years, unless the Illinois Gaming Board approves an additional year to accommodate appropriate construction. Construction of the permanent American Place facility may require more than two years. We have not yet applied for the additional year permitted under the regulations and, if we do so, there is no certainty such extension will be granted. We intend to avoid having an extended period of time between the closing of The Temporary and the opening of American Place, as it could be detrimental to our business, but there is no certainty that this can be achieved. Completion of these projects could also be delayed by weather, labor shortages or other construction delays. There is no assurance that these projects will not be subject to additional restrictions, delays, or challenges.

There is no assurance that our growth projects, including Chamonix and American Place, will be successful.

In addition to the construction and regulatory risks associated with the development of our growth projects, including Chamonix and American Place, we cannot assure you that the level of consumer demand for these projects will meet our expectations. The operating results of these projects may be materially different than expected due to, among other factors, consumer spending and preferences in the geographic areas, competition from other markets, or other developments that may be beyond our control. In addition, these projects may be more sensitive than anticipated by management to certain risks, including risks associated with downturns in the economy. Further, these projects may not generate cash flows on our anticipated timeline. We may not be able to successfully implement our growth strategy with respect to these projects, capital investments, and acquisitions. There is no assurance that these projects will result in a more successful business operation, or that these projects will increase clientele or revenues. With respect to Chamonix, there is no assurance that a more modern expansion will attract new visitors to a city with historic architecture. The occurrence of any of these issues could adversely affect our prospects, financial condition and results of operations.

Failure to comply with the terms of our disbursement agreement related to Chamonix could limit our access to funds.

As of December 31, 2022, we had approximately \$134.6 million deposited in a construction disbursement account for Chamonix. The funds in the construction disbursement account, which will be used to fund the completion of the design, development, construction, equipping and opening costs of Chamonix, will be disbursed pursuant to the terms of our Cash Collateral and Disbursement Agreement. Funds will be distributed from this account only upon satisfaction of certain conditions, including the approval of the disbursements by an independent construction consultant, as contemplated by the Cash Collateral and Disbursement Agreement. Such agreement is designed to ensure that the funds in the construction disbursement account at each test date are sufficient to fund the anticipated costs to complete the Chamonix project. If we fail to satisfy draw conditions or the independent construction consultant does not give its approval to construction draws, in each case under our Cash Collateral and Disbursement Agreement, we may have to put additional funds into the construction disbursement account. There is no certainty that we would have access to funds when needed to keep the account “in balance,” which could cause delays in the construction of Chamonix.

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

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

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

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

We expect to continue pursuing expansion opportunities. We regularly evaluate opportunities for acquisition and development of new properties. We could face significant challenges in managing and integrating our expanded or combined operations and any other properties we may develop or acquire, particularly in new competitive markets. The integration of properties we may develop or acquire will require the dedication of management resources that may temporarily divert attention from our day-to-day business. The process of integrating properties that we may acquire also could interrupt the activities of those businesses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the development of new properties may involve construction, local opposition, regulatory, legal and competitive risks, as well as the risks attendant to partnership deals on these development opportunities. In projects where we team up with a joint venture partner, if we cannot reach agreement with such partners, or our relationships otherwise deteriorate, we could face significant increased costs and delays. Local opposition can delay or increase the anticipated cost of a project. Finally, given the competitive nature of these types of limited license opportunities, litigation is possible.

Management of new properties, especially in new geographic areas, may require that we increase our management resources. We cannot assure you that we will be able to manage any new or acquired operations effectively or realize any of the anticipated benefits of our acquisitions. We also cannot assure you that, if acquisitions are completed, the acquired businesses will generate returns consistent with our expectations. Our ability to achieve our objectives in connection with any acquisition we may consummate may be highly dependent on, among other things, our ability to retain the senior-level property management teams of such acquisition candidates. If, for any reason, we are unable to retain these management teams following such acquisitions or if we fail to attract new capable executives, our operations after consummation of such acquisitions could be materially adversely affected. If we make new acquisitions or new investments, we may face additional risks related to our business, results of operations, financial condition, liquidity, ability to satisfy financial covenants and comply with other restrictive covenants under our indenture, and ability to pay or refinance our indebtedness.

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

The construction of Chamonix and American Place may inconvenience customers and disrupt business activity at the adjoining Bronco Billy's casino and The Temporary, respectively.

Although we have attempted to minimize disruption of our existing Bronco Billy's operations, construction of Chamonix has required portions of the adjoining Bronco Billy's to be closed or disrupted. For example, Chamonix is being built, in part, on surface parking lots that were once used by guests of Bronco Billy's. As a result, we closed such parking lots and relocated guest parking until Chamonix's new parking garage is available for use. Similarly, all on-site hotel rooms at Bronco Billy's were closed to facilitate construction. The Temporary was designed so that construction of American Place on adjoining land should not materially disrupt business activity at The Temporary, but there is no certainty that this will be the case. Disruptions in operations at Bronco Billy's or The Temporary could have an adverse effect on our business, financial condition and results of operations.

The permanent American Place facility, additional growth projects or potential enhancements at our properties may require us to raise additional capital.

We may need to access financial institution sources, capital markets, private sources or otherwise obtain additional funds to fund the permanent American Place facility. Additional capital may also be needed to fund other growth projects or potential enhancements we may undertake at our other properties. We do not know when, or if, financial institution sources, capital markets or private sources will permit us to raise additional funds for such phases and enhancements in a timely manner, on acceptable terms, or at all. Inability to access financial institution sources, capital markets or private sources, or the availability of capital only on less-than-favorable terms, may cause or force us to delay, reduce, or cancel our growth and enhancement projects.

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

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

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

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

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

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

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

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

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

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

Risks Related to our Indebtedness

Our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

As of December 31, 2022, the total principal amount of our indebtedness, excluding unamortized debt issuance costs, was \$410.0 million, consisting entirely of the Notes. Our Credit Facility was drawn for \$36.0 million in January 2023 and remains outstanding as of this report date. The Notes and the Credit Facility are summarized in Part I, Item 1. “Business — Operating Properties — American Place / The Temporary.” We also have a finance lease at our Rising Star Casino Resort with an outstanding balance of \$2.8 million.

Our debt could, among other things:

- require us to dedicate a large portion of our cash flow from operations to the servicing and repayment of our debt, thereby reducing funds available for working capital, capital expenditures and acquisitions, and other general corporate requirements;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restrict our ability to make strategic acquisitions or dispositions or to exploit business opportunities;
- increase our vulnerability to general adverse economic and industry conditions and increases in interest rates;
- place us at a competitive disadvantage compared to our competitors that have less debt; and

- adversely affect our credit rating, which may adversely affect our cost to borrow funds or the market price of our common stock.

Any of these risks could impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The indenture governing the Notes and the Credit Facility impose restrictive covenants and limitations that could significantly affect our ability to operate our business and lead to events of default if we do not comply with the covenants.

The indenture governing the Notes and the Credit Facility impose restrictive covenants on us and our subsidiaries that may limit our current and future operations. The restrictions that are imposed include, among other obligations, limitations on our and our subsidiaries' ability to:

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

These restrictions could adversely affect our ability to:

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

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

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

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

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

If we are not able to generate sufficient cash flows from operations to repay the Notes or any amounts outstanding under the Credit Facility, as needed, or to obtain adequate additional financing, we may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, or issuing equity.

We may not be able to generate sufficient cash flows to service all of our indebtedness and fund our operating expenses, working capital needs and capital expenditures, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our indebtedness will depend upon our future operating performance and our ability to generate cash flow in the future, which are subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. Such alternative measures, if necessary, may not be available on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The indenture governing the Notes and the Credit Facility restrict our ability to dispose of assets and use the proceeds from asset dispositions, and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. If we cannot make scheduled payments on our debt, we will be in default and, as a result, our lenders could declare all outstanding amounts to be due and payable and foreclose against the collateral securing such debt, and we could be forced into bankruptcy or liquidation, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects and could result in you losing your investment in us.

We depend on our subsidiaries for certain dividends, distributions and repayment of our indebtedness, including the Notes and any borrowings under the Credit Facility.

The source of much of our cash flow to pay our obligations under the Notes and any borrowings under the Credit Facility and to make payments on any other indebtedness will be dividends and distributions from our subsidiaries. If our subsidiaries are unable to make dividend payments or distributions to us and sufficient cash or liquidity is not otherwise available, we may not be able to pay interest or principal under the Notes or borrowings under the Credit Facility. Unless they guarantee the Notes and the Credit Facility, our subsidiaries (a) will not have any obligation to pay amounts due under the Notes and the Credit Facility or to make funds available for that purpose and (b) may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes and the Credit Facility. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In addition, while the indentures governing the Notes and the Credit Facility limit the ability of our restricted subsidiaries to restrict the payment of dividends or make other intercompany payments to us, these limitations will be subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes and the Credit Facility.

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

Although we believe that our cash, cash equivalents, working capital, future cash from operations, and the capital obtained from the Notes and available borrowing under the Credit Facility will provide adequate resources to fund completion of Chamonix, the Temporary at American Place and ongoing operating requirements, we may need to refinance or seek additional financing to compete effectively or grow our business, including to complete the permanent American Place facility. These financing strategies may not be completed on satisfactory terms, if at all. In addition, certain financing transactions require approval of gaming regulatory authorities. Some requirements may prevent or delay us from obtaining necessary capital. We cannot assure you that we will be able to obtain any additional financing, refinance our existing debt, or fund our growth efforts. If we are unable to obtain financing on commercially reasonable terms, it could:

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

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

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

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

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

Risks Related to our Legal and Regulatory Environment

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

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

Taxation and fees. We believe that the prospect of significant tax revenue is one of the primary reasons that jurisdictions permit legalized gaming. As a result, gaming companies are typically subject to significant revenue-based taxes and fees in addition to normal federal, state, and local income and employment taxes. Such taxes and fees are subject to increase at any time. From time to time, federal, state, and local legislators and officials have proposed changes in tax laws, or in the administration of such laws, affecting the gaming industry. In addition, any downturn in economic conditions could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration of such laws. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

In particular, certain areas of law governing new gaming activities, such as the federal and state law applicable to sports betting, are new or developing in light of emerging technologies. New and developing areas of law may be subject to the interpretation of the government agencies tasked with enforcing them. In some circumstances, a government agency may interpret a statute or regulation in one manner and then reconsider its interpretation at a later date. No assurance can be provided that government agencies will interpret or enforce new or developing areas of law consistently, predictably, or favorably. Moreover, legislation to prohibit, limit or add burdens to our business may be introduced in the future in states where gaming has been legalized. In addition, from time to time, legislators and special interest groups have proposed legislation that would expand, restrict or prevent gaming operations or which may otherwise adversely impact our operations in the jurisdictions in which we operate. Any expansion of gaming or restriction on or prohibition of our gaming operations or enactment of other adverse regulatory changes could have a material adverse effect on our operating results.

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

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

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

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

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

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

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

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

Risks Related to Technology

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

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

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

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

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

There are also laws and regulations governing the collection and use of biometric information, such as fingerprints and facial scans. For example, the Illinois Biometric Information Privacy Act, 740 ILCS 14/1 et seq. (“BIPA”) applies to the collection and use of “biometric identifiers” and “biometric information” which include fingerprints and facial scans. BIPA requires written notice and consent before a private entity (like us and our subsidiaries) may collect or disseminate biometric information. It further provides that any private entity in possession of biometric information must establish, publish and comply with a policy regarding its schedule for destroying biometric information and follow reasonable security measures to protect such information. Individuals are afforded a private right of action under BIPA and may recover statutory damages equal to the greater of \$1,000 (or \$5,000 for reckless violations) or actual damages and reasonable attorneys’ fees and costs for each unlawful collection of biometric information, which the Illinois Supreme Court has interpreted to include not only the initial collection of information to create a biometric template, but also, each subsequent scan of biometric information to identify an individual. Many Illinois businesses, including casinos, have been accused of using biometric-enabled devices, including hand or fingerprint scanners for timekeeping or security purposes, and facial recognition technology for security purposes, without the required policy, notice or consent. Any biometric-enabled devices or technologies used by us in Illinois must comply with BIPA’s notice, consent, policy and security requirements to avoid potential liability. In addition to BIPA, a number of other proposals exist for new federal and state privacy legislation that, if passed, could increase our potential liability, increase our compliance costs and materially adversely affect our business.

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

General Risks

Our ability to utilize our net operating loss, or NOL, carryforwards and certain other tax attributes may be limited.

Our ability to utilize our NOL carryforwards to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates, if applicable, of the NOL carryforwards, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our NOL carryforwards.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research and development tax credits) to offset its post-change income or taxes may be limited. We have experienced ownership changes in the past, and we may experience ownership changes in the future and/or subsequent shifts in our stock ownership (some of which may be outside our control). As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset U.S. federal taxable income may be subject to limitations under Section 382, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

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

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

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

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

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

If our outstanding options to purchase shares of our common stock are exercised and the underlying shares of common stock issued upon such exercise are sold, our stockholders may experience substantial dilution and the market price of our shares of common stock could decline. Further, the perception that such securities might be exercised could adversely affect the trading price of our shares of common stock. During the time that such securities are outstanding, they may adversely affect the terms on which we could obtain additional capital.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Substantially all of our assets collateralize our indebtedness, as discussed in [Note 6](#) to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.” The majority of our facilities are subject to leases of the underlying real estate assets, which, among other things, includes the land underlying the facility and the buildings used in business operations, as discussed in [Note 7](#) to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.” See Part I, Item 1. “Business — [Operating Properties](#)” for additional discussions.

Segments and Properties	Locations	December 31, 2022				
		Owned Land (acres)	Leased Land (acres)	Slot Machines	Table Games	Hotel Rooms
Colorado						
Bronco Billy’s Casino and Hotel	Cripple Creek, CO	6.06	4.27	391	7	14
Chamonix Casino Hotel (under construction)	Cripple Creek, CO	(a)	(a)	(a)	(a)	(a)
Illinois						
The Temporary / American Place (under development)	Waukegan, IL	9.95	(b)	(b)	(b)	—
Indiana						
Rising Star Casino Resort	Rising Sun, IN	289.58	3.01	617	16	294
Mississippi						
Silver Slipper Casino and Hotel	Hancock County, MS	0.03	43.70	759	20	129
Nevada						
Grand Lodge Casino	Incline Village, NV	—	0.48	265	9	(c)
Stockman’s Casino	Fallon, NV	4.73	—	190	2	—

- (a) Chamonix is being constructed on a mix of land owned by us and leased to us. When Chamonix is complete, the Colorado segment is currently expected to have a total of 630 slot machines, 17 table games, and 313 guest rooms.
- (b) In January 2023, we entered into an agreement with the City of Waukegan to lease 31.70 acres of land for The Temporary (which opened in February 2023) and the future American Place. As of March 1, 2023, The Temporary had 841 slot machines and 28 table games, which we expect to increase to 1,000 slot machines and 50 table games in the near-term. The permanent American Place facility is expected to have 1,640 slot machines and 100 table games.
- (c) Located within the Hyatt Lake Tahoe, which offers 422 rooms.

Item 3. Legal Proceedings.

A discussion of our legal proceedings is contained in [Note 9](#) to our consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

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

On March 13, 2023, we had 72 "registered holders" of record of our common stock. We believe that a substantial number of stockholders hold their common stock in "street name" or are otherwise beneficial holders whose shares of record are held by banks, brokers, and other financial institutions. Such holders are not included in the number of "registered holders" above.

Dividend Policy

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

Item 6. [Reserved]

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

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

Executive Overview

Our primary business is the ownership and/or operation of casino and related hospitality and entertainment facilities, which includes offering casino gambling, hotel accommodations, dining, golfing, RV camping, sports betting, entertainment and retail outlets, among other amenities. We currently operate six casinos: five on real estate that we own or lease and one located within a hotel owned by a third party. Construction continues for a seventh property, Chamonix Casino Hotel (“Chamonix”), adjacent to our existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado. We are also designing our permanent American Place casino destination, which will be built adjacent to a temporary facility that we opened in February 2023 named The Temporary by American Place (“The Temporary”) (see Note 12 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data”). We intend to operate The Temporary until the opening of American Place. Additionally, we benefit from seven permitted sports wagering “skins” – three in Colorado, three in Indiana, and one in Illinois. Other companies operate or will operate these online sports wagering websites under their brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts.

In addition to our Contracted Sports Wagering segment, we view each of the states that we operate in as distinct operating segments. Our portfolio consists of the following:

Segments and Properties	Locations
Colorado	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
Illinois	
The Temporary by American Place (opened on February 17, 2023) and American Place (under development)	Waukegan, IL (northern suburb of Chicago)
Indiana	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
Mississippi	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Nevada	
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	Incline Village, NV (North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
Contracted Sports Wagering	
Three sports wagering websites (“skins”)	Colorado
Three sports wagering websites (“skins”)	Indiana
One sports wagering website (“skin”), expected to commence Spring 2023	Illinois

Our financial results are dependent upon the number of patrons that we attract to our properties and the amounts those guests spend per visit. While we provide credit at some of our casinos where permitted by 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 The Temporary/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, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus.

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

Our market environment is highly competitive and capital-intensive. 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

American Place. In December 2021, we were selected by the IGB to develop and operate American Place, our proposal for a casino and entertainment destination in Waukegan, Illinois. While the larger, more lavish American Place facility is under construction, we will operate a temporary casino facility, aptly named The Temporary. Opened in February 2023, The Temporary was designed to include approximately 1,000 slot machines, 50 table games, a fine-dining restaurant, two additional restaurants, and a center bar. The permanent American Place facility is expected to include a world-class casino with a state-of-the-art sportsbook; a premium boutique hotel comprised of twenty luxurious villas; a 1,500-seat live entertainment venue; and various food and beverage outlets.

To accommodate operations for The Temporary, as well as construction of the permanent American Place facility, we entered into a 99-year ground lease (the “Ground Lease”) with the City of Waukegan, Illinois (the “City”) in January 2023 for approximately 32 acres of land (the “City-Owned Parcel”), which is adjacent to a 10-acre parcel of land that we purchased in March 2022 for \$7.5 million. Annual rent under the Ground Lease is the greater of (i) \$3.0 million or (ii) 2.5% of Adjusted Gross Receipts (as defined) generated by either the Temporary or American Place. The Ground Lease is only terminable to the extent that the Development and Host Community Agreement with the City is terminated. We have the right to purchase the City-Owned Parcel at any time during the term of the Ground Lease for \$30 million, but if we do so prior to the opening of American Place, then we must continue to pay rent due to the City under the Ground Lease until the permanent casino is open. For more information, see Note 12 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

Debt Financing. On February 21, 2023, we issued \$40.0 million of Additional Notes. The Additional Notes were issued pursuant to an amended indenture governing the \$410 million of Existing Notes. In connection with the issuance of the Additional Notes, we entered into a Fourth Supplemental Indenture with Wilmington Trust, National Association, as trustee, dated February 21, 2023 (as further amended, the “Indenture”). The Additional Notes are treated as a single series of senior secured debt securities with the Existing Notes and as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Proceeds from the offering, net of related expenses and discounts, were approximately \$34 million.

The Notes bear interest at a rate of 8.25% per year and mature on February 15, 2028. Interest on the Notes is payable on February 15 and August 15 in arrears of each year.

Also on February 21, 2023, we entered into a Second Amendment to the Credit Agreement with Capital One, National Association (“Capital One”), which, among other things, increased the amount of additional Indebtedness permitted under our Credit Agreement, dated as of March 31, 2021 (as further amended, the “Credit Agreement”), permitting the issuance of the Additional Notes.

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 Guarantor’s general senior secured obligations, subject to the terms of the Collateral Trust Agreement (as defined in the Indenture), ranking senior in right of payment to all of the Company’s and the Guarantor’s existing and future debt that is expressly subordinated in right of payment to the Notes and the Guarantees, if any, and ranking equally in right of payment with all of the Company’s and the Guarantors’ existing and future senior debt.

The Notes, together with borrowings under the Credit Facility, are equally and ratably secured by a first priority security interest in, subject to certain exceptions and limitations and the terms of the Collateral Trust Agreement, the Company’s and the Guarantors’ furniture, equipment, inventory, accounts receivable, other personal property and real property. Additionally, the Notes (but not the borrowings under the Credit Facility) are secured by a first priority security interest in the securities accounts and the deposit accounts established pursuant to the Cash Collateral and Disbursement Agreement.

Sports Wagering in Illinois. In May 2022, we signed a retail and mobile sports wagering contract for Illinois. Such operations are expected to commence in Spring 2023, pending the receipt of customary gaming approvals. We received an upfront fee of \$5 million, which was capitalized and will be amortized over the eight-year term of the agreement that is expected to commence in Spring 2023. We will receive a percentage of revenues (as defined), subject to an annual minimum of \$5 million. For more information, see Note 9 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

Sports Wagering in Colorado. In December 2022, we entered into a contract with a third-party to operate mobile sports wagering under our permitted third skin in Colorado. The 10-year agreement began its contractual term in March 2023. Such agreement replaces an unrelated operator that ceased operations in May 2022. In total, we have three sports wagering agreements in Colorado, for which we receive a percentage of revenues (as defined), subject to annual minimums totaling \$3 million. For more information, see Note 9 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

COVID-19 Pandemic Update. The COVID-19 pandemic continues to evolve and certain precautionary and stimulus measures, as well as other factors, have created economic uncertainty both in the United States and globally, as well as significant and prolonged volatility in, and disruption to, financial markets, labor markets and supply chains. Global supply chain disruptions and other world events have resulted in shipping delays, increased shipping costs, supply shortages, and inflationary pressures, including increases in prices for fuel, food, building materials, labor, and other items. These increased costs, labor shortages, and supply shortages continued to put additional constraints on our operating business and our construction projects for the year ended December 31, 2022. We do not know when, or if, these cost, labor, and supply chain issues will materially alleviate and, accordingly, they may continue to impact our existing business and our construction projects.

We believe that we have a strong balance sheet and sufficient liquidity in place. As of December 31, 2022, we had total cash and cash equivalents of \$191.2 million, including \$134.6 million of restricted cash reserved to fund the construction of Chamonix, and availability under our revolver. As noted above, we further augmented our liquidity in the first quarter of 2023 through the issuance of \$40.0 million of Additional Notes, as well as the drawdown of \$36.0 million under our Credit Facility.

Key Performance Indicators

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

Gaming revenue indicators:

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

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

Room revenue indicators:

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

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

Management uses Adjusted EBITDA as a measure of our performance. For a description of Adjusted EBITDA see “Non-GAAP Measure.” We utilize Adjusted Segment EBITDA 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 11 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.” Additionally, we use Adjusted Segment EBITDA Margin, which is calculated by dividing Adjusted Segment EBITDA by the property’s revenues.

Results of Operations 2022 Compared to 2021

Consolidated operating results

The following tables summarize our consolidated operating results for the years ended December 31, 2022 and 2021:

(In thousands)	Year Ended December 31,		Increase / (Decrease)
	2022	2021	
Revenues	\$ 163,281	\$ 180,159	(9.4)%
Operating expenses	150,598	142,605	5.6 %
Operating income	12,683	37,554	(66.2)%
Interest and other non-operating expenses, net	27,518	25,413	8.3 %
Income tax (benefit) expense	(31)	435	(107.1)%
Net (loss) income	\$ (14,804)	\$ 11,706	(226.5)%

(In thousands)	Year Ended December 31,		Increase / (Decrease)
	2022	2021	
Casino revenues			
Slots	\$ 99,490	\$ 113,612	(12.4)%
Table games	13,535	13,749	(1.6)%
Other	851	3,070	(72.3)%
	113,876	130,431	(12.7)%
Non-casino revenues, net			
Food and beverage	26,494	27,347	(3.1)%
Hotel	9,282	9,624	(3.6)%
Other	13,629	12,757	6.8 %
	49,405	49,728	(0.6)%
Total revenues	\$ 163,281	\$ 180,159	(9.4)%

(In thousands)	Year Ended December 31,		Increase / (Decrease)
	2022	2021	
Slot coin-in	\$ 1,837,852	\$ 1,951,311	(5.8)%
Slot win ⁽¹⁾	\$ 135,793	\$ 148,232	(8.4)%
Slot hold percentage ⁽²⁾	7.4 %	7.6 %	(0.2)pts
Table game drop	\$ 76,130	\$ 77,104	(1.3)%
Table game win ⁽¹⁾	\$ 13,733	\$ 13,823	(0.7)%
Table game hold percentage ⁽²⁾	18.0 %	17.9 %	0.1 pts

(1) Does not reflect reductions in casino revenues from “discretionary comps.” For details on our customer loyalty programs, see Note 2 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

(2) The three-year averages for slot hold percentage and table game hold percentage were 7.5% and 17.9%, respectively.

The following discussion is based on our consolidated financial statements for the years ended December 31, 2022 and 2021.

Revenues. Consolidated revenues decreased by 9.4% (or \$16.9 million) in 2022, primarily due to a \$14.9 million decline in slot revenues from lower volumes at our three properties in Colorado, Mississippi, and Indiana. These lower volumes can be primarily attributed to the absence of government stimulus programs of the same scale as in 2021; construction disruptions at Bronco Billy’s to advance the completion of our Chamonix project; the launch of competing online sports wagering in Louisiana in January 2022; and adverse weather in December 2022 across several properties. Additionally, our revenues were impacted by factors that are inherently hard to quantify, as discussed in the “Recent Developments – COVID-19 Pandemic Update” section. These include inflationary pressures, which could affect the spending pattern of customers, as well as labor shortages for us to meet the demands of potential customers. “Other Non-casino Revenues” includes \$7.2 million of revenue related to our contracted sports wagering agreements in 2022, compared to \$5.9 million in 2021. See “Operating Results – Reportable Segments” below for details.

Operating expenses. Consolidated operating expenses increased by 5.6% (or \$8.0 million) in 2022, primarily due to \$9.5 million of additional preopening costs for The Temporary and Chamonix and a \$2.6 million increase to food and beverage costs. Such amounts were partially offset by a \$4.0 million decrease in casino costs tied to lower volumes than in 2021, as noted above.

See further information within our reportable segments described below.

Interest and other non-operating expense, net.

Interest Expense

(In thousands)

	Year Ended December 31,	
	2022	2021
Interest expense (excluding bond fee amortization and premium)	\$ 33,496	\$ 24,179
Amortization of debt issuance costs, discounts and premiums	1,649	1,349
Capitalized interest	(10,802)	(1,871)
Interest income and other	(1,355)	—
	<u>\$ 22,988</u>	<u>\$ 23,657</u>

Interest expense decreased marginally due to increases in capitalized interest related to construction of The Temporary and Chamonix projects, as well as interest income earned during the year. Both items more than offset the increased interest expense that resulted from the February 2022 issuance of \$100 million of additional senior secured notes. See Note 6 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” for a more detailed discussion.

Other non-operating expense, net

In 2022, we incurred \$4.5 million of other non-operating expense, primarily consisting of debt modification costs related to our offering of \$100 million of additional notes in February 2022. In 2021, we incurred \$1.8 million of other non-operating expense, which included \$0.4 million for the extinguishment of prior debts and \$1.3 million for the settlement of our former warrants. See Note 6 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” for a more detailed discussion.

Income taxes. Our effective income tax rates for the years ended December 31, 2022 and 2021 were 0.2% and 3.6%, respectively. Our tax rates differ from the statutory rate of 21.0% primarily due to changes in valuation allowance and items that are permanently treated differently for GAAP and tax purposes. During 2022, we continued to provide a valuation allowance against our deferred tax assets (“DTAs”), net of any available deferred tax liabilities, as applicable, based on our analysis of the timing of reversal of such deferred taxes. For 2022, the valuation allowance was \$15.2 million, compared to \$9.9 million for 2021. In future years, if it is determined that we meet the more likely than not threshold of utilizing our DTAs, then we may reverse some or all of our valuation allowance.

We do not expect to pay any federal income taxes or receive any federal tax refunds related to our 2022 results. We used net operating loss carryforwards from previous years to offset taxable income generated in 2022. Due to the level of uncertainty regarding sufficient prospective income as measured under GAAP, we maintain a valuation allowance against our DTAs, as mentioned above. See [Note 8](#) to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” for a more detailed discussion.

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 the “[Executive Overview](#)” section.

The following table presents detail by segment of our consolidated revenues and Adjusted EBITDA (see “[Non-GAAP Measure](#)” for more information). Additionally, management uses Adjusted Segment EBITDA as its measure of segment profitability in accordance with GAAP.

(In thousands)

<i>(In thousands)</i>	Year Ended December 31,		Increase / (Decrease)
	2022	2021	
Revenues			
Mississippi	\$ 80,860	\$ 90,628	(10.8)%
Indiana	39,090	41,435	(5.7)%
Colorado	16,185	23,660	(31.6)%
Nevada	19,950	18,516	7.7 %
Contracted Sports Wagering	7,196	5,920	21.6 %
	<u>\$ 163,281</u>	<u>\$ 180,159</u>	<u>(9.4)%</u>
Adjusted Segment EBITDA and Adjusted EBITDA			
Mississippi	\$ 19,488	\$ 29,843	(34.7)%
Indiana	6,888	8,736	(21.2)%
Colorado	(688)	5,545	(112.4)%
Nevada	4,908	4,933	(0.5)%
Contracted Sports Wagering	7,127	5,890	21.0 %
Adjusted Segment EBITDA	37,723	54,947	(31.3)%
Corporate	(5,589)	(7,733)	(27.7)%
Adjusted EBITDA	<u>\$ 32,134</u>	<u>\$ 47,214</u>	<u>(31.9)%</u>
Adjusted Segment EBITDA Margin			
Mississippi	24.1 %	32.9 %	(8.8) pts
Indiana	17.6 %	21.1 %	(3.5) pts
Colorado	(4.3)%	23.4 %	(27.7) pts
Nevada	24.6 %	26.6 %	(2.0) pts
Contracted Sports Wagering	99.0 %	99.5 %	(0.5) pts

Mississippi

Our Mississippi segment consists of the Silver Slipper Casino and Hotel. The prior year was among the best in the property's history in terms of casino revenue and total revenue, benefiting from the issuance of government stimulus checks to customers. Compared to 2021, total revenues during 2022 decreased by 10.8% (or \$9.8 million), primarily due to declines in casino revenue of 14.5% (or \$9.2 million). During 2022, slot revenue declined by 12.4% (or \$6.6 million) due to lower volumes. Other casino revenues declined by \$2.2 million during 2022, primarily from our on-site sports book that was impacted by the competitive launch of online sports wagering in January 2022 within nearby Louisiana.

Non-casino revenue decreased by 2.3% (or \$0.6 million) during 2022, also due to lower volumes during the year. The majority of our non-casino revenue comes from our food and beverage operations, which revenue declined by 2.6% (or \$0.5 million). Hotel revenue rose by 1.1% (or \$0.1 million), due to higher average daily room rates as compared to 2021, despite a decline in hotel occupancy rates to 91.7% in 2022, as compared to 93.6% in 2021.

Adjusted Segment EBITDA decreased by 34.7% (or \$10.4 million) from the prior year, reflecting revenue declines from a lack of stimulus payments and the launch of online sports wagering in Louisiana mentioned above; a \$1.8 million increase in food costs; and a \$1.4 million increase in property insurance costs.

Indiana

Our Indiana segment consists of Rising Star Casino Resort. Similar to the Silver Slipper, total revenues for the prior year benefited from customers receiving government stimulus payments. Additionally, a nearby facility with "historical racing machines" (which are a form of slot machine) opened in September 2022. As a result, total revenues for 2022 decreased by 5.7% (or \$2.3 million), compared to 2021, due to declines in casino revenue of 7.6% (or \$2.2 million). During 2022, slot revenue declined by 5.7% (or \$1.5 million) due to lower volumes, while table game revenue declined by \$0.7 million.

Non-casino revenue declined by 0.8% (or \$0.1 million) during 2022, also from lower volumes. Increases in food and beverage revenue of 12.0% (or \$0.4 million) nearly offset decreases in other non-casino revenue (3.1%, or \$0.1 million) and hotel revenue (9.7%, or \$0.4 million). Total occupied room-nights declined by 9.2% in 2022 to 47,587 room-nights from 51,951 room-nights in 2021, and average daily room rates also declined.

Adjusted Segment EBITDA decreased by 21.2% (or \$1.8 million) from the prior year due to lower volumes as discussed above. Lower volumes led to declines in many variable costs, such as gaming taxes, related fees, and payroll. However, marketing costs during 2022 increased by \$0.5 million to address lower volumes, as 2021 was assisted by the issuance of government stimulus checks to customers.

Colorado

Our Colorado segment includes Bronco Billy's Casino and Hotel and the Chamonix project. The Colorado gaming market, including Cripple Creek, has shown significant growth since betting limits were eliminated in May 2021. Bronco Billy's, however, has incurred significant construction disruption, including temporarily-reduced gaming and restaurant capacity and the temporary absence of all on-site hotel rooms and on-site self-parking. Total revenues for 2022 decreased by 31.6% (or \$7.5 million) when compared to 2021, reflecting business disruptions to accommodate the construction of Chamonix.

Casino revenue for 2022 decreased by 33.0% (or \$6.7 million), compared to 2021, which was largely due to the construction disruptions mentioned above. Slot revenue declined by 34.5% (or \$6.8 million) during 2022. Table games revenue rose by 18.7% (or \$0.1 million) during 2022 due to a higher hold percentage and increased volumes versus 2021, when table games operations resumed in February 2021 under pandemic-related constraints.

Non-casino revenue decreased by 23.2% (or \$0.8 million) during 2022, due to declines in food and beverage revenue of 26.6% (or \$0.6 million) after the temporary closure of the property's steakhouse since May 2022 and, to a lesser extent, declines in ATM and related surcharge income of \$0.1 million.

Adjusted Segment EBITDA decreased by \$6.2 million, from positive Adjusted Segment EBITDA of \$5.5 million to an Adjusted Segment EBITDA loss of \$688,000, due to significant disruptions in 2022 from the construction of Chamonix, as mentioned above. Similar to Rising Star, lower volumes also led to declines in many variable costs, such as gaming taxes, gaming position fees, and food and beverage costs. To alleviate the lack of on-site parking, Bronco Billy's currently offers complimentary valet parking and a free shuttle service to an off-site parking lot, resulting in additional expenses. The casino has also maintained much of its payroll, despite reduced activity levels, anticipating the need for the larger workforce required to open and operate Chamonix.

In addition to construction disruption due to our neighboring Chamonix project, we are currently undergoing a modest refurbishment of a portion of Bronco Billy's, which began in May 2022. Accordingly, Bronco Billy's contribution to earnings was impacted by the casino refurbishment (which was completed in December 2022), and will likely continue to be impacted until restaurant work at Bronco Billy's is completed in the third quarter of 2023 and Chamonix begins its phased opening, potentially also in the third quarter of 2023. When Chamonix opens, Bronco Billy's will share the significant on-site parking garage, valet and surface parking capacity of the new casino, and also benefit from Chamonix's adjoining 300-guestroom hotel.

The market in Cripple Creek is seasonal, favoring the summer months.

Nevada

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

Total revenues for 2022 increased by 7.7% (or \$1.4 million), compared to 2021, primarily due to higher casino revenue at Grand Lodge. Casino revenue increased by 9.1% (or \$1.5 million) in 2022 due to higher revenue from both our slots and table games departments. Slot revenue rose by 5.4% (or \$0.8 million) and table games revenue rose by 34.3% (or \$0.8 million) in 2022, due to increases in both volumes and higher hold percentages. During the third quarter of 2021, Grand Lodge was adversely affected by significant wildfires in the area. Additionally, in July 2022, Stockman's resumed table games operations, which had remained closed since March 2020.

Adjusted Segment EBITDA was relatively flat at \$4.9 million each for 2022 and 2021. Increased volumes – largely reflecting the recovery of tourism to the Lake Tahoe region at Grand Lodge during 2022 – resulted in higher variable costs, such as gaming taxes, related fees, and payroll.

Contracted Sports Wagering

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

For 2022, revenues increased by 21.6% or (\$1.3 million) and Adjusted Segment EBITDA increased by 21.0% or (\$1.2 million), compared to 2021, which results reflect an additional skin that contractually went live on December 1, 2021, as well as an acceleration of deferred revenue for two agreements (one in each of Indiana and Colorado) that ceased operations in May 2022, when one of our contracted parties ceased operations, each in Indiana and Colorado. In December 2022, we entered into a sports wagering agreement to replace such operator in Colorado. We are currently evaluating whether to utilize the remaining skin in Indiana ourselves or to find a replacement operator for such skin. However, there is no certainty that we will be able to enter into an agreement with a replacement operator or successfully operate the skin ourselves.

Additionally, the results of this segment do not yet include income contribution from our agreement for a third party to operate on-site and online sports betting in Illinois. Under such agreement, we will receive a percentage of revenues, as defined in the contract, subject to an annualized minimum of \$5 million, with minimal expected expenses. We anticipate the Illinois sports operations will begin in Spring 2023, subject to customary regulatory approvals. For details, see Note 9 to the consolidated financial statements set forth in Part II, Item 8. "Financial Statements and Supplementary Data."

Corporate

Corporate expenses declined by 27.7% (or \$2.1 million) in 2022. In 2021, we incurred \$2.1 million of costs related to non-recurring corporate initiatives. Additionally, increases to certain third-party costs were offset by a decrease in accrued bonus compensation.

Non-GAAP Measure

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

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

(In thousands)

	Year Ended December 31,	
	2022	2021
Net (loss) income	\$ (14,804)	\$ 11,706
Income tax (benefit) expense	(31)	435
Interest expense, net	22,988	23,657
Loss on modification and extinguishment of debt, net	4,530	409
Adjustment to fair value of warrants	—	1,347
Operating income	12,683	37,554
Project development costs, net	228	782
Preopening costs	9,558	17
Depreciation and amortization	7,930	7,219
Loss on disposal of assets, net	42	676
Stock-based compensation	1,693	966
Adjusted EBITDA	<u>\$ 32,134</u>	<u>\$ 47,214</u>

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

For the Year Ended December 31, 2022
(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss / (gain) on Disposal of Assets	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments							
Mississippi	\$ 16,684	\$ 2,757	\$ 47	\$ —	\$ —	\$ —	\$ 19,488
Indiana	4,532	2,356	—	—	—	—	6,888
Colorado	(3,544)	1,429	(5)	—	1,432	—	(688)
Nevada	3,938	970	—	—	—	—	4,908
Contracted Sports Wagering	7,127	—	—	—	—	—	7,127
	<u>28,737</u>	<u>7,512</u>	<u>42</u>	<u>—</u>	<u>1,432</u>	<u>—</u>	<u>37,723</u>
Other operations							
Corporate	(16,054)	418	—	228	8,126	1,693	(5,589)
	<u>\$ 12,683</u>	<u>\$ 7,930</u>	<u>\$ 42</u>	<u>\$ 228</u>	<u>\$ 9,558</u>	<u>\$ 1,693</u>	<u>\$ 32,134</u>

For the Year Ended December 31, 2021
(In thousands)

	Operating Income (Loss)	Depreciation and Amortization	Loss on Disposal of Assets	Project Development Costs	Preopening Costs	Stock- Based Compensation	Adjusted Segment EBITDA and Adjusted EBITDA
Reporting segments							
Mississippi	\$ 26,553	\$ 2,701	\$ 589	\$ —	\$ —	\$ —	\$ 29,843
Indiana	6,396	2,340	—	—	—	—	8,736
Colorado	3,959	1,482	87	—	17	—	5,545
Nevada	4,386	547	—	—	—	—	4,933
Contracted Sports Wagering	5,890	—	—	—	—	—	5,890
	<u>47,184</u>	<u>7,070</u>	<u>676</u>	<u>—</u>	<u>17</u>	<u>—</u>	<u>54,947</u>
Other operations							
Corporate	(9,630)	149	—	782	—	966	(7,733)
	<u>\$ 37,554</u>	<u>\$ 7,219</u>	<u>\$ 676</u>	<u>\$ 782</u>	<u>\$ 17</u>	<u>\$ 966</u>	<u>\$ 47,214</u>

Operating expenses deducted to arrive at operating income (loss) in the above tables include facility rents related to: (i) Mississippi of \$2.0 million in 2022 and \$2.3 million in 2021, (ii) Nevada of \$1.8 million in both 2022 and 2021, and (iii) Colorado of \$12,000 in 2022 and \$0.6 million in 2021. During 2022, \$0.9 million of qualifying rent in Colorado was reclassified to preopening costs for our Chamonix construction project. Finance lease payments of \$0.7 million in both 2022 and 2021 related to Rising Star's smaller hotel within the Indiana segment are not deducted, as such payments are accounted for as interest expense and amortization of debt related to the finance obligation.

Liquidity and Capital Resources

Cash Flows

As of December 31, 2022, we had \$191.2 million of cash and equivalents, including \$134.6 million of restricted cash dedicated to the construction of Chamonix. Subsequent to year-end, we closed on the issuance of additional senior secured notes, resulting in net proceeds of approximately \$34 million. We currently estimate that between \$10 million and \$15 million of cash is required for our 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 across our six properties (including The Temporary, which opened in February 2023), will be sufficient to meet our liquidity and capital resource needs for the next 12 months of operations.

Cash flows – operating activities. On a consolidated basis, cash provided by operations during 2022 was \$4.4 million, compared to \$29.5 million in 2021. Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges, but are also affected by changes in working capital. Our operating cash flows decreased in 2022 primarily due to decreases in revenues and income, which includes preopening expenses incurred for The Temporary (which opened in February 2023) and Chamonix.

Cash flows – investing activities. On a consolidated basis, cash used in investing activities during 2022 was \$172.1 million, primarily related to capital expenditures for Chamonix and The Temporary/American Place. In 2021, such amount was \$37.2 million, primarily for our Chamonix construction project and real estate purchases in Cripple Creek, as well as to repair hurricane damage at Silver Slipper.

Cash flows – financing activities. On a consolidated basis, cash provided by financing activities during 2022 was \$93.6 million, while cash provided by financing activities during 2021 was \$235.3 million. In February 2022, we received \$102.0 million of gross proceeds from the issuance of additional senior secured notes to construct The Temporary. In February and March 2021, respectively, we received \$310.0 million of gross proceeds from the issuance of our 2028 Notes and \$46.0 million of gross proceeds from our underwritten equity offering. These cash inflows in 2021 were partially offset by the payoff of the Prior Notes (including the related prepayment premiums), as well as expenses related to our debt and equity offerings.

Other Factors Affecting Liquidity

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

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

Long-Term Debt. At December 31, 2022, we had \$410.0 million of principal indebtedness outstanding under the Existing Notes as issued in February 2021 and February 2022, and no drawn amounts under the Credit Facility or any outstanding letters of credit. With the exception of our Credit Facility, we have fixed interest rates on the remainder of our debt.

See [Note 6](#) and [Note 12](#) to the consolidated financial statements set forth in Part II, Item 8. "Financial Statements and Supplementary Data" for details on our debt obligations.

Hyatt Option to Purchase our Leasehold Interest and Related Assets. Our lease with Hyatt to operate the Grand Lodge Casino currently has an option for Hyatt to purchase our leasehold interest and related casino operating assets. The lease, which has been extended several times in the past, was subsequently extended through December 31, 2024. See Note 7 and Note 12 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” for further information about this option and related rental commitments that could affect our liquidity and capital resources.

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

Chamonix — As previously discussed in “Operating Properties — Chamonix Casino and Hotel” under Part I, Item 1. “Business,” we increased the size of the Chamonix project’s hotel capacity by 67%, to approximately 300 luxury guest rooms and suites from our previously planned 180 guest rooms. To fund Chamonix’s construction, we issued our 2028 Notes and placed a portion of such proceeds into a restricted cash account dedicated to Chamonix’s construction (see Note 6 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data”). As of December 31, 2022, the balance of such restricted cash account was approximately \$135 million. We expect to invest all of such amount in 2023, as full completion of construction is expected before the end of 2023.

American Place — As discussed above in the “Executive Overview,” we were selected by the IGB to develop and operate American Place in Waukegan, Illinois. While the larger permanent facility is under construction, we will operate a temporary casino named The Temporary by American Place, which opened in February 2023. During 2023, we expect to invest approximately \$70 million into this project, consisting largely of significant upfront gaming license payments and the recent completion of The Temporary’s construction, as well as professional fees related to the design of the permanent American Place facility. We expect to transfer purchased slot machines and other equipment to the permanent casino once opened. See Note 6 and Note 12 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

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.

Principal Debt Arrangements

See Note 6 to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data” for more information.

Critical Accounting Estimates and Policies

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

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

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

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

We test our goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter or when a triggering event occurs. For our 2022 and 2021 annual impairment tests, we utilized the option to perform a qualitative analysis for our goodwill and indefinite-lived intangibles and concluded it was more likely than not that the fair values of such intangibles exceeded their carrying values. Any impairment charges incurred are not reversed if a subsequent evaluation concludes a higher valuation than the carrying value. For further discussion of goodwill and other intangible assets, see [Note 2](#) and [Note 4](#) to the consolidated financial statements set forth in Part II, Item 8. “Financial Statements and Supplementary Data.”

Fixed Asset Capitalization and Depreciation Policies

We define fixed assets as certain property and equipment with economic useful lives that extend beyond a year. Such fixed assets are stated at cost. For the majority of our property and equipment, cost was determined at the acquisition date based on estimated fair values. We acquired Bronco Billy’s in May 2016, Silver Slipper in October 2012, Rising Star in April 2011 and Stockman’s in January 2007. Project development costs, which are amounts expended on the pursuit of new business opportunities, acquisition-related costs, as well as other business development activities in the ordinary course of business, are expensed as incurred. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are also expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. When we construct assets, we capitalize direct costs of the project, including fees paid to architects and contractors and property taxes. Salaries are capitalized only for employees working directly on the project. In addition, interest cost associated with major development and construction projects is capitalized as part of the cost of the project. Interest is typically capitalized on amounts expended on the project using the weighted-average cost of our outstanding borrowings. Capitalization of interest starts when construction activities begin and ceases when construction is substantially complete or development activity is suspended for more than a brief period.

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

Income Taxes

We are subject to federal and state taxes in the United States. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net DTAs. Such valuation allowance was \$15.2 million for 2022 and \$9.9 million for 2021. We make these estimates and judgments about our future taxable income that are based on assumptions that are consistent with our future plans. Tax laws, regulations, and administrative practices may be subject to change due to economic or political conditions, including fundamental changes to the applicable tax laws.

Our income tax returns are subject to examination by the IRS and other tax authorities. Positions taken in tax returns are sometimes subject to uncertainty in the tax laws and may not ultimately be accepted by the IRS or other tax authorities. We assess our tax positions using a two-step process. A tax position is recognized if it meets a more likely than not threshold. It is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Additionally, we recognize accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense. For further discussion of income taxes, see Note 8 to the consolidated financial statements set forth in Part II, Item 8. "Financial Statements and Supplementary Data."

Recently Issued Accounting Pronouncements Not Yet Adopted

See Note 2 to the consolidated financial statements set forth in Part II, Item 8. "Financial Statements and Supplementary Data" for a discussion of recently issued accounting pronouncements not yet adopted.

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

As a smaller reporting company during the year ended December 31, 2022, as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

Financial Statements:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting (PCAOB ID 34)	52
Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements	53
Consolidated Statements of Operations for each of the two years in the period ended December 31, 2022	55
Consolidated Balance Sheets at December 31, 2022 and 2021	56
Consolidated Statements of Stockholders' Equity for each of the two years in the period ended December 31, 2022	57
Consolidated Statements of Cash Flows for each of the two years in the period ended December 31, 2022	58
<u>Notes to Consolidated Financial Statements:</u>	60
Note 1 Organization	60
Note 2 Basis of Presentation and Summary of Significant Accounting Policies	61
Note 3 Property and Equipment, Net	66
Note 4 Goodwill and Other Intangibles	67
Note 5 Accrued Liabilities	69
Note 6 Long-Term Debt	69
Note 7 Leases	71
Note 8 Income Taxes	75
Note 9 Commitments and Contingencies	77
Note 10 Stock-Based Compensation	78
Note 11 Segment Reporting and Disaggregated Revenue	80
Note 12 Subsequent Events	82

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Full House Resorts, Inc. and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022 of the Company and our report dated March 15, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 15, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Full House Resorts, Inc. and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders’ equity, and cash flows, for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2023, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income Taxes — Valuation Allowance — Refer to Note 8 to the financial statements

Critical Audit Matter Description

The Company recognizes deferred tax assets and liabilities resulting from the future tax consequences attributable to the differences between the financial statements and tax basis of their respective assets and liabilities. The Company provides valuation allowances against deferred tax assets when it is deemed more likely than not that some portion or all of the deferred tax assets will not be realized. Future realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences become deductible. Sources of taxable income include future reversals of deferred tax liabilities, projected future taxable income, ability to carry tax attributes back to prior years, and tax planning strategies.

The Company's valuation allowance for its US federal and certain state deferred tax assets was \$15.2 million as of December 31, 2022. We identified the Company's valuation allowance analysis and conclusion as a critical audit matter because of the estimates and judgments required by management in determining whether deferred tax assets are more likely than not to be realized, including the projected timing and pattern of future reversals of existing temporary differences and the projection of future sources of taxable income. Auditing management's projected timing and pattern of future reversals of existing taxable temporary differences and the projection of future sources of taxable income, which affect the recorded valuation allowance, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's valuation allowance analysis included the following, among others:

- We tested the effectiveness of management's internal controls over the valuation allowance analysis.
- With the assistance of our income tax specialists, we evaluated the reasonableness of management's analysis, including the projected timing and pattern of future reversals of deferred tax assets and liabilities. We evaluated the reasonableness of management's assessment of the significance and weighting of negative and positive evidence that is objectively verifiable, as well as whether it was more likely than not that sufficient estimated taxable income sources would be generated in the future for all or a portion of the net deferred tax assets to be realized, including consideration of:
 - Relevant tax laws and regulations;
 - Future reversals of deferred tax assets and liabilities;
 - Relevant tax planning strategies; and
 - Projected future taxable income, including adjustments for non-recurring items, as applicable.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 15, 2023

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

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

(In thousands, except share and per share data)

	Year Ended December 31,	
	2022	2021
Revenues		
Casino	\$ 113,876	\$ 130,431
Food and beverage	26,494	27,347
Hotel	9,282	9,624
Other operations, including contracted sports wagering	13,629	12,757
	<u>163,281</u>	<u>180,159</u>
Operating costs and expenses		
Casino	39,788	43,765
Food and beverage	26,372	23,757
Hotel	4,806	4,444
Other operations	2,168	1,980
Selling, general and administrative	59,706	59,965
Project development costs, net	228	782
Preopening costs	9,558	17
Depreciation and amortization	7,930	7,219
Loss on disposal of assets, net	42	676
	<u>150,598</u>	<u>142,605</u>
Operating income	<u>12,683</u>	<u>37,554</u>
Other expense		
Interest expense, net	(22,988)	(23,657)
Loss on modification and extinguishment of debt, net	(4,530)	(409)
Adjustment to fair value of warrants	—	(1,347)
	<u>(27,518)</u>	<u>(25,413)</u>
(Loss) income before income taxes	<u>(14,835)</u>	<u>12,141</u>
Income tax (benefit) expense	(31)	435
Net (loss) income	<u>\$ (14,804)</u>	<u>\$ 11,706</u>
Basic (loss) earnings per share	<u>\$ (0.43)</u>	<u>\$ 0.36</u>
Diluted (loss) earnings per share	<u>\$ (0.43)</u>	<u>\$ 0.33</u>
Basic weighted average number of common shares outstanding	34,354,847	32,516,758
Diluted weighted average number of common shares outstanding	34,354,847	34,945,951

The accompanying notes are an integral part of these consolidated financial statements.

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

	December 31,	
	2022	2021
ASSETS		
Current assets		
Cash and equivalents	\$ 56,589	\$ 88,721
Restricted cash	134,587	176,572
Accounts receivable, net of reserves of \$249 and \$257	4,082	4,693
Inventories	1,479	1,660
Prepaid expenses and other	6,184	3,726
	<u>202,921</u>	<u>275,372</u>
Property and equipment, net	339,057	149,540
Operating lease right-of-use assets, net	15,771	15,814
Finance lease right-of-use assets, net	3,808	—
Goodwill	21,286	21,286
Other intangible assets, net	10,869	10,896
Deposits and other	1,617	934
	<u>\$ 595,329</u>	<u>\$ 473,842</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,602	\$ 3,885
Construction payable	30,279	4,537
Accrued payroll and related	3,784	5,473
Accrued interest	12,966	9,861
Other accrued liabilities	9,964	10,241
Current portion of operating lease obligations	2,485	3,542
Current portion of finance lease obligation	1,581	514
	<u>65,661</u>	<u>38,053</u>
Operating lease obligations, net of current portion	13,418	12,903
Finance lease obligations, net of current portion	4,727	2,783
Long-term debt, net	401,852	301,619
Deferred income taxes, net	1,024	1,055
Contract liabilities, net of current portion	8,856	4,714
	<u>495,538</u>	<u>361,127</u>
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 35,302,549 and 35,302,549 shares issued and 34,407,654 and 34,242,581 shares outstanding	4	4
Additional paid-in capital	110,590	108,911
Treasury stock, 894,895 and 1,059,968 common shares	(1,091)	(1,292)
(Accumulated deficit) retained earnings	(9,712)	5,092
	<u>99,791</u>	<u>112,715</u>
	<u>\$ 595,329</u>	<u>\$ 473,842</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Common Stock		Additional	Treasury Stock		(Accumulated Deficit)	Total
	Shares	Dollars	Paid-in Capital	Shares	Dollars	Retained Earnings	Stockholders' Equity
Balances, January 1, 2021	28,385	\$ 3	\$ 64,826	1,261	\$ (1,538)	\$ (6,614)	\$ 56,677
Net income	—	—	—	—	—	11,706	11,706
Equity offering, net	6,917	1	42,973	—	—	—	42,974
Issuance of stock on options exercised	—	—	146	(201)	246	—	392
Stock-based compensation	—	—	966	—	—	—	966
Balances, December 31, 2021	35,302	4	108,911	1,060	(1,292)	5,092	112,715
Net loss	—	—	—	—	—	(14,804)	(14,804)
Issuance of stock on options exercised and restricted stocks vested	—	—	(14)	(165)	201	—	187
Stock-based compensation	—	—	1,693	—	—	—	1,693
Balances, December 31, 2022	<u>35,302</u>	<u>\$ 4</u>	<u>\$ 110,590</u>	<u>895</u>	<u>\$ (1,091)</u>	<u>\$ (9,712)</u>	<u>\$ 99,791</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net (loss) income	\$ (14,804)	\$ 11,706
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,930	7,219
Amortization of debt issuance costs, discounts and premiums	1,649	1,349
Non-cash change in ROU operating lease assets	3,397	3,128
Stock-based compensation	1,693	966
Change in fair value of stock warrants	—	1,347
Loss on disposal of assets, net	42	676
Proceeds from insurance related to property damage	—	1,334
Loss on modification and extinguishment of debt, net	4,530	409
Other operating activities	319	—
Increases and decreases in operating assets and liabilities:		
Accounts receivable	611	211
Prepaid expenses, inventories and other	(2,277)	(1,414)
Operating lease right-of-use assets	(386)	—
Deferred taxes	(31)	435
Common stock warrant liability	—	(4,000)
Operating lease liabilities	(3,509)	(3,334)
Contract liabilities	3,970	(234)
Accounts payable and other liabilities	1,243	9,706
Net cash provided by operating activities	4,377	29,504
Cash flows from investing activities:		
Capital expenditures	(170,939)	(36,991)
Other	(1,175)	(226)
Net cash used in investing activities	(172,114)	(37,217)
Cash flows from financing activities:		
Proceeds from Senior Secured Notes due 2028 borrowings	100,000	310,000
Proceeds from premium on Senior Secured Notes due 2028 borrowings	2,000	—
Proceeds from equity offering, net of issuance costs	—	42,974
Payment of debt discount and issuance costs	(7,945)	(9,429)
Repayment of Senior Secured Notes due 2024	—	(106,825)
Prepayment premiums of Senior Secured Notes due 2024	—	(1,261)
Repayment of finance lease obligations	(514)	(492)
Proceeds from exercise of stock options	187	392
Other	(108)	(51)
Net cash provided by financing activities	93,620	235,308
Net (decrease) increase in cash, cash equivalents and restricted cash	(74,117)	227,595
Cash, cash equivalents and restricted cash, beginning of period	265,293	37,698
Cash, cash equivalents and restricted cash, end of period	\$ 191,176	\$ 265,293

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2022	2021
Supplemental Cash Flow Disclosure:		
Cash paid for interest, net of amounts capitalized	\$ 19,589	\$ 12,373
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Accounts payable related capital expenditures	\$ 30,995	\$ 4,899
Gain on extinguishment of CARES Act unsecured loans	—	5,696
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	1,121	—
Financing leases	3,498	—
Operating lease right-of-use asset and liability remeasurements	1,846	1,582

The accompanying notes are an integral part of these consolidated financial statements.

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

1. ORGANIZATION

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

The Company currently operates six casinos: five on real estate that we own or lease and one located within a hotel owned by a third party. We are currently constructing our seventh property, Chamonix Casino Hotel (“Chamonix”), adjacent to our existing Bronco Billy’s Casino and Hotel in Cripple Creek, Colorado. We are also designing our permanent American Place casino destination, which will be built adjacent to a temporary facility that we opened in February 2023 named The Temporary by American Place (“The Temporary”). We intend to operate The Temporary until the opening of American Place. Additionally, we benefit from seven permitted sports wagering “skins” – three in Colorado, three in Indiana, and one in Illinois. Other companies operate or will operate these online sports wagering websites under their brands, paying us a percentage of revenues, as defined, subject to annual minimum amounts.

The following table presents selected information concerning our casino resort properties as of December 31, 2022:

Segments and Properties	Locations
Colorado	
Bronco Billy’s Casino and Hotel	Cripple Creek, CO (near Colorado Springs)
Chamonix Casino Hotel (under construction)	Cripple Creek, CO (near Colorado Springs)
Illinois	
The Temporary by American Place (opened on February 17, 2023) and American Place (under development)	Waukegan, IL (northern suburb of Chicago)
Indiana	
Rising Star Casino Resort	Rising Sun, IN (near Cincinnati)
Mississippi	
Silver Slipper Casino and Hotel	Hancock County, MS (near New Orleans)
Nevada	
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort, Spa and Casino)	Incline Village, NV (North Shore of Lake Tahoe)
Stockman’s Casino	Fallon, NV (one hour east of Reno)
Contracted Sports Wagering	
Three sports wagering websites (“skins”)	Colorado
Three sports wagering websites (“skins”)	Indiana
One sports wagering website (“skin”), expected to commence Spring 2023	Illinois

The Company manages its casinos based primarily on geographic regions within the United States and type of income. See [Note 11](#) for further information.

COVID-19 Pandemic Update. From March 2020 through the date of this report, our operations have been impacted by the novel coronavirus as a global pandemic (“COVID-19”). Although COVID-19 continues to spread throughout the U.S. and the world, the number of newly reported cases has been in overall decline in the U.S., though new variants could result in a reversal of these trends. The onset of COVID-19 resulted in the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, business restrictions, closing of borders, “shelter-in-place” orders and business closures. From April 2020 to March 2021, the federal government issued three rounds of stimulus payments for qualified individuals and sponsored certain CARES Act programs to offer economic relief and reduce the financial strain that many consumers and businesses alike felt from COVID-19 and related restrictions.

While the details of this impact have been disclosed throughout this report, the following discussion of our business focuses on execution of our strategies in a post-pandemic environment based on the assumption that the impact of COVID-19 will eventually diminish and our operations will fully recover. However, the effects of COVID-19 on our operations may persist for a longer period, even after the COVID-19 pandemic has subsided.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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 its periodic assessments of long-lived tangible and intangible assets for possible impairment, including for property and equipment, goodwill, and other intangible assets. Fair value is defined as the expected price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

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

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 a construction reserve account to fund the completion of the Chamonix construction project, in accordance with the Company’s debt covenants.

Accounts Receivable. Accounts receivable consist primarily of casino, hotel and other receivables, are typically non-interest bearing, and are carried net of an appropriate reserve to approximate fair value. Reserves are estimated based on specific review of customer accounts including the customers’ willingness and ability to pay and nature of collateral, if any, as well as historical collection experience and current economic and business conditions. Accounts are written off when management deems the account to be uncollectible and recoveries of accounts previously written off are recorded when received. Management believes that, as of December 31, 2022, no significant concentrations of credit risk existed for which a reserve had not already been recorded.

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

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

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property, plant and equipment should be assessed, including, among others, a significant decrease in market value, a significant change in the business climate in a particular market, or a current period operating or cash flow loss combined with historical losses or projected future losses. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. When such events or changes in circumstances are present, the Company estimates the future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition. These estimated future cash flows are consistent with those we use in our internal planning. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, then the Company would recognize an impairment loss based on the fair value of the asset, typically measured using a discounted cash flow model.

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

Depreciation and amortization is provided over the following estimated useful lives:

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

Capitalized Interest. Interest costs associated with major construction projects are capitalized and included in the cost of the projects. When no debt is incurred specifically for construction projects, interest is capitalized on amounts expended using the weighted average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period.

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, 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 on their own line, "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; as a result, the Company will not allocate contract consideration to the separate lease and non-lease components based on their relative standalone prices.

Finance and operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement, 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.

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

Tests of goodwill and indefinite-lived intangible assets start with a qualitative assessment to determine whether it is necessary to perform a quantitative test. If quantitative tests are performed, the evaluation of goodwill and other indefinite-lived intangible assets requires the use of estimates about future operating results, valuation multiples and discount rates to determine the estimated fair value. Changes in the assumptions can materially affect these estimates. Thus, to the extent that gaming volumes deteriorate in the near future, discount rates increase significantly, or reporting units do not meet projected performance, the Company could have impairments to record in the future and such impairments could be material. These tests for impairment are performed annually during the fourth quarter or when a triggering event occurs.

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

Debt Issuance Costs and Debt Discounts/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 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 such costs to interest expense using the effective interest method over the terms of the modified debt agreement.

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 its revenues are derived from casino gaming, principally slot machines.

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

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

Many of the Company’s customers choose to earn points under its customer loyalty programs. The Company’s properties have separate customer loyalty programs: the Slipper Rewards Club, the Bronco Billy’s Mile High Rewards Club, the Rising Star VIP Club, the Grand Lodge Players Advantage Club®, the Stockman’s Winner’s Club, and American Place’s Legacy Rewards. As points are accrued, the Company defers a portion of its gaming revenue based on the estimated standalone value of loyalty points being earned by the customer. The standalone value of loyalty points is derived from the retail value of food, beverages, hotel rooms, and other goods or services for which such points may be redeemed. A liability related to these customer loyalty points is recorded, net of estimated breakage and other factors, until the customer redeems these points under such loyalty programs for various benefits, such as “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. Liabilities based on the standalone retail value of such benefits was \$0.7 million for December 31, 2022 and \$0.8 million for December 31, 2021, and these amounts are included in “other accrued liabilities” on the consolidated balance sheets.

Deferred Revenues: Market Access Fees from Sports Wagering Agreements. The Company entered into several agreements with various unaffiliated companies allowing for online sports wagering within Indiana, Colorado and Illinois, as well as on-site sports wagering at Rising Star Casino Resort, Bronco Billy’s Casino and Hotel, and The Temporary/American Place (the “Sports Agreements”). As part of these long-term Sports Agreements, the Company received one-time market access fees, which were recorded as long-term liabilities and are being recognized as revenue ratably over the initial contract terms (or as accelerated due to termination), beginning with the commencement of operations. On May 15, 2022, one of the Company’s contracted parties for sports wagering ceased operations, which created one available skin in each of Colorado and Indiana. Accordingly, this accelerated the recognition of \$1.6 million of deferred revenue, which was recognized through the May 2022 termination date, as opposed to the remaining eight years of the original 10-year term.

Indiana. The Company’s three Sports Agreements commenced operations in December 2019, April 2021, and December 2021. As noted above, one of these Sports Agreements ceased operations in May 2022. The Company continues to evaluate whether to utilize the remaining skin itself or to find a replacement operator for such skin. 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.

Colorado. The Company’s three Sports Agreements commenced operations in June 2020, December 2020 and April 2021. As noted above, one of these Sports Agreements ceased operations in May 2022. In December 2022, the Company signed a Sports Agreement with a new third party for this available skin, which upfront fee was capitalized and will be amortized over the 10-year term of the agreement that contractually commenced in March 2023, but is still pending the receipt of customary gaming approvals. Under the Company’s three active Sports Agreements in Colorado, we receive a percentage of revenues (as defined), subject to annual minimums totaling \$3 million.

Illinois. In May 2022, the Company signed a Sports Agreement for its sole Illinois sports skin and received an upfront fee of \$5.0 million, which was capitalized and will be amortized over the eight-year term of the agreement that is expected to commence in Spring 2023, pending the receipt of customary gaming approvals. The Company will also receive a percentage of revenues (as defined), subject to a minimum of \$5.0 million per year.

In addition to the market access fees, deferred revenue includes the annual prepayment of contracted revenue, as required in two of the Sports Agreements. As of December 31, 2022, \$2.0 million of such deferred revenue has been recognized during the year.

Deferred revenues consisted of the following as discussed above:

(In thousands)

	Balance Sheet Location	December 31,	
		2022	2021
Deferred revenue, current	Other accrued liabilities	\$ 1,651	\$ 1,822
Deferred revenue, net of current portion	Contract liabilities, net of current portion	8,856	4,714
		<u>\$ 10,507</u>	<u>\$ 6,536</u>

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 11.

Advertising Costs. Costs for advertising are expensed as incurred, or the first time the advertising takes place, and are included in selling, general and administrative expenses. Total advertising costs were \$2.7 million and \$2.8 million for the years ended December 31, 2022 and 2021, respectively.

Project Development and Acquisition Costs. Project development and acquisition costs consist of amounts expended on the pursuit of new business opportunities and acquisitions, as well as other business development activities in the ordinary course of business, which are expensed as incurred. During 2022, these costs were primarily associated with our efforts to fund the development of The Temporary during the preliminary stages of the project. In 2021, these costs were associated with our pursuit of available gaming licenses in Waukegan, Illinois, and Terre Haute, Indiana.

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 The Temporary developments.

Stock-based Compensation. Stock-based compensation costs are measured at the grant date, based on the estimated fair value of the award using the Black-Scholes option pricing model for stock options, and based on the closing share price of the Company's stock on the grant date for other stock-based awards. These costs are recognized as an expense on a straight-line basis over the employee's requisite service period (the vesting period of the award) net of forfeitures, which are recognized as they occur, and are included within selling, general and administrative expense on the consolidated statements of operations.

Income Taxes. We classify deferred tax assets and liabilities, along with any related valuation allowance, as non-current on the consolidated balance sheets. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are provided against DTAs when it is deemed more likely than not that some portion or all of the DTAs will not be realized within a reasonable time period.

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

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

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

(In thousands)

	Year Ended December 31,	
	2022	2021
Numerator:		
Net (loss) income — basic	\$ (14,804)	\$ 11,706
Net (loss) income — diluted	\$ (14,804)	\$ 11,706
Denominator:		
Weighted-average common shares — basic	34,355	32,517
Potential dilution from share-based awards	—	2,429
Weighted-average common and common share equivalents — diluted	34,355	34,946
Anti-dilutive share-based awards excluded from the calculation of diluted (loss) earnings per share	3,710	149

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

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

(In thousands)

	December 31,	
	2022	2021
Land and improvements	\$ 26,477	\$ 16,797
Buildings and improvements	120,732	119,696
Furniture and equipment	51,336	47,740
Construction in progress	227,006	44,847
	425,551	229,080
Less: Accumulated depreciation	(86,494)	(79,540)
	\$ 339,057	\$ 149,540

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

<i>(In thousands)</i>	December 31,	
	2022	2021
Leased land and improvements	\$ 215	\$ 215
Leased buildings and improvements	5,787	5,787
Leased furniture and equipment	1,724	1,724
	7,726	7,726
Less: Accumulated amortization	(3,160)	(3,004)
	<u>\$ 4,566</u>	<u>\$ 4,722</u>

4. GOODWILL AND OTHER INTANGIBLES

Goodwill:

The following table sets forth changes in the carrying value of goodwill by segment:

<i>(In thousands)</i>	Mississippi	Colorado	Nevada	Total
Goodwill as of December 31, 2020	\$ 14,671	\$ 4,806	\$ 1,809	\$ 21,286
Account activity	—	—	—	—
Goodwill as of December 31, 2021	14,671	4,806	1,809	21,286
Account activity	—	—	—	—
Goodwill as of December 31, 2022	<u>\$ 14,671</u>	<u>\$ 4,806</u>	<u>\$ 1,809</u>	<u>\$ 21,286</u>

Other Intangible Assets:

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

<i>(In thousands)</i>	December 31, 2022			
	Estimated Life (Years)	Gross Carrying Value	Accumulated Amortization	Other Intangible Assets, Net
Land Lease and Water Rights	46	\$ 1,420	\$ (315)	\$ 1,105
Gaming Licenses	Indefinite	7,843	—	7,843
Trade Names	Indefinite	1,800	—	1,800
Trademarks	Indefinite	121	—	121
		<u>\$ 11,184</u>	<u>\$ (315)</u>	<u>\$ 10,869</u>

(In thousands)

	December 31, 2021			
	Estimated Life (Years)	Gross Carrying Value	Accumulated Amortization	Other Intangible Assets, Net
Casino Lease Option	3	\$ 190	\$ (190)	\$ —
Land Lease and Water Rights	46	1,420	(288)	1,132
Gaming Licenses	Indefinite	7,843	—	7,843
Trade Names	Indefinite	1,800	—	1,800
Trademarks	Indefinite	121	—	121
		<u>\$ 11,374</u>	<u>\$ (478)</u>	<u>\$ 10,896</u>

There were no impairments to goodwill or other intangible assets for the two years ended December 31, 2022.

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

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

Trade Names. Trade names represents the value of the Bronco Billy's casino name, which has existed for approximately 31 years and provides brand recognition. The value was estimated using a relief-from-royalty method of the income approach based upon comparable trade name royalty agreements.

Current and Future Amortization. Intangible asset amortization expense was approximately \$31,000 and \$70,000 for the years ended December 31, 2022 and 2021, respectively.

Future amortization expense for intangible assets is as follows:

(In thousands)

For Years ending December 31,	Amortization Expense
2023	\$ 31
2024	31
2025	31
2026	31
2027	31
Thereafter	950
	<u>\$ 1,105</u>

5. ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

(In thousands)

	December 31,	
	2022	2021
Contract and contract-related liabilities:		
Players club points and progressive jackpots	\$ 3,010	\$ 2,971
Outstanding chip liability	416	399
Unpaid wagers and other	122	245
Other gaming-related accruals	421	347
Contract liabilities, current	1,651	1,822
Other accrued liabilities:		
Gaming and other taxes	1,497	1,609
Real estate and personal property taxes	1,745	1,611
Professional fees	232	172
Other	870	1,065
	<u>\$ 9,964</u>	<u>\$ 10,241</u>

6. LONG-TERM DEBT

Senior Secured Notes due 2028. On February 12, 2021, the Company refinanced all of its outstanding Senior Secured Notes due 2024 (the “Prior Notes”) with the issuance of \$310 million aggregate principal amount of 8.25% Senior Secured Notes due 2028 (the “2028 Notes”). The net proceeds from the sale of the 2028 Notes were used to redeem all of the outstanding Prior Notes (including a 0.90% prepayment premium) and to repurchase all outstanding warrants. Additionally, \$180 million of bond proceeds were initially placed into a construction reserve account to fund construction of Chamonix, which was later increased to \$221 million in January 2022.

On February 7, 2022, the Company closed a private offering for an additional \$100 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, which the Company intends to operate while it designs and constructs its permanent American Place 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 million of 2028 Notes noted above (collectively, the “Existing Notes”). 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 (collectively, the “Amended Indenture”).

As detailed in [Note 12](#), the Company subsequently issued an additional \$40.0 million of identical senior secured notes on February 21, 2023 (the “Additional Notes”), thereby increasing the outstanding borrowing under the Existing Notes to \$450.0 million (collectively, the “Notes”), by further amending the indenture governing its senior secured notes and revolving credit facility to permit such sale.

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 will be the Company’s and the Guarantor’s general senior secured obligations, subject to the terms of the Collateral Trust Agreement (as defined and amended in the Indenture), ranking senior in right of payment to all of the Company’s and the Guarantor’s existing and future debt that is expressly subordinated in right of payment to the Notes and the Guarantees, if any. The Notes and the Guarantees will rank equally in right of payment with all of the Company’s and the Guarantors’ existing and future senior debt.

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

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

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

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

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

Under the First Amendment to Credit Agreement, the interest rate per annum applicable to loans under the Credit Facility was amended to be, at the Company’s option, either (i) the Secured Overnight Financing Rate (“SOFR”) plus a margin equal to 3.50% and a Term SOFR adjustment of 0.15%, or (ii) a base rate plus a margin equal to 2.50%. Upon completion of Chamonix (as defined in the agreement), the interest rate per annum applicable to loans under the Credit Facility will be reduced to, at the Company’s option, either (i) SOFR plus a margin equal to 3.00% and a Term SOFR adjustment of 0.15%, or (ii) a base rate plus a margin equal to 2.00%. Terms regarding the annual commitment fee, customary letter of credit fees, and repayment date of March 31, 2026, remain unchanged from the original Credit Agreement, dated as of March 31, 2021. As of December 31, 2022, there were no drawn amounts under the Credit Facility. The Company subsequently borrowed \$36.0 million from its Credit Facility on January 27, 2023 and further amended the Credit Agreement to permit the issuance of the Additional Notes in February 2023.

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

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

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

(In thousands)

	December 31,	
	2022	2021
Revolving Credit Facility due 2026	\$ —	\$ —
8.25% Senior Secured Notes due 2028 ⁽¹⁾	410,000	310,000
Less: Unamortized debt issuance costs and premiums, net	(8,148)	(8,381)
	<u>\$ 401,852</u>	<u>\$ 301,619</u>

(1) The estimated fair value of these notes was approximately \$360.6 million for December 31, 2022 and \$327.5 million for December 31, 2021. The fair value was estimated using quoted market prices (Level 1 inputs) for these notes.

Maturities of Long-Term Debt. As of December 31, 2022, future maturities under the Existing Notes is as follows. See [Note 12](#) for details regarding the subsequent issuance of Additional Notes.

(In thousands)

For Years ending December 31,	Senior Secured Notes due 2028
2023	\$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	410,000
	<u>\$ 410,000</u>

Interest expense, net. Interest expense, net, was as follows for the two years ended December 31, 2022:

(In thousands)

	Year Ended December 31,	
	2022	2021
Interest expense (excluding bond fee amortization and premium)	\$ 33,496	\$ 24,179
Amortization of debt issuance costs, discounts and premiums	1,649	1,349
Capitalized interest	(10,802)	(1,871)
Interest income and other	(1,355)	—
	<u>\$ 22,988</u>	<u>\$ 23,657</u>

7. LEASES

The Company has no material leases in which it is the lessor. As lessee, the Company has some finance leases and various operating leases for land, casino and office space, equipment, buildings, and signage. The Company's remaining lease terms, including extensions, range from one month to approximately 35 years as of December 31, 2022. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants, but the land lease at Silver Slipper does include contingent rent as further discussed below. Subsequent to year-end, the Company executed a 99-year operating land lease in January 2023 with the City of Waukegan, on which site the Company built The Temporary and will build the permanent American Place facility (see [Note 12](#)).

Operating Leases

Silver Slipper Casino Land Lease through April 2058 and Options to Purchase. In 2004, the Company's subsidiary, Silver Slipper Casino Venture, LLC, entered into a land lease with Cure Land Company, LLC for approximately 31 acres of marshlands and a seven-acre parcel on which the Silver Slipper Casino and Hotel is situated. The land lease includes fixed, base monthly payments of \$77,500 plus contingent rents of 3% of monthly gross gaming revenue (as defined in the lease) in excess of \$3.65 million, with no scheduled base rent increases through the remaining lease term ending in 2058. We recognized \$1.8 million of rent expense, including \$0.9 million of contingent rents, during 2022, and \$2.1 million of rent expense, including \$1.2 million of contingent rents, during 2021.

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

Bronco Billy's / Chamonix Lease through January 2035 and Option to Purchase. Bronco Billy's leases certain parking lots and buildings, including a portion of the hotel and casino, under a long-term lease. The lease term includes six renewal options in three-year increments to 2035. The Company exercised its third renewal option to extend the lease term through January 2026, with current annual lease payments of \$0.4 million. Annual minimum rent will increase to \$0.5 million starting in February 2026 with adjustments on each anniversary thereafter, based on the consumer price index. The lease also contains a \$7.6 million purchase option exercisable at any time during the lease term, or as extended, and a right of first refusal on any sale of the property.

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

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

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 6](#)). 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 twelve-month period preceding the acquisition (or pro-rated if less than twelve months remain on the lease), plus the fair market value of the Grand Lodge Casino's personal property. The current monthly rent of \$166,667 is applicable through the remaining lease term, which was subsequently extended through December 31, 2024 (see [Note 12](#)). We recognized \$1.8 million of rent expense for each of 2022 and 2021.

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

Finance Lease

Rising Star Casino Hotel Lease through October 2027 and Option to Purchase. The Company's Indiana subsidiary, Gaming Entertainment (Indiana) LLC, leases a 104-room hotel at Rising Star Casino Resort. At any time during the lease term, the Company has the option to purchase the hotel, and approximately 3.01 acres of land on which it resides, at a price based upon the project's original cost of \$7.7 million (see Note 3), reduced by the cumulative principal finance lease payments made by the Company during the lease term. At December 31, 2022, such net amount was \$2.8 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.

Leases recorded on the balance sheet consist of the following:

(In thousands)

		December 31,	
Leases	Balance Sheet Classification	2022	2021
Assets			
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 15,771	\$ 15,814
Finance lease assets	Property and Equipment, Net ⁽¹⁾	4,566	4,722
Finance lease assets	Finance Lease Right-of-Use Assets, Net ⁽²⁾	3,808	—
Total lease assets		<u>\$ 24,145</u>	<u>\$ 20,536</u>
Liabilities			
Current			
Operating	Current Portion of Operating Lease Obligations	\$ 2,485	\$ 3,542
Finance	Current Portion of Finance Lease Obligation	1,581	514
Noncurrent			
Operating	Operating Lease Obligations, Net of Current Portion	13,418	12,903
Finance	Finance Lease Obligation, Net of Current Portion	4,727	2,783
Total lease liabilities		<u>\$ 22,211</u>	<u>\$ 19,742</u>

- (1) Finance lease assets are recorded net of accumulated depreciation of \$3.2 million and \$3.0 million as of December 31, 2022 and 2021, respectively.
- (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.

The components of lease expense are as follows:

(In thousands)

<i>(In thousands)</i>		Year Ended December 31,	
	Classification within Statement of Operations	2022	2021
Lease Costs			
Operating leases:			
Fixed/base rent	Selling, General and Administrative Expenses	\$ 4,833	\$ 4,680
Short-term payments	Selling, General and Administrative Expenses	136	72
Variable payments	Selling, General and Administrative Expenses	1,366	1,739
Finance leases:			
Amortization of leased assets	Depreciation and Amortization	266	157
Interest on lease liabilities	Interest Expense, Net	138	160
Total lease costs		\$ 6,739	\$ 6,808

Maturities of lease liabilities are summarized as follows:

(In thousands)

Years Ending December 31,	Operating Leases	Financing Leases
2023	\$ 3,887	\$ 1,972
2024	2,014	1,972
2025	2,010	2,061
2026	1,405	652
2027	1,410	488
Thereafter	31,611	—
Total future minimum lease payments	42,337	7,145
Less: Amount representing interest	(26,434)	(837)
Present value of lease liabilities	15,903	6,308
Less: Current lease obligations	(2,485)	(1,581)
Long-term lease obligations	\$ 13,418	\$ 4,727

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

Lease Term and Discount Rate	December 31,	
	2022	2021
Weighted-average remaining lease term		
Operating leases	23.2 years	21.5 years
Finance lease	3.7 years	5.8 years
Weighted-average discount rate		
Operating leases	9.73 %	9.32 %
Finance leases	7.08 %	4.50 %

Supplemental cash flow information related to leases is as follows:

(In thousands)

Supplemental Cash Flow Information:	Year Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 4,944	\$ 4,886
Operating cash flows for finance lease	\$ 138	\$ 160
Financing cash flows for finance lease	\$ 514	\$ 492

8. INCOME TAXES

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

(In thousands)

	Year Ended December 31,	
	2022	2021
Current Taxes		
Federal	\$ —	\$ —
State	—	—
	—	—
Deferred Taxes		
Federal	(4,077)	2,421
State	(1,279)	(744)
Increase (decrease) in valuation allowance	5,325	(1,242)
	(31)	435
	<u>\$ (31)</u>	<u>\$ 435</u>

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

(In thousands)

	Year Ended December 31,			
	2022		2021	
Tax Rate Reconciliation	Percent	Amount	Percent	Amount
Federal income tax (benefit) expense at U.S. statutory rate	21.0 %	\$ (3,115)	21.0 %	\$ 2,550
State taxes, net of federal benefit	8.6 %	(1,279)	(4.8)%	(588)
Change in valuation allowance	(35.9)%	5,325	(10.2)%	(1,242)
Permanent differences	(0.5)%	77	(1.8)%	(217)
Credits	0.7 %	(110)	(0.6)%	(73)
Other	6.3 %	(929)	— %	5
	<u>0.2 %</u>	<u>\$ (31)</u>	<u>3.6 %</u>	<u>\$ 435</u>

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

(In thousands)

	December 31,	
	2022	2021
Deferred tax assets:		
Deferred compensation	\$ 1,673	\$ 1,568
Intangible assets and amortization	3,972	2,950
Net operating loss carry-forwards	8,364	7,325
Accrued expenses	603	702
Credits	916	761
Loan Fees	1,206	76
Interest limitation	1,668	186
Lease liabilities	4,718	4,111
Deferred revenues	789	1,287
Valuation allowance	(15,191)	(9,866)
Other	144	419
	<u>8,862</u>	<u>9,519</u>
Deferred tax liabilities:		
Depreciation of fixed assets	(423)	(671)
Amortization of indefinite-lived intangibles	(4,021)	(4,048)
Right-of-use assets	(4,739)	(3,960)
Other	(703)	(1,895)
	<u>(9,886)</u>	<u>(10,574)</u>
	<u>\$ (1,024)</u>	<u>\$ (1,055)</u>

As of December 31, 2022, the Company had federal net operating loss carryforwards totaling \$13.7 million and state tax carryforwards of \$111.9 million. In general, our federal tax net operating loss carryforwards can be carried forward indefinitely and our state tax carryforwards can be carried forward 20 years. The Company also has general business credits of \$0.9 million, which begin to expire in 2035.

In assessing the realizability of its deferred tax assets ("DTAs"), the Company considered whether it is more likely than not that some portion or all of the DTAs will not be realized. The ultimate realization of DTAs is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considered all of the available positive and negative evidence when determining the need for a valuation allowance, including, but not limited to, the scheduled reversal of existing deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As of December 31, 2022, the Company continues to provide a valuation allowance against its DTAs that cannot be offset by existing deferred tax liabilities. In accordance with ASC 740, this assessment has taken into consideration the jurisdictions in which these DTAs reside. The valuation allowance against DTAs has no effect on the actual taxes paid or owed by the Company. In the future, if it is determined that we meet the more likely than not threshold of utilizing our deferred tax assets as required under ASC 740, we may reverse some or all of our valuation allowance. We will continue to evaluate the need for the valuation allowance during each interim period in 2023. Should net income improve in the future, the valuation allowance could be reversed by the end of 2023, absent any unforeseen impact to our operations.

As of December 31, 2022 and 2021, the Company had \$1.0 million and \$1.1 million, respectively, of deferred tax liabilities relating to goodwill and other indefinite-lived intangibles net of the maximum benefit allowed under the statute after netting with the indefinite-lived DTAs.

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

Management has made an annual analysis of its federal and state tax returns and concluded that the Company has no recordable liability, as of December 31, 2022 or 2021, for unrecognized tax benefits as a result of uncertain tax positions taken.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is generally not subject to federal or state examination for periods prior to December 31, 2019. However, as the Company utilizes its NOLs, prior periods can be subject to examination.

On August 16, 2022, the United States enacted the Inflation Reduction Act of 2022 ("IR Act"), which, among other things, introduces a 15% minimum tax based on adjusted financial statement income of certain large corporations with a three-year average adjusted financial statement income in excess of \$1 billion and a 1% excise tax on corporate stock buybacks. Interim guidance on the application of the minimum tax and excise tax was issued on December 27, 2022, but several aspects of the Inflation Reduction Act remain uncertain and the Treasury regulations implementing its provisions are forthcoming. We do not anticipate material impacts from the passage of this legislation, though we will continue to evaluate the IR Act and its potential impact on future periods.

9. COMMITMENTS AND CONTINGENCIES

Litigation

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

Options to Lease Land

Option Agreement for Public Trust Tidelands Lease in Mississippi. The Company has been evaluating the potential construction of an additional hotel tower and related amenities at Silver Slipper, a portion of which would extend out over the adjoining Gulf of Mexico. In contemplation for such potential future expansion, the Company paid \$5,000 for an option agreement – entered into by the Company on June 8, 2021 and approved by the Governor of Mississippi on July 13, 2021 – for a 30-year lease of approximately a half-acre of tidelands, with a term extension for another 30 years, if exercised. This initial six-month option can be renewed for three additional six-month periods, with the payment of \$5,000 for each extension. In October 2022, the Company paid an additional \$5,000 and exercised its third and last six-month option extension through the end of May 2023.

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

Contracted Sports Wagering

Illinois. On May 4, 2022, the Company entered into an agreement with an affiliate of Circa Sports to jointly develop and manage on-site sportsbooks at both The Temporary and American Place casinos in Illinois. Circa Sports currently operates at Circa Resort & Casino in Las Vegas, and offers online sports wagering in several states. In addition to the on-site sportsbook, Circa Sports will utilize the Company's expected mobile sports skin to conduct Internet sports wagering throughout Illinois. In exchange for such rights, the Company received an upfront, non-refundable market access fee of \$5 million in May 2022. The Company will also receive a percentage of revenues (as defined), subject to a minimum of \$5 million per year, once Circa Sports launches operations in Illinois. Such launch is anticipated in Spring 2023, subject to customary regulatory approvals. The term of the agreement is for eight years, followed by two four-year extension opportunities at the option of Circa Sports.

Colorado. On December 5, 2022, the Company entered into a 10-year Sports Agreement for its available sports skin in Colorado. Such agreement began its contractual term in March 2023, though the third party awaits customary regulatory approvals. Similar to the Company's other sports wagering agreements, the Company will receive a percentage of revenues (as defined), with minimal expected expenses. The total annualized minimum amounts for all three of the Company's sports wagering agreements in Colorado is \$3 million.

Defined Contribution Plan

The Company sponsors a defined contribution plan for all eligible employees providing voluntary contributions by eligible employees and matching contributions made by the Company. In October 2021, the Company reinstated its employer matching of contributions at 50% up to 4% of eligible compensation, which had been previously suspended upon the mandatory shutdown of all of the Company's properties in March 2020. Matching contributions made by the Company were \$248,000 for 2022, and \$47,000 for 2021, excluding nominal administrative expenses.

Liquidity, Concentrations and Economic Risks and Uncertainties

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

10. STOCK-BASED COMPENSATION

2015 Equity Incentive Plan. The 2015 Equity Incentive Plan ("2015 Plan"), as approved by stockholders and further amended in May 2021, allows for the issuance of up to 4,500,000 shares of common stock. The 2015 Plan allows for stock-based awards to be granted to directors, employees and consultants and allows for a variety of forms of awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents and performance-based compensation. Stock option awards have maximum 10-year terms and no awards issued under the 2015 Plan vest on an accelerated basis if there is a change in control of the Company, unless the awards are not assumed by the successor, as defined.

Performance-Based Shares. The Company issued a total of 136,669 performance-based shares to its executives in 2022, of which 5,734 performance-based shares were canceled in April 2022. The vesting for these performance-based shares is based on the compounded annual growth rate of the Company's Adjusted EBITDA and Free Cash Flow Per Share, as defined, for the three-year periods ending December 31, 2022, December 31, 2023, and December 31, 2024. For the 2022 period, one-sixth of such performance-based shares either vested or will vest on the anniversary date of the awards and one-sixth were canceled, as only one of the Company's two growth-rate targets for such period was achieved. Vesting of the remaining performance-based shares requires satisfaction of similar conditions for the 2023 and 2024 periods.

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

As of December 31, 2022, the Company had 1,173,096 stock-based awards authorized by stockholders and available for grant from the 2015 Plan.

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

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2022	3,221,956	\$ 2.19		
Granted	434,598	7.71		
Exercised	(103,319)	1.81		
Canceled/Forfeited	(50,000)	8.72		
Expired	—	—		
Options outstanding at December 31, 2022	3,503,235	\$ 2.80	4.79	\$ 17,117,870
Options exercisable at December 31, 2022	2,816,558	\$ 1.87	3.82	\$ 16,015,085

Compensation Cost. Compensation expense is as follows for the two years ended December 31, 2022:

(In thousands)

Compensation Expense	Year Ended December 31,	
	2022	2021
Stock options	\$ 1,150	\$ 649
Restricted and performance-based shares	543	317
	<u>\$ 1,693</u>	<u>\$ 966</u>

As of December 31, 2022, there was approximately \$2.0 million of unrecognized compensation cost related to unvested stock options granted by the Company, which is expected to be recognized over a weighted-average period of 1.9 years. As of such date, there was also \$1.1 million of unrecognized compensation cost related to unvested restricted and performance shares, which is expected to be recognized over a weighted-average period of 1.4 years.

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

	Year Ended December 31,	
	2022	2021
Expected volatility	68.38 %	65.99 %
Expected dividend yield	— %	— %
Expected term (in years)	6.00	6.00
Weighted average risk-free rate	2.56 %	0.97 %

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

Therefore, the weighted-average grant date fair value of options granted is as follows for the two years ended December 31, 2022:

	Year Ended December 31,	
	2022	2021
Weighted average grant date fair value	\$ 4.39	\$ 5.68

11. SEGMENT REPORTING AND DISAGGREGATED REVENUE

The Company manages its reporting segments based on geographic regions within the United States and type of income. Those five segments, as of 2022, are: Mississippi, Indiana, Colorado, Nevada, and Contracted Sports Wagering. Operating segments are aggregated based on geography, economic characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure.

The Company utilizes Adjusted Segment EBITDA as the measure of segment 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, impairment charges, asset write-offs, recoveries, gain (loss) from asset disposals, project development and acquisition costs, non-cash share-based compensation expense, and corporate-related costs and expenses that are not allocated to each segment.

The following tables present the Company's segment information:

	Year Ended December 31, 2022					
	Mississippi	Indiana	Colorado	Nevada	Contracted Sports Wagering	Total
Revenues						
Casino	\$ 54,167	\$ 27,514	\$ 13,636	\$ 18,559	\$ —	\$ 113,876
Food and beverage	19,774	3,943	1,734	1,043	—	26,494
Hotel	4,987	3,663	632	—	—	9,282
Other operations, including contracted sports wagering	1,932	3,970	183	348	7,196	13,629
	<u>\$ 80,860</u>	<u>\$ 39,090</u>	<u>\$ 16,185</u>	<u>\$ 19,950</u>	<u>\$ 7,196</u>	<u>\$ 163,281</u>
Adjusted Segment EBITDA	\$ 19,488	\$ 6,888	\$ (688)	\$ 4,908	\$ 7,127	\$ 37,723
Other operating costs and expenses:						
Depreciation and amortization						(7,930)
Corporate expenses						(5,589)
Project development costs, net						(228)
Preopening costs						(9,558)
Loss on disposal of assets, net						(42)
Stock-based compensation						(1,693)
Operating income						<u>12,683</u>
Other expenses:						
Interest expense, net						(22,988)
Loss on modification of debt						(4,530)
						<u>(27,518)</u>
Loss before income taxes						<u>(14,835)</u>
Income tax benefit						(31)
Net loss						<u>\$ (14,804)</u>

(In thousands)

Year Ended December 31, 2021

					Contracted Sports Wagering	Total
	Mississippi	Indiana	Colorado	Nevada		
Revenues						
Casino	\$ 63,318	\$ 29,762	\$ 20,342	\$ 17,009	\$ —	\$ 130,431
Food and beverage	20,296	3,522	2,362	1,167	—	27,347
Hotel	4,930	4,057	637	—	—	9,624
Other operations, including contracted sports wagering	2,084	4,094	319	340	5,920	12,757
	<u>\$ 90,628</u>	<u>\$ 41,435</u>	<u>\$ 23,660</u>	<u>\$ 18,516</u>	<u>\$ 5,920</u>	<u>\$ 180,159</u>
Adjusted Segment EBITDA	\$ 29,843	\$ 8,736	\$ 5,545	\$ 4,933	\$ 5,890	\$ 54,947
Other operating costs and expenses:						
Depreciation and amortization						(7,219)
Corporate expenses						(7,733)
Project development costs						(782)
Preopening costs						(17)
Loss on disposal of assets, net						(676)
Stock-based compensation						(966)
Operating income						<u>37,554</u>
Other expenses:						
Interest expense, net						(23,657)
Loss on extinguishment of debt, net						(409)
Adjustment to fair value of warrants						(1,347)
						<u>(25,413)</u>
Income before income taxes						12,141
Income tax expense						435
Net income						<u>\$ 11,706</u>

(In thousands)

December 31,

	2022	2021
Total Assets		
Mississippi	\$ 83,670	\$ 85,838
Indiana	33,199	34,857
Colorado	339,944	258,436
Nevada	11,125	13,091
Contracted Sports Wagering	1,658	2,168
Corporate and Other ⁽¹⁾	125,733	79,452
	<u>\$ 595,329</u>	<u>\$ 473,842</u>

(1) Includes \$77.2 million related to American Place in 2022, which subsequently opened in February 2023 (see Note 12).

(In thousands)

	December 31,	
	2022	2021
Property and Equipment, net		
Mississippi	\$ 50,401	\$ 52,382
Indiana	27,437	28,705
Colorado	182,142	61,572
Nevada	6,307	6,105
Contracted Sports Wagering	—	—
Corporate and Other ⁽¹⁾	72,770	776
	<u>\$ 339,057</u>	<u>\$ 149,540</u>

(1) Includes \$72.4 million related to American Place in 2022, which subsequently opened in February 2023 (see [Note 12](#)).

12. SUBSEQUENT EVENTS

The Temporary Casino Opens in Waukegan, Illinois. On February 17, 2023, the Company opened The Temporary to the public, marking the commencement of operations for its sixth reporting segment—Illinois.

Typical of many new casinos, The Temporary opened at less than full capacity. The Temporary continues to hire additional staff, which will allow it to augment the number of available games on The Temporary's casino floor and increase the hours of operation for its casino and its amenities. The Company also expects to open The Temporary's second restaurant in the next few weeks, followed by its fine-dining restaurant in the second quarter of 2023. When fully open, The Temporary will feature approximately 1,000 slot machines, 50 table games, a fine-dining restaurant, two additional restaurants, and a center bar.

Waukegan Ground Lease Commences through January 2122 and Option to Purchase. On January 18, 2023, the Company's wholly-owned Illinois subsidiary, FHR Illinois, LLC, entered into a 99-year ground lease (the "Ground Lease") for approximately 31.70 acres of land (the "City-Owned Parcel") with the City of Waukegan in Illinois (the "City"). The City-Owned Parcel and an adjacent 9.95-acre parcel owned by the Company comprise the location of American Place, including The Temporary. The Ground Lease is a triple-net lease whereby the Company is required to pay all taxes, utilities, and expenses associated with the leased property. Annual rent under the Ground Lease is the greater of (i) \$3.0 million (the "Annual Guaranteed Minimum Rent"), or (ii) 2.5% of Adjusted Gross Receipts (as defined) generated by either the Temporary or American Place. The Ground Lease is only terminable to the extent that the Development and Host Community Agreement (detailed below) with the City is terminated.

The Company has the right to purchase the City-Owned Parcel at any time during the term of the Ground Lease for \$30 million, but if it does so prior to the opening of American Place, then it must continue to pay rent due to the City under the Ground Lease until the permanent casino is open. The Ground Lease contains customary terms with respect to taxes, leasehold mortgage, insurance, condemnation, and other terms and conditions typically found in long-term ground leases of similar nature.

American Place Development Agreement. Concurrent with the Ground Lease, the Company entered into a Development and Host Community Agreement (the "Development Agreement") on January 18, 2023 with the City, as it relates to the development, construction and operation of The Temporary and American Place. The Development Agreement establishes terms and conditions related to the project, including project milestones requiring the completion of American Place's construction within 36 months of The Temporary's opening, with operations also commencing within three months of such completion. The Development Agreement also requires the Company to pay \$150,000 for anticipated public works and public safety costs related to the opening of The Temporary and to make annual contributions to the City of at least \$500,000 to support charitable programs and causes following the commencement of operations at American Place. Customary regulatory approvals were required to commence operations at The Temporary and will be required to commence operations at American Place. The Company has the right to terminate both the Development Agreement and the Ground Lease if it has complied with its obligations related to the application and pursuit of applicable regulatory approvals and either (i) such approvals are denied, materially delayed, or otherwise not approved; or (ii) the Company determines, in its reasonable judgment, that any necessary regulatory approvals cannot be obtained using its best efforts.

Additional Notes Issuance, Indenture Supplement, and Amendment of Credit Agreement. On February 21, 2023, the Company closed its private offering of \$40.0 million of the Additional Notes. The Additional Notes were issued pursuant to the Amended Indenture, further amended as of February 21, 2023 (collectively, the “Indenture”), pursuant to which the Company had previously issued \$410.0 million of Existing Notes. The Additional Notes are treated as a single series of senior secured debt securities with the Existing Notes and as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Proceeds from the offering, net of related expenses and discounts, were approximately \$34 million.

Also 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 First Amendment to Credit Agreement to allow for the sale and issuance of the Additional Notes.

Grand Lodge Casino Lease extended through December 2024. On February 13, 2023, we entered into a sixth amendment to the Hyatt lease that extended the term through December 31, 2024, after which time portions of the Hyatt Lake Tahoe are expected to undergo enhancement work. There were no changes in rent.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures — As of December 31, 2022, we completed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures are effective at a reasonable assurance level.

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

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

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

Management assessed the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) as of December 31, 2022. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its assessment, management concluded that, as of December 31, 2022, our internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm's report on the effectiveness of our internal control over financial reporting appears herein.

Changes in Internal Control Over Financial Reporting — There have been no changes during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" and elsewhere in the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of December 31, 2022 (our "Proxy Statement") and is incorporated herein by this reference.

Item 11. Executive Compensation.

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

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

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

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

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

Item 14. Principal Accounting Fees and Services.

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

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2022 and 2021
- For the Years Ended December 31, 2022 and 2021:
 - Consolidated Statements of Operations
 - Consolidated Statements of Stockholders' Equity
 - Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

(b) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation as amended to date (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q (SEC File No. 1-32583) filed on May 9, 2011).
3.2	Second Amended and Restated Bylaws of Full House Resorts, Inc., effective July 1, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on July 2, 2020).
4.1*	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 "Registered Securities of Full House Resorts, Inc."
4.2	Specimen Certificate for Shares of Full House Resorts, Inc.'s Common Stock, par value \$.0001 per share (Incorporated by reference to the Registrant's Registration Statement on Form S-3 (SEC file No. 333-213123) filed on August 15, 2016).
4.3	Indenture (including form of Notes), dated as of February 12, 2021, among Full House Resorts, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 12, 2021).
4.4	Form of Senior Secured Note due 2028 (included in Exhibit 4.3) (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 12, 2021).
4.5	First Supplemental Indenture, dated as of February 1, 2022, among the Company, the guarantors party thereto and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 2, 2022).
4.6	Second Supplemental Indenture, dated as of February 7, 2022, among the Company, the guarantors party thereto and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 8, 2022).
4.7	Third Supplemental Indenture, dated as of March 3, 2022, among Full House Resorts, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 15, 2022).
4.8	Fourth Supplemental Indenture, dated as of February 21, 2023, among Full House Resorts, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 22, 2023).
10.1	Lease Agreement with Option to Purchase dated as of November 17, 2004, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).

10.2	First Amendment to Lease Agreement with Option to Purchase dated as of March 13, 2009, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).
10.3	Second Amendment to Lease Agreement with Option to Purchase dated as of September 26, 2012, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).
10.4	Third Amendment to Lease Agreement with Option to Purchase dated as of February 26, 2013, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant. (Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 6, 2013).
10.5	Fourth Amendment to Lease Agreement with Option to Purchase dated as of March 20, 2020, by and between Cure Land Company, LLC, as landlord, and Silver Slipper Casino Venture LLC, as tenant (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (SEC File No. 1-32583) filed on May 13, 2020).
10.6	Casino Operations Lease dated June 28, 2011 by and between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on June 30, 2011).
10.7	First Amendment to Casino Operations Lease dated April 8, 2013 by and between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on April 11, 2013).
10.8	Second Amendment to Casino Operations Lease effective as of November 25, 2015, by and between Gaming Entertainment (Nevada) LLC, a Nevada limited liability company, and Hyatt Equities, L.L.C., a Delaware limited liability company (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on December 17, 2015).
10.9	Third Amendment to Casino Operations Lease, effective August 29, 2016, between Hyatt Equities, L.L.C. and Gaming Entertainment (Nevada) LLC (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on August 30, 2016).
10.10	Fourth Amendment to Casino Operations Lease dated November 13, 2019 by and between Hyatt Equities, L.L.C., as landlord, and Gaming Entertainment (Nevada) LLC, as tenant (Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 12, 2021).
10.11	Fifth Amendment to Casino Operations Lease dated July 31, 2020 by and between Hyatt Equities, L.L.C., as landlord, and Gaming Entertainment (Nevada) LLC, as tenant (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (SEC File No. 1-32583) filed on August 13, 2020).
10.12	Sixth Amendment to Casino Operations Lease dated February 13, 2023 by and between Incline Hotel LLC, as landlord, and Gaming Entertainment (Nevada) LLC, as tenant (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 16, 2023).
10.13	Hotel Lease / Purchase Agreement dated August 15, 2013 by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A (SEC File No. 1-32583) filed on August 22, 2013).
10.14	First Amendment to Hotel Lease / Purchase Agreement dated March 16, 2016 by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on March 18, 2016).
10.15	Second Amendment to Hotel Lease/Purchase Agreement dated September 19, 2017, by and between Rising Sun/Ohio County First, Inc. and Gaming Entertainment (Indiana) LLC. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on 8-K (SEC File No. 1-32583) filed on September 21, 2017).
10.16+	2015 Equity Incentive Plan (as amended and restated by the Board effective April 6, 2021). (Incorporated by reference to Annex 2 to the Registrant's Proxy Statement on Schedule 14A (SEC File No. 1-32583) filed on April 14, 2021).

10.17+	Form of Award Agreement pursuant to the 2015 Equity Incentive Plan (Incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K (SEC File No. 1-32583) filed on March 8, 2018).
10.18+	Full House Resorts, Inc. Annual Incentive Plan for Executives (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (SEC File No. 1-32583) filed on August 1, 2017).
10.19+	Employment Agreement, dated December 31, 2020, between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on January 7, 2021).
10.20+	Inducement Stock Option Agreement dated November 28, 2014 by and between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on December 1, 2014).
10.21+	Award Agreement, dated May 24, 2017, between Full House Resorts, Inc. and Daniel R. Lee (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on May 30, 2017).
10.22+	Employment Agreement, dated as of June 4, 2019 (and effective as of May 17, 2019), by and between Full House Resorts, Inc. and Lewis A. Fanger (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on June 4, 2019).
10.23+	Inducement Stock Option Agreement, dated as of January 30, 2015, by and between Full House Resorts, Inc. and Lewis A. Fanger (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 4, 2015).
10.24+	Employment Agreement, dated as of February 4, 2022, by and between Full House Resorts, Inc. and Elaine L. Guidroz (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 10, 2022).
10.25+	Employment Agreement, dated as of April 11, 2022, by and between Full House Resorts, Inc. and John Ferrucci (Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q (SEC File No. 1-32583) filed on May 10, 2022).
10.26	Credit Agreement, dated as of March 31, 2021, among the Company, as borrower, the subsidiary guarantors party thereto, the lender parties thereto, and Capital One, National Association, as administrative agent (incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 1-32583) filed on March 31, 2021).
10.27	First Amendment to Credit Agreement, dated as of February 7, 2022, among the Company, the guarantors party thereto and Capital One, National Association, as administrative agent (Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 8, 2022).
10.28	Second Amendment to Credit Agreement, dated as of February 21, 2023, among the Company, the guarantors party thereto and Capital One, National Association, as administrative agent (Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (SEC File No. 1-32583) filed on February 22, 2023).
10.29*†	Development and Host Community Agreement, dated as of January 18, 2023, by and between the City of Waukegan, Illinois, and FHR-Illinois LLC, as developer.
10.30*†	Ground Lease, dated as of January 18, 2023, by and between the City of Waukegan, as landlord, and FHR-Illinois LLC, as tenant.
21.1*	List of Subsidiaries of Full House Resorts, Inc.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm to the Company.
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.
99.1*	Description of Governmental Gaming Regulations.

101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Inline XBRL File (included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

+ Executive compensation plan or arrangement.

† Certain schedules and similar attachments have been omitted in reliance on Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

Item 16. Form 10-K Summary.

We have elected not to disclose the optional summary information.

SIGNATURES

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

FULL HOUSE RESORTS, INC.

March 15, 2023

By: /s/ DANIEL R. LEE

Daniel R. Lee, Chief Executive Officer

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

<u>Name and Capacity</u>	<u>Date</u>
<u>/s/ DANIEL R. LEE</u> Daniel R. Lee, Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2023
<u>/s/ LEWIS A. FANGER</u> Lewis A. Fanger, Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	March 15, 2023
<u>/s/ KENNETH R. ADAMS</u> Kenneth R. Adams, Director	March 15, 2023
<u>/s/ CARL G. BRAUNLICH</u> Carl G. Braunlich, Director	March 15, 2023
<u>/s/ KATHLEEN MARSHALL</u> Kathleen Marshall, Director	March 15, 2023
<u>/s/ ERIC J. GREEN</u> Eric J. Green, Director	March 15, 2023
<u>/s/ MICHAEL P. SHAUNNESSY</u> Michael P. Shaunnessy, Director	March 15, 2023
<u>/s/ MICHAEL A. HARTMEIER</u> Michael A. Hartmeier, Director	March 15, 2023
<u>/s/ LYNN M. HANDLER</u> Lynn M. Handler, Director	March 15, 2023

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

I, Daniel R. Lee, certify that:

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

Date: March 15, 2023

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

Date: March 15, 2023

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**

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

- (1) The Annual Report on Form 10-K for the year ended December 31, 2022 of the Company as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2023

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**

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

- (1) The Annual Report on Form 10-K for the year ended December 31, 2022 of the Company as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2023

By: /s/ LEWIS A. FANGER

Lewis A. Fanger
Chief Financial Officer

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CORPORATE HEADQUARTERS

1980 Festival Plaza Drive, Suite 680
Las Vegas, NV 89135
Telephone: (702) 221-7800

BOARD OF DIRECTORS

Kenneth R. Adams

*Principal, Ken Adams Ltd. and Editor, Adams' Report,
Adams' Daily Report and Adams Analysis*

Carl G. Braunlich

*Former Associate Professor,
University of Nevada, Las Vegas*

Lewis A. Fanger

*Senior Vice President, Chief Financial Officer,
Treasurer and Director*

Eric J. Green

Chief Investment Officer of Equity, Penn Capital

Lynn M. Handler

*Chief Counsel Regional Operations NA,
Catena Media U.S. Inc.*

Michael A. Hartmeier

*Former Group Head of Lodging, Gaming and Leisure
Investment Banking, Barclays*

Daniel R. Lee

President, Chief Executive Officer and Director

Kathleen Marshall

*Chief Financial Officer,
Casino Reinvestment Development Authority*

Michael P. Shaunnessy

*Former President and Chief Executive Officer,
Nevada Gold & Casinos, Inc.*

OFFICERS

Daniel R. Lee

President, Chief Executive Officer and Director

Lewis A. Fanger

*Senior Vice President, Chief Financial Officer,
Treasurer and Director*

John Ferrucci

*Senior Vice President, Chief Operating Officer
and General Manager, Silver Slipper*

Elaine L. Guidroz

*Senior Vice President, Secretary, General Counsel
and Compliance Officer*

OUR PROPERTIES AND WEBSITES

www.FullHouseResorts.com
www.AmericanPlace.com
www.BroncoBillysCasino.com
www.ChamonixCO.com
www.GrandLodgeCasino.com
www.RisingStarCasino.com
www.SilverSlipper-MS.com
www.StockmansCasino.com
www.TheTemporary.com

**INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

Deloitte & Touche LLP

3883 Howard Hughes Parkway, Suite 400
Las Vegas, NV 89169

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Co.

6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K may be obtained without charge upon written request. Requests should be directed to:

Full House Resorts

Attn: Investor Relations
1980 Festival Plaza Drive, Suite 680
Las Vegas, NV 89135
Telephone: (702) 221-7800

In addition, our SEC filings can be found at
www.fullhouserestorts.com.

COMMON STOCK

Our common stock is traded on the NASDAQ Stock Market under the symbol "FLL".

Information on this page is as of April 1, 2023.

