FULL HOUSE
RESORTS

April 14, 2021

Dear Fellow Shareholders:

It has been quite a year.

Our casinos normally operate 24 hours per day, 365 days per year. Yet, it is not unusual for a casino to close temporarily, usually due to a weather-related event. It might be a big snowstorm in Lake Tahoe, a wildfire in Colorado, the flooding of the Ohio River in Indiana, or a hurricane in Mississippi. Sometimes, we stay open with a skeleton staff and few customers. Other times, for the safety of our employees and guests, we have chosen or been directed to close.

In our wildest dreams, we never imagined that a worldwide pandemic would force us to close all of our operations for an extended period of time. The ramifications have been huge. We could reduce many expenses, but not all of them. We were forced to lay off virtually all of our employees, most of whom fortunately qualified for the augmented unemployment benefits at the time. We sought forgiveness and deferrals of payments from landlords and suppliers. The core management team that stayed on agreed to defer one-third of its pay. Yet, certain expenses could not be deferred. We had to pay real estate taxes and keep our assets secure and insured. We had to pay the interest on our debt.

We had not anticipated the situation…indeed, no one had. We had to act quickly to ensure that we had the liquidity to endure the pandemic. We had recently put together the funding for a parking garage in Colorado, which was to be the first phase of a major expansion. Fortunately, we had just started construction. We stopped construction in order to have additional reserves in the uncertain environment. Then we hunkered down, determined to survive. Ultimately, our casinos were closed for approximately three months.

In a sense, the unfortunate pandemic came at a fortuitous time. We had invested significantly in our properties in recent years, making improvements and catching up on deferred maintenance. We had refurbished the casino at the Silver Slipper in 2019. We had added an RV park and a car ferryboat service at Rising Star and refurbished many of its guest rooms and public areas. We had refurbished both the Grand Lodge casino and many parts of the Stockman's casino in Northern Nevada.

Significantly, in late 2019 we had installed new state-of-the-art slot machine systems in Colorado and Indiana, replacing nearly 20-year-old systems and bringing those casinos up to par with the Silver Slipper. The new slot systems provide a significantly better customer experience while giving our management team far better information and metrics about our customers. It allowed us to see which customers were important and profitable to our business, and which customers were being provided too many "comps" and services relative to their play.

If the three-month shutdown of our operations had a "silver lining," it gave our core management team the time to carefully examine many aspects of our business and to largely reinvent how we operate. We were confident that we would be allowed to reopen at some point, but we were less certain as to how many customers would show up when we did reopen. So we focused on reopening cautiously, with less staffing and reduced operating hours for many of our services. We were intent on matching staffing levels to customer levels, by the hour, the day and the week.

We reinvented our loyalty programs, to reward those customers who are important to us and to reduce the services offered to others whose gaming activity did not warrant the incentives.

We knew that the capacity of our casinos and food and beverage facilities would be constrained to ensure "social distancing." Even before the pandemic, we knew that $5 blackjack tables were generally not profitable for us; the related payroll costs exceed the expected win with the typical number of players betting $5 per hand. This would get worse with pandemic-restricted seating at each table. So we installed additional tables where customers can play $5 blackjack with a simulated dealer and reopened with higher table game limits on all our live games. The customers adjusted accordingly, with some moving up to higher stakes and others shifting to the more operationally efficient simulated games.

As our restaurants had limited capacity, we eliminated many of the food incentives that we had offered for years. Some of these had become "sacred cows" in our operations and we reevaluated their importance. In Colorado, for example, we had long lost money on a $0.49 breakfast offering. In Mississippi, we offered two-for-one midweek food specials. In Indiana, we had a buffet that operated at such low volumes that the food sitting in the steam tables became unappealing, while our payroll costs were much higher per guest than a cooked-to-order restaurant.

We changed the way we operate and found it had little impact on our casino customers. In general, we provide comped meals to our important casino customers, so the subsidized food prices were unimportant to them. Often, the low prices attracted people who gambled little or not at all. We now focus on making sure we provide great service and good food to our casino customers…and we make it available to non-gamblers at prices that more appropriately reflect our costs.

When we were allowed to reopen in May and June, we did so with about half our slot machines removed or shut down to ensure social distancing, one-third less payroll, and significantly lower marketing costs.

Very quickly, we found that many of our customers returned. I think they intrinsically realized that, unlike many other activities, one could go to a casino and play a slot machine and maintain a safe distance from other customers. We found we could obtain the same revenues with significantly fewer slot machines.

Not surprisingly, given the nature of COVID-19, we did see a significant reduction in visitation by our older customers, which is historically an important segment for us. We are now seeing some encouraging signs in this segment, as more people, especially seniors, become vaccinated. The reduction in senior visitation during the pandemic was largely offset by increased visitation and activity by younger age groups. We hope to retain these newfound customers over the longer term.

I think much of this will continue. People "working from home" have some newfound time from not having to commute. Yet, they also want to get out of the house at some point. We provide an alternative.

There's significant operating leverage in our business. After reopening, we found we could sustain almost the same revenues with significantly lower payroll and marketing costs. As a result, our Adjusted EBITDA in the second half of 2020 exceeded that of any full year in recent memory. We long had EBITDA margins that were lower than many other regional gaming companies. We've fixed that and now have margins that one would ordinarily expect from our business.

Meanwhile, Colorado and Indiana approved retail and mobile sports betting in 2019, allowing casinos to accept sports bets not only from inside the casino, but also via the web and mobile apps from anywhere within the state. We are permitted to operate three websites (often termed "skins") within each of Colorado and Indiana. Rather than operate these sites ourselves, we opted to partner with larger entities experienced in operating mobile sports betting. Hence, we entered into agreements with subsidiaries of Wynn Resorts, Churchill Downs, and a U.K.–based sports book named Smarkets, each of which is now allowed to operate in Colorado and Indiana under our auspices. We were paid an aggregate $6 million in upfront "market access fees" for entering into these agreements. We also receive a percentage of the net revenues, as defined in each agreement, subject to annual contractual minimums. The sum of the contractual minimums is $7 million per year, against which we incur only nominal expenses. As I write this, four of the six mobile sports books are operational. Churchill Downs is up and running in Indiana, Smarkets has begun accepting bets in Colorado, and Wynn has begun operations in both states. I expect the remaining two sports books to launch this quarter.

In November 2020, Colorado voters removed betting limits at the state's casinos and allowed additional games of chance, notably baccarat and Pai Gow. When casino gaming was first legalized in Colorado in 1991, gamblers were limited to bets of $5 or less; all of the existing casinos in Cripple Creek were built to appeal to the lower "grind" play that resulted from that low betting limit. In 2009, the betting limit was raised to $100, resulting in the success of a few "second generation" casinos in Black Hawk — the gaming destination that caters primarily to Denver, while Cripple Creek caters primarily to Colorado Springs.

We had plans to develop a 180-guest room casino in Cripple Creek. With the change in the law, we opted to increase the project to 300 guest rooms and suites. With our improved financial strength, we were able to access the high-yield bond market in February 2021, refinancing our primary debt and funding the entirety of construction of the new property, which will adjoin and be connected to our existing Bronco Billy's casino.

That property, recently named "Chamonix Casino Hotel," is now in the early stages of construction and is scheduled to open in late 2022. It is named after the well-known resort in the French Alps, Chamonix-Mont Blanc, which hosted the first Winter Olympics in 1924 and, apart from these pandemic times, receives more than 5 million visitors per year. Chamonix in Cripple Creek will offer European Elegance with Colorado Comfort.

We have two other potential growth opportunities on the horizon.

In 2019, the State of Illinois authorized several new locations for casinos. We opted to compete for the license to develop a casino in Waukegan, a northern Chicagoland suburb that is also close to Milwaukee. Approximately 3.3 million people live in this region, with only a few casino gaming alternatives. The City of Waukegan ran an RFP process to select proposals to advance to the State. Ultimately, the developer/licensee will be chosen by the Illinois Gaming Board. While that process has been delayed by the pandemic, we currently expect a decision later this year.

We made an ambitious proposal named "American Place," reflecting the scale of the opportunity. Our proposal includes, among other things, a casino with 1,640 slot machines and 100 table games; a multi-purpose venue that can accommodate up to 1,500 people; a unique fountain attraction; and a very high-end, all-suite boutique hotel.

The City of Waukegan retained a consultant to provide an independent review of the various gaming proposals. The consultant evaluated each proposal on several criteria and determined that American Place was first in every measurable category except for one—the size of our balance sheet relative to the size of our proposal.

To rectify that, in September, we entered into an agreement with a multi-billion-dollar investment management firm experienced in financing casino developments. Under that agreement, if selected by the Illinois Gaming Board, the investment firm would provide (subject to various provisions in the agreement) most of the funds necessary to build American Place. We must provide $25 million of equity capital. We would retain at least 60% ownership and receive management fees from its operation. The funds provided by the investment firm would be secured by our Waukegan subsidiary, without recourse to our parent company or other subsidiaries.

Meanwhile, we have also been evaluating the potential of expanding our Silver Slipper casino. The 129-room hotel we added in 2015 enjoys high occupancy rates and has helped the property approximately double its annual Adjusted Property EBITDA over the past six years. The property could also benefit from meeting and convention space to host casino events and to help fill its guest rooms midweek.

The Silver Slipper is largely landlocked, with water and wetlands on all sides. We determined that the best way to expand the property is to build a tower over a pier extending into the Gulf of Mexico. The tower would include approximately 150 guest rooms and suites, a luxurious spa, and approximately 10,000 square feet of meeting and convention space. We recently reached an agreement in principle with the State of Mississippi where the State would lease us the Gulf bottomlands, allowing construction of the hotel on the pier. We are optimistic that we can finalize that agreement, plus obtain various other regulatory and environmental approvals.

As a relatively small company (albeit one with considerable construction expertise), we intend to constrain ourselves to building no more than two major projects at once. Chamonix is underway. If we are chosen in Illinois, we will proceed to build in Waukegan as quickly as possible and defer construction of the Silver Slipper expansion until 2023, after Chamonix has opened. If we are not chosen in Illinois, we could begin construction in Mississippi later this year or early in 2022.

To enhance our chances of being selected in Illinois, we recently raised $46 million of additional equity capital. Between that and our conditional secured financing agreement, we can provide reasonable assurance to the Illinois Gaming Board that we can fully fund construction of American Place. In the event that we are not chosen in Illinois, we can redeploy that capital quickly to Mississippi. In the meantime, it provides additional liquidity and comfort in this uncertain world.

I would be remiss if I didn't mention the changes in our board of directors. Three directors opted to retire or resign during the year— Ellis Landau, Craig Thomas and Brad Tirpak. We thank them for their service and wish them well. Meanwhile, we added three terrific new board members.

Mike Shaunnessy joined the board in July 2020. Mike has many years of operating experience in the gaming industry, most recently as President and Chief Executive Officer of Nevada Gold & Casinos, Inc., a regional public gaming company that was sold in 2019. A graduate of Lewis University and Northern Illinois University, Mike is a certified public accountant who brings 37 years' experience in hospitality and gaming to the board.

Eric Green also joined our board in July. Eric is Chief Investment Officer of Equity at Penn Capital, a $3 billion investment firm with significant investments in high-yield bonds and small-cap stocks. Prior to joining Penn Capital in 1997, Eric held positions with the Securities and Exchange Commission, Federal National Mortgage Association and the Royal Bank of Scotland. He is a graduate of American University and the Yale School of Management.

Finally, Mike Hartmeier joined our board in December. Mike recently retired from heading the lodging, gaming and leisure investment banking practice of Barclays. Prior to that, he had a similar role at Lehman Brothers and Credit Suisse First Boston. During his banking career, he completed more than $125 billion of financing and advisory assignments for a wide range of lodging and gaming companies. He is a non-practicing CPA and a graduate of UCLA and Harvard Business School.

It has certainly been a remarkable year. Thanks to our dedicated property and corporate team members, our company has navigated through 2020's unprecedented health and economic crisis—we could not have done it without them. We've faced our challenges, but generally come out on top.

I would again like to thank our investors, lenders, customers and communities for their support. We will continue to work hard on your behalf.

Sincerely,

Daniel R. Lee
President and Chief Executive Officer

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

This letter and the accompanying Notice and proxy statement contain statements that are "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. These forward-looking statements can be identified by use of terms such as "believes," "expects," "anticipates," "plans," "intends," "potential," "may," "could," "would," "will," "might," and similar references to future periods. Some of these forward-looking statements include, but are not limited to, our expected operating results, such as future EBITDA; our sports revenue agreements with third-party providers, including the expected revenues and the expected timing for the launch of the sports betting "skins" related thereto; our expectations regarding the expected amenities for Chamonix and the potential future Silver Slipper expansion; the timelines for Chamonix, our American Place proposal, and the potential future Silver Slipper expansion; our ability to obtain the casino license for the American Place proposal and, if we are awarded such license, to obtain financing; the execution of the tidelands option to lease with the State of Mississippi or the future exercise of such option; and the future spending patterns of our guests. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the control of Full House, including our ability to repay our substantial indebtedness; the potential for additional adverse impacts from the COVID-19 pandemic on our business, construction projects, indebtedness, financial condition and operating results; actions by government officials at the federal, state or local level with respect to steps to be taken, including, without limitation, additional shutdowns, travel restrictions, social distancing measures or shelter-in-place orders, in connection with the COVID-19 pandemic; our ability to effectively manage and control expenses as a result of the pandemic; our ability to complete our growth and expansion projects on-time and on-budget; changes in guest visitation or spending patterns due to the COVID-19 pandemic or other health or other concerns; a decrease in overall demand as other competing entertainment venues re-open; our *ability to obtain financing upon reasonable terms or at all, including for projects such as our American Place proposal or the potential future expansion at Silver Slipper; our ability to obtain the necessary approvals and permits for our growth, renovation and expansion projects; construction risks, delays and cost overruns; dependence on existing management; competition; uncertainties over the development and success of our expansion projects; the financial performance of our finished projects; effectiveness of expense and operating efficiencies; general macroeconomic conditions; and regulatory and business conditions in the gaming industry (including the possible authorization or expansion of gaming in the states we operate or nearby states). Additional information concerning potential factors that could affect our financial condition and results of operations is included in the reports we file with the Securities and Exchange Commission, including, but not limited to, Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the most recently ended fiscal year and our other periodic and current reports filed with the Securities and Exchange Commission. We are under no obligation to (and expressly disclaim any such obligation to) update or revise our forward-looking statements as a result of new information, future events or otherwise. Actual results may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.*