

FULL HOUSE RESORTS INC  
Form 10-Q  
May 14, 2015

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2015
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from        to

Commission File No. 1-32583

FULL HOUSE RESORTS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

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

4670 S. Fort Apache Road, Ste. 190  
Las Vegas, Nevada  
(Address of principal executive offices)

89147  
(Zip Code)

(702) 221-7800  
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

- Large Accelerated Filer
- Accelerated Filer
- Non Accelerated Filer  (Do not check if a smaller
- Smaller reporting company

reporting company)

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

As of May 12, 2015, there were 18,876,681 shares of Common Stock, \$0.0001 par value per share, outstanding.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
(In thousands, except shares and per share data)

	Three months ended March 31,	
	2015	2014
Revenues		
Casino	\$ 26,354	\$ 27,481
Food and beverage	5,849	5,024
Hotel	1,279	1,195
Management fees	--	494
Other operations	638	611
Gross revenues	34,120	34,805
Less promotional allowances	(5,036 )	(4,356 )
Net revenues	29,084	30,449
Operating costs and expenses		
Casino	13,732	14,461
Food and beverage	2,100	2,099
Hotel	120	108
Other operations	268	228
Selling, general and administrative	10,844	11,133
Preopening and other	42	56
Depreciation and amortization	1,992	2,455
	29,098	30,540
Operating loss	(14 )	(91 )
Other (expense) income		
Interest expense, net of \$0.2 million and \$0.08 million, capitalized	(1,525 )	(1,517 )
Other	12	--
	(1,513 )	(1,517 )
Loss before income taxes	(1,527 )	(1,608 )
Provision (benefit) for income taxes	228	(526 )
Net loss	\$ (1,755 )	\$ (1,082 )
Basic and diluted loss per share	\$ (0.09 )	\$ (0.06 )
Basic and diluted weighted average number of common shares outstanding	18,876,681	18,870,681

See condensed notes to consolidated financial statements.

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

	March 31, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 14,337	\$ 15,639
Accounts receivable, net of allowance for doubtful accounts of \$341 and \$513	1,316	1,573
Income tax receivable	--	3,095
Prepaid expenses	2,951	2,105
Other	649	728
	19,253	23,140
Property and equipment, net	98,141	95,040
Other long-term assets		
Goodwill	16,480	16,480
Intangible assets, net of accumulated amortization of \$6,695 and \$6,195	2,818	3,382
Deposits	393	178
Loan fees, net of accumulated amortization of \$4,231 and \$3,827	2,271	2,650
Deferred tax asset	74	74
	22,036	22,764
	\$ 139,430	\$ 140,944
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 4,092	\$ 4,102
Construction contracts payable	1,280	1,638
Accrued player club points and progressive jackpots	1,932	1,709
Accrued payroll and related	2,402	3,743
Other accrued expenses	2,895	3,704
Deferred tax liability	901	901
Current portion of capital lease obligation	679	690
Current portion of long-term debt	3,059	1,337
	17,240	17,824
Long-term debt, net of current portion	60,033	59,294
Deferred tax liability	327	99
Capital lease obligation, net of current portion	6,051	6,230
	83,651	83,447
Commitments and contingencies (Note 10)		
Stockholders' equity	2	2

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Common stock, \$0.0001 par value, 100,000,000 shares authorized;  
20,233,276 shares issued; 18,876,681 shares outstanding

Additional paid-in capital	45,915		45,878	
Treasury stock, 1,356,595 common shares	(1,654	)	(1,654	)
Retained earnings	11,516		13,271	
	55,779		57,497	
	\$ 139,430		\$ 140,944	

See condensed notes to consolidated financial statements.

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

Three months ended March 31, 2015	Common stock		Additional paid-in	Treasury stock		Retained	Total
	Shares	Dollars	capital	Shares	Dollars	Earnings	Stockholders' Equity
Beginning balances	20,233	\$ 2	\$ 45,878	1,357	\$ (1,654)	\$ 13,271	\$ 57,497
Stock-based compensation	--	--	37	--	--	--	37
Net loss	--	--	--	--	--	(1,755)	(1,755)
Ending balances	20,233	\$ 2	\$ 45,915	1,357	\$ (1,654)	\$ 11,516	\$ 55,779

See condensed notes to consolidated financial statements.



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

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (1,755 )	\$ (1,082 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,492	1,814
Amortization of loan fees	404	370
Amortization of player loyalty program, land lease and water rights	500	641
Loss on disposals	--	1
Stock-based compensation	37	79
Increases and decreases in operating assets and liabilities:		
Accounts receivable, net	257	134
Income tax receivable	3,095	1,970
Prepaid expenses	(846 )	(440 )
Other assets	162	(9 )
Deferred tax	228	--
Accounts payable and accrued expenses	(1,988 )	(1,664 )
Net cash provided by operating activities	1,586	1,814
Cash flows from investing activities:		
Purchase of property and equipment, net of construction contracts payable	(4,900 )	(2,019 )
Deposits	(234 )	(1,964 )
Other	--	(10 )
Net cash used in investing activities	(5,134 )	(3,993 )
Cash flows from financing activities:		
First Term loan borrowings	4,461	--
Revolving loan (repayment)/borrowings	(2,000 )	2,000
Repayment of long-term debt on capital lease obligation	(190 )	(237 )
Other	(25 )	(1 )
Net cash provided by financing activities	2,246	1,762
Net decrease in cash and equivalents	(1,302 )	(417 )
Cash and equivalents, beginning of period	15,639	14,936
Cash and equivalents, end of period	\$ 14,337	\$ 14,519
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 1,113	\$ 1,212

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Cash received from income tax refunds, net of cash paid of \$0.05 million for income taxes in 2014	\$ (3,095 )	\$ (1,915 )
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NON-CASH INVESTING AND FINANCING ACTIVITIES:

Accrued property and equipment capital expenditures	\$ 1,331	\$ 648
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See condensed notes to consolidated financial statements.

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FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
 CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION

Organization. Formed as a Delaware corporation in 1987, Full House Resorts, Inc., owns, 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 the context otherwise indicates.

We currently own three casino properties and operate a fourth casino subject to a lease, as follows:

Property	Acquisition	
	Date	Location
Silver Slipper Casino (Owned)	2012	Bay St. Louis, MS (near New Orleans)
Rising Star Casino Resort (Owned)	2011	Rising Sun, IN (near Cincinnati)
Stockman’s Casino (Owned)	2007	Fallon, NV (one hour east of Reno)
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort)	2011	Incline Village, NV (North Shore of Lake Tahoe)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company’s 2014 annual consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

The interim consolidated financial statements of the Company and its subsidiaries included herein reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain minor reclassifications have been made to prior-period amounts to conform to the current period presentation. These reclassifications had no effect on the previously reported net loss.

Preopening expenses. Preopening expenses are expensed as incurred and include payroll, outside services, advertising, and other expenses related to new or start-up operations.

Recently issued accounting standards. Recently issued authoritative standards issued after January 1, 2015 have been reviewed. The new guidance currently is not expected to have a material impact on our financial statements.

### 3. INCOME TAX RECEIVABLE

In March 2015, we received a \$3.1 million refund related to tax losses incurred during 2014 which we elected to carryback to taxable income earned during 2012.

### 4. PROPERTY AND EQUIPMENT

Property and equipment, including capital lease assets, consisted of the following (in thousands):

	March 31, 2015 (Unaudited)	December 31, 2014
Land and improvements	\$ 11,670	\$ 11,670
Buildings and improvements	73,997	73,997
Furniture and equipment	28,097	27,951
Construction in progress	15,712	11,264
	129,476	124,882
Less accumulated depreciation	(31,335 )	(29,842 )
	\$ 98,141	\$ 95,040

Construction in progress amounts primarily related to construction of the hotel at Silver Slipper Casino, and included capitalized interest of \$0.6 million and \$0.4 million for in-progress projects at March 31, 2015 and December 31, 2014, respectively.

### 5. ACCRUED LIABILITIES

Other accrued expenses consisted of the following (in thousands):

	March 31, 2015 (Unaudited)	December 31, 2014
Real estate and personal property taxes	\$ 979	\$ 1,172
Gaming taxes	206	294
Other taxes	468	495
Gaming related accruals	400	490
Other	842	1,253
	\$ 2,895	\$ 3,704

## 6. GOODWILL AND OTHER INTANGIBLES

At least annually during the fourth quarter or more frequently when there is a material change in circumstances that could have a negative effect, the Company performs an assessment of its goodwill and other indefinite-lived intangible assets to determine if the carrying value of such assets exceeds the fair value. No change in circumstances that would trigger an evaluation were observed during the three months ended March 31, 2015 or subsequently, and no impairment charges were recorded during the March 31, 2015 and 2014 quarters. We evaluate these assets using the market (comparable transactions) and income (discounted cash flow) approaches to value, both of which use Level 3 inputs as defined by GAAP.

We amortize our definite-lived intangible assets, including our player loyalty programs, loan fees, land leases and water rights, over their estimated useful lives. For the three months ended March 31, 2015, the aggregate amortization expense was \$0.9 million, which includes \$0.4 million for loan fees. For the three months ended March 31, 2014, such amount was \$1.0 million, including \$0.4 million for loan fees. Loan fees are amortized to interest expense.

## 7. CAPITAL LEASE

Our Indiana subsidiary, Gaming Entertainment (Indiana) LLC, leases a 104-room hotel at Rising Star Casino Resort pursuant to a capital lease agreement (the "Rising Star Lease Agreement") with Rising Sun/Ohio County First, Inc., an Indiana non-profit corporation (the "Landlord") for \$77,537 per month and an annual interest rate varying between 2.5% and 4.5% during the term of the lease. The Rising Star Lease Agreement is not guaranteed by the parent company or any subsidiary other than Gaming Entertainment (Indiana), LLC. The term is for 10 years with the Landlord having a right to sell the hotel to us at the end of the term for \$1 plus closing costs on the terms set forth in the Rising Star Lease Agreement. During the term, we also have the exclusive option to purchase the hotel at any time at a price based upon the project's actual cost of \$7.7 million, reduced by the cumulative principal payments made by the Company during the lease term. Upon expiration of the term of the lease, if we have not exercised our option to purchase the hotel tower, we have the option to purchase the hotel for \$1 plus closing costs. In the event of a default on the lease agreement, the Landlord's recourse allows for them to take possession of the property; collection of rents as defined; the right to seek remediation for any attorneys' fees and litigation expenses; and the costs of retaking and re-leasing the property.

## 8. LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	March 31, 2015 (Unaudited)	December 31, 2014
Long-term debt, net of current portion:		
First Term Loan, maturing June 29, 2016, quarterly payments of \$0.25 million beginning June 1, 2015; quarterly payments of \$1.25 million beginning October 1, 2015; interest payable monthly at a variable rate which averaged 4.75% for both periods presented	\$ 43,092	\$ 38,631
Revolving Loan, maturing June 29, 2016, interest payable monthly at a variable rate which averaged 4.75% for both periods presented	--	2,000
	20,000	20,000

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Second Term Loan, maturing April 1, 2017, interest payable monthly at 14.25% per annum (13.25% prior to July 18, 2014)

Less current portion	(3,059 )	(1,337 )
	\$ 60,033	\$ 59,294

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First and Second Lien Credit Facilities. The First Lien Credit Facility, including the Revolving Loan, and Second Lien Credit Facility are secured by substantially all of our assets, and our wholly owned subsidiaries guarantee our obligations under the agreements. As of March 31, 2015, we had drawn \$5.6 million of the \$10 million term loan under the First Lien Credit Facility. The remaining \$4.4 million of funding availability under the term loan will be used to fund a portion of the construction costs of the 129-room hotel addition to the Silver Slipper Casino, which is scheduled to open in phases during the second quarter of 2015.

During March 2015, we paid down \$2.0 million previously drawn on our \$5.0 million Revolving Loan under the First Lien Credit Facility.

We have elected to pay interest on the First Lien Credit Facility based on the greater of the elected London Interbank Offered Rate (“LIBOR”) rate or 1.0%, plus a margin rate. As of March 31, 2015, the interest rate was 4.75% on the balance outstanding on the First Lien Credit Facility, based on the 1.0% minimum plus a 3.75% margin.

The First and Second Lien Credit Facilities contain customary covenants, including a maximum total leverage ratio, maximum first lien leverage ratio, and a fixed charge coverage ratio, as indicated in the tables below:

Applicable Period	First Lien Credit Facility		Maximum		Minimum	
	Maximum Total Leverage Ratio		First Lien Leverage Ratio		Fixed Charge Coverage Ratio	
June 30, 2014 through and including September 29, 2014	4.75	x	3.50	x	1.10	x
September 30, 2014 through and including December 30, 2014	5.50	x	3.50	x	1.10	x
December 31, 2014 through and including June 29, 2015	5.50	x	4.00	x	1.10	x
June 30, 2015 through and including September 29, 2015	4.75	x	3.50	x	1.10	x
September 30, 2015 through and including December 30, 2015	4.50	x	3.25	x	1.10	x
December 31, 2015 through and including March 30, 2016	4.25	x	3.00	x	1.10	x
March 31, 2016 and thereafter	4.25	x	3.00	x	1.10	x

Applicable Period	Second Lien Credit Facility		Maximum		Minimum	
	Maximum Total Leverage Ratio		First Lien Leverage Ratio		Fixed Charge Coverage Ratio	
June 30, 2014 through and including September 29, 2014	5.00	x	3.75	x	1.00	x
September 30, 2014 through and including December 30, 2014	5.75	x	3.75	x	1.00	x
December 31, 2014 through and including March 30, 2015	5.75	x	4.25	x	1.00	x
March 31, 2015 through and including June 29, 2015	5.75	x	4.25	x	1.00	x
June 30, 2015 through and including September 29, 2015	5.00	x	3.75	x	1.00	x
September 30, 2015 through and including December 30, 2015	4.75	x	3.50	x	1.00	x
December 31, 2015 through and including March 30, 2016	4.50	x	3.25	x	1.00	x
March 31, 2016 and thereafter	4.50	x	3.25	x	1.00	x

We were in compliance with our covenants as of March 31, 2015. There can be no assurances that we will remain in compliance with all covenants in all future periods and that, if there is a breach, lenders will waive such breach.



## 9. INCOME TAXES

We had a provision for income taxes in the first quarter of 2015 despite incurring a pre-tax loss. This was due to the effects of the valuation allowance against our deferred tax assets and the recording of a deferred tax expense on the tax amortization of indefinite-lived intangible assets. Our effective income tax rate for continuing operations for the three months ended March 31, 2015 was -14.9%, or an expense of \$0.2 million, as compared to an effective tax rate of 32.7%, or a benefit of \$0.5 million, for the corresponding prior-year period. In the prior-year period, we recorded a benefit against a pre-tax loss. Subsequently, in the fourth quarter of 2014, we created a valuation reserve against our deferred tax assets due to the uncertainty that such benefits would be realized. We continued the practice of recording a valuation reserve against our deferred tax assets during the first quarter of 2015.

## 10. COMMITMENTS AND CONTINGENCIES

## Operating leases

The nature of our operating leases are as follows:

Leased Property	Term / Expiration
Grand Lodge Casino facility	7 years/August 2018
Land lease of Silver Slipper Casino site	54 years/April 2058

Additionally, we have less significant operating leases for certain office and warehouse facilities, office equipment, signage and land.

The total rent expense for all operating leases for the quarters ended March 31, 2015 and 2014 was \$0.9 million.

**Grand Lodge Casino Lease.** In 2011, we entered into a lease with Hyatt Equities L.L.C. to operate the Grand Lodge Casino (“Grand Lodge Lease”). The Grand Lodge Lease is secured by the Company’s interests under the lease and property as defined and is subordinate to the liens in the First and Second Lien Credit Facilities. Hyatt Equities, L.L.C. has an option to purchase our 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 for such period of time remaining on the lease term, whichever is less, plus the fair market value of the Grand Lodge Casino’s personal property. The Grand Lodge Lease was amended in 2013 to extend the initial term to August 31, 2018 among certain other conforming changes.

**Options to Purchase Silver Slipper Casino Leased Land.** In 2004, our 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 is situated. The lease includes base monthly payments of \$77,500 plus 3% of gross gaming revenue in excess of \$3.65 million, as defined. The land lease includes an exclusive option to purchase the leased land (“Purchase Option”) after February 26, 2019 through October 1, 2027, as well as an option to purchase only a four-acre portion of the leased land for \$2.0 million, which may be exercised at any time in conjunction with the development of a hotel. If there is no change in ownership, the purchase price of the leased land will be \$15.5 million (\$13.5 million if the four-acre parcel has been previously purchased) plus a retained interest in Silver Slipper Casino operations of 3% of net income as defined. In the event that we sell or transfer substantially all of the assets of our ownership in Silver Slipper Casino, then the purchase price will increase to \$17.1 million. The current term of the land lease is through April 30, 2058.



### Silver Slipper Casino Hotel Construction

On August 26, 2013, the Silver Slipper Casino entered into an agreement for the construction of a 129-room hotel adjoining the casino. We expect costs related to the construction of the hotel to be approximately \$20 million, inclusive of capitalized interest. We intend to finance \$10 million of the construction costs with proceeds from the term loan under the First Lien Credit Facility as described in Note 8. The remaining construction and related costs will be funded from available working capital. As of March 31, 2015, we had funded \$8.5 million of hotel construction costs in cash, and anticipate funding an additional \$1.6 million in cash to complete the project, including capitalized interest. We expect to complete and open the hotel in phases during the second quarter of 2015.

### *Indiana Department of Revenue*

During 2014, we received a proposed assessment of \$1.6 million, including interest and penalties, from the Indiana Department of Revenue (“IDOR”) related to unpaid sales and use taxes for periods prior to 2013. We protested and resolved the proposed assessment after March 31, 2015 for an amount that approximated our estimate. See Note 13 for additional information regarding the resolution of this issue.

### Legal Matters

We are party to a number of pending legal proceedings which occurred in the normal course of business. Management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on our financial position, cash flows or results of operations.

## 11. SHARE-BASED BENEFIT PLANS

**Compensation Cost.** We recognized stock compensation expense of \$37,000 for the three months ended March 31, 2015 compared to \$78,000 during the prior-year period. Share-based compensation expense is included in selling, general and administrative expense. As of March 31, 2015, there was approximately \$0.6 million of total unrecognized compensation cost related to unvested stock options granted by the Company. This unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.8 years.

**Stock Options.** The following table summarizes information related to our common stock options, all of which remain unvested as of March 31, 2015. The Company filed a registration statement on SEC Form S-8 on March 26, 2015 to register the shares issuable upon exercise of the nonqualified stock options.

	Number of Stock Options	Weighted Average Exercise Price
Options outstanding at January 1, 2015	943,834	\$ 1.25
Granted	300,000	\$ 1.37
Exercised	--	--
Canceled/Forfeited	--	--
Options outstanding at March 31, 2015	1,243,834	\$ 1.28
Options exercisable at March 31, 2015	--	\$ 1.28



On January 30, 2015, we entered into an employment agreement with Lewis Fanger to serve as the Company's Senior Vice President, Chief Financial Officer and Treasurer. In connection with entering into the employment agreement, Mr. Fanger was granted, outside of the 2006 Plan and qualifying as inducement options, nonqualified stock options covering 300,000 shares of Company common stock with an exercise price of \$1.37, the closing price per share on the grant date. The stock options will vest with respect to 25% of the shares on January 30, 2016 and will continue to vest with respect to an additional 1/48th of the shares on each monthly anniversary thereafter, subject to Mr. Fanger's continued service through the applicable vesting date. The stock options will vest in full on a change in control of the Company.

The aggregate intrinsic value of options outstanding was \$0.3 million at March 31, 2015, none of which were exercisable. The aggregate intrinsic value represents the total pre-tax intrinsic value that would have been realized by the option holders had all option holders exercised their options on the applicable date. The intrinsic value of a stock option is the excess of our closing stock price on that date over the exercise price, multiplied by the number of in-the-money options.

We estimated 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. Changes in assumptions used can materially affect the fair value estimate. Option valuation assumptions for Mr. Fanger's options granted during the three months ended March 31, 2015 were as follows:

V e s t i n g	January 30,
commencement	2016
date:	
E x p e c t e d	60%
volatility:	
E x p e c t e d	0%
dividend yield:	
Expected life (in	3 years
years):	
W e i g h t e d	0.88%
average risk free	
rate:	

Restricted Stock. There are 11,000 shares of common stock available for future issuance under the Company's Amended and Restated 2006 Incentive Compensation Plan (the "2006 Plan"), which expires on January 1, 2016. All previously issued shares have vested. See Note 13 for additional information.

12. **SEGMENT REPORTING**

The following tables reflect selected information for our reporting segments for the three months ended March 31, 2015 and 2014. The casino/resort segments include the Silver Slipper Casino in Bay St. Louis, Mississippi; the Rising Star Casino Resort in Rising Sun, Indiana; and the Northern Nevada segment, which consists of the Grand Lodge Casino in Incline Village, Nevada and Stockman's Casino in Fallon, Nevada. The Development/Management segment includes costs associated with casino development and management projects, including our management contract with the Pueblo of Pojoaque that expired in September 2014.

Selected statement of operations data for the three months ended March 31 (in thousands):

Three Months Ended  
March 31, 2015

## Casino/Resort Operations

	Northern Nevada	Rising Star Casino Resort	Silver Slipper Casino	Development/ Management	Corporate	Consolidated
Revenues, net	\$ 4,245	\$ 11,115	\$ 13,724	\$ --	\$ --	\$ 29,084
Selling, general and administrative	1,501	3,896	4,283	--	1,164	10,844
Depreciation and amortization	200	688	1,100	--	4	1,992
Operating income (loss)	83	(483 )	1,558	(4 )	(1,168 )	(14 )
Interest expense, net of amounts capitalized	--	42	5	--	1,478	1,525
Net income (loss)	81	(516 )	1,334	(4 )	(2,650 )	(1,755 )

Three Months Ended  
March 31, 2014

## Casino/Resort Operations

	Northern Nevada	Rising Star Casino Resort	Silver Slipper Casino	Development/ Management	Corporate	Consolidated
Revenues, net	\$ 4,387	\$ 13,248	\$ 12,320	\$ 494	\$ --	\$ 30,449
Selling, general and administrative	1,448	4,387	4,126	--	1,172	11,133
Depreciation and amortization	217	847	1,386	--	5	2,455
Operating income (loss)	148	(250 )	750	438	(1,177 )	(91 )
Interest expense, net of amounts capitalized	--	48	--	--	1,469	1,517
Net income (loss)	97	(248 )	495	320	(1,746 )	(1,082 )

Selected balance sheet data as of March 31, 2015 and December 31, 2014 (in thousands):

March 31, 2015

	Casino/Resort Operations					Corporate	Consolidated
	Northern Nevada	Rising Star Casino Resort	Silver Slipper Casino	Development/Management			
Total assets	\$ 10,767	\$ 38,083	\$ 80,698	\$ --	\$ 9,882	\$ 139,430	
Property, equipment and capital lease, net	6,483	33,129	58,498	--	31	98,141	
Goodwill	1,809	--	14,671	--	--	16,480	
Liabilities	1,662	11,604	4,105	--	66,280	83,651	

December 31, 2014

	Casino/Resort Operations					Corporate	Consolidated
	Northern Nevada	Rising Star Casino Resort	Silver Slipper Casino	Development/Management			
Total assets	\$ 12,471	\$ 39,101	\$ 76,898	\$ --	\$ 12,474	\$ 140,944	
Property, equipment and capital lease, net	6,656	33,801	54,548	--	35	95,040	
Goodwill	1,809	--	14,671	--	--	16,480	
Liabilities	1,970	11,543	4,182	--	65,752	83,447	

### 13. SUBSEQUENT EVENTS

Indiana Department of Revenue (IDOR). In April 2015, we agreed to withdrawal our formal protest with the IDOR and accept the IDOR's revised audit findings and proposed assessment relating to unpaid sales and use taxes for periods prior to 2013. The assessment payment totaled \$237,000, including interest and penalties, and was remitted in April 2015.

Revolving Loan. On April 1, 2015 we borrowed \$2.0 million under our \$5.0 million Revolving Loan under the First Lien Credit Facility.

Equity Incentive Plan. On March 31, 2015, our Board adopted the Full House Resorts, Inc. 2015 Equity Incentive Plan (the "2015 Plan"), subject to and effective upon stockholder approval. On May 5, 2015, the 2015 Plan became effective and the 2006 Plan was terminated. The 2015 Plan includes shares reserved for issuance of up to 1,400,000 new shares to directors, employees and consultants, and 1,243,834 shares issuable in respect to non-qualified stock options granted to Mr. Lee and to Mr. Fanger in connection with their employment. The 2015 Plan includes a variety of forms of awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents and performance-based compensation.





## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This management’s discussion and analysis of financial condition and results of operations (“MD&A”) contains forward-looking statements that involve risks and uncertainties. Please see “Forward-Looking Statements” for a discussion of the uncertainties, risks and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes for the fiscal year ended December 31, 2014, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 26, 2015. 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”.

## Overview

We currently own three casino properties and operate a fourth casino subject to a lease as follows:

Property	Acquisition	
	Date	Location
Silver Slipper Casino (Owned)	2012	Bay St. Louis, MS (near New Orleans)
Rising Star Casino Resort (Owned)	2011	Rising Sun, IN (near Cincinnati)
Stockman’s Casino (Owned)	2007	Fallon, NV (one hour east of Reno)
Grand Lodge Casino (leased and part of the Hyatt Regency Lake Tahoe Resort)	2011	Incline Village, NV (North Shore of Lake Tahoe)

Until our three-year contract expired in September 2014, we also managed the Buffalo Thunder Casino and Resort, Cities of Gold and related gaming facilities near Santa Fe, New Mexico for the Pueblo of Pojoaque.

Our financial results are dependent upon the number of patrons that we attract to our properties and the amounts those guests spend per visit. Additionally, our operating results may be affected by, among other things, overall economic conditions affecting the disposable income of our guests, weather conditions affecting our properties, achieving and maintaining cost efficiencies, competitive factors, gaming tax increases and other regulatory changes, the commencement of new gaming operations and construction at existing facilities. We may experience significant fluctuations in our quarterly operating results due to seasonality, variations in gaming hold percentages and other factors. Consequently, our operating results for any quarter or year are not necessarily comparable and may not be indicative of future periods’ results.

Our revenues are primarily derived from gaming sources, which include revenues from slot machines, table games and live keno. Gaming revenues are generally defined as gaming wins less gaming losses. In addition, we derive a significant amount of revenue from our hotel rooms and our food and beverage outlets. We also derive revenues from our golf course at the Rising Star Casino Resort, retail outlets and entertainment. Promotional allowances consist primarily of hotel, food and beverages furnished to customers on a complimentary basis. The retail value of such services is included in the respective revenue classifications and is then deducted as promotional allowances to calculate net revenues. We calculate operating income (loss) as net revenues less total operating costs and expenses.

Operating income (loss) represents only those amounts that relate to our operations and excludes interest income, interest expense, and other non-operating income and expenses.

### 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 promises to pay (“markers”) exchanged into chips for use at the Company’s table games. Slot coin-in and table game drop are indicators of volume.

Slot win and table game hold is the difference between customer wagers and customer winnings on slot machines and table games, respectively. Slot win and table game hold percentages represent the relationship between slot coin-in and table game drop to gaming wins and losses.

#### Room revenue indicators:

Hotel occupancy rate is an indicator of the utilization of our available rooms; average daily rate (“ADR”) is a price indicator; and hotel revenue per available room (“RevPAR”) is the product of the two and indicates the overall revenue generation of the hotel. Complimentary room sales, or the retail value of accommodations gratuitously furnished to customers, are included in the calculation of the hotel occupancy rate, ADR and RevPAR.

## Results of Operations

We manage our casinos based on geographical regions within the United States. Accordingly, Stockman's Casino and Grand Lodge Casino comprise a Northern Nevada business segment, while Rising Star Casino Resort and the Silver Slipper Casino are currently distinct segments. We previously managed certain casinos owned by Native American tribes and we also consider our fee-based casino development and management services as a segment, although none of our current casino properties are managed for others.

## Operating results – reportable segments

The following summarizes our operating results by reportable segment for the three months ended March 31, 2015 and 2014, expressed in thousands of dollars:

	Three Months Ended		Percent of Net Revenues				Increase (Decrease)		
	March 31, 2015	2014	2015	2014	2015	2014	Dollars	Percent	
Net Revenues									
Silver Slipper Casino	\$13,724	\$12,320	47.2	40.5	%	%	\$1,404	11.4	%
Rising Star Casino Resort	11,115	13,248	38.2	43.5	%	%	(2,133)	(16.1)	%
Northern Nevada Casinos	4,245	4,387	14.6	14.4	%	%	(142)	(3.2)	%
Corporate and Other	--	494	--	1.6	%	%	(494)	--	%
	\$29,084	\$30,449	100.0	100.0	%	%	\$(1,365)	(4.5)	%
Operating income (loss)									
Silver Slipper Casino	\$1,558	\$750	5.4	2.5	%	%	\$808	107.7	%
Rising Star Casino Resort	(483)	(250)	(1.7)	(0.8)	%	%	(233)	(93.2)	%
Northern Nevada Casinos	83	148	0.3	0.4	%	%	(65)	(43.9)	%
Corporate and Other	(1,172)	(739)	(4.0)	(2.4)	%	%	(433)	(58.6)	%
	\$(14)	\$(91)	(0.0)	(0.3)	%	%	\$77	84.6	%

## Silver Slipper

Net revenues increased primarily due to an increase in the number of patrons, marketing program improvements implemented early in the first quarter of 2015, and better weather conditions compared to the prior-year period. These items helped result in a \$0.9 million (8.8%) increase in slot revenue and a \$0.3 million (21.8%) increase in table games revenue. Non-gaming revenues (principally food and beverage revenues) increased \$0.5 million (17.3%) largely due to the increased promotional activity. During 2015, we continued to have construction disruption related to the property's adjoining hotel, which is now expected to open in phases during the second quarter of 2015.

Operating income benefited from the increase in revenue and a \$0.3 million decrease in depreciation and amortization due to certain assets becoming fully depreciated. These items were partially offset by increased casino expenses of \$0.5 million (8.8%) and food and beverage expenses of \$0.2 million (24.9%), reflecting higher gaming volumes and the increase in promotional allowances. We also incurred \$38,000 of preopening expenses for staffing and training for the new hotel.

#### Rising Star Casino Resort

Net revenues were lower primarily as a result of decreased gaming revenue of \$2.1 million (17.5%), reflecting competitive pressure from both new and existing nearby casinos. All potentially licensed casinos in Indiana and southern Ohio have now opened. The most recent openings of new regional competitors were in May and August of 2014.

Operating income was lower due to the decrease in gaming revenue, partially offset by decreased casino expenses of \$1.1 million (15.1%), reflecting cost-cutting measures and the declines in volumes and gaming revenues. During the prior-year period, Rising Star recorded a one-time operating expense credit adjustment of \$0.5 million related to the estimated effective state gaming tax rate resulting from lower than anticipated gaming revenues and \$0.2 million related to the over-accrual of unemployment taxes.

#### Northern Nevada

Net revenues and operating income decreased slightly compared to the prior-year period primarily due to a decrease in gaming revenue. The gaming revenue decrease was primarily related to Stockman's Casino, partially offset by a gaming revenue increase and operating expense decrease at the Grand Lodge Casino.

#### Corporate and Other

Net revenues decreased due to the expiration of our management contract in September 2014 with Buffalo Thunder, Cities of Gold, and related gaming facilities near Santa Fe, New Mexico, for the Pueblo of Pojoaque.

Operating income decreased primarily due to the expiration of the management contract, partially offset by a decrease in corporate overhead costs.

## Consolidated operating results

The following summarizes our consolidated operating results for the three months ended March 31, 2015 and 2014, expressed in thousands of dollars:

	Three Months Ended		Percent of Net Revenues				Increase (Decrease)	
	March 31, 2015	2014	2015	2014	Dollars	Percent		
Revenues, net								
Casino	\$26,354	\$27,481	90.6	90.3	\$(1,127)	(4.1)		%
Non-casino related, net of promotional allowances	2,730	2,474	9.4	8.1	256	10.3		%
Management fees	--	494	--	1.6	(494)	--		%
	29,084	30,449	100.0	100.0	(1,365)	(4.5)		%
Costs and expenses								
Casino	13,732	14,461	47.2	47.5	(729)	(5.0)		%
Non-casino related	2,488	2,435	8.5	8.0	53	2.2		%
Selling, general and administrative	10,886	11,189	37.4	36.7	(303)	(2.7)		%
Depreciation and amortization	1,992	2,455	6.9	8.1	(463)	(18.9)		%
	29,098	30,540	100.0	100.3	(1,442)	(4.7)		%
Operating loss	(14)	(91)	--	(0.3)	77	84.6		%
Interest expense and other	1,513	1,517	5.2	5.0	(4)	(.3)		%
Loss before income tax benefit	(1,527)	(1,608)	(5.2)	(5.3)	81	5.0		%
Provision (benefit) for income taxes	228	(526)	0.8	(1.7)	(754)	(143.3)		%
Net loss	\$(1,755)	\$(1,082)	(6.0)	(3.6)	\$(673)	(62.2)		%

Additional details related to the composition of our revenues for the three months ended March 31, 2015 and 2014, expressed in thousands of dollars, follows:

	Three Months Ended		Percent of Net		Increase (Decrease)	
	March 31,		Revenues		Dollars	Percent
	2015	2014	2015	2014		
Casino revenues						
Slots	\$22,466	\$23,789	77.2	% 78.1	% \$(1,323 )	(5.6 )%
Table games	3,796	3,618	13.1	% 11.9	% 178	4.9 %
Other	92	74	0.3	% 0.3	% 18	24.3 %
	26,354	27,481	90.6	% 90.3	% (1,127 )	(4.1 )%
Non-casino revenues, net						
Food and beverage	2,158	1,966	7.4	% 6.4	% 192	9.8 %
Hotel	153	123	0.5	% 0.4	% 30	24.4 %
Other	419	385	1.5	% 1.3	% 34	8.8 %
	2,730	2,474	9.4	% 8.1	% 256	10.3 %
Management fees	--	494	--	% 1.6	% (494 )	-- %
Total net revenues	\$29,084	\$30,449	100.0	% 100.0	% \$(1,365 )	(4.5 )%

The following discussion is based on our consolidated financial statements for the three months ended March 31, 2015 and 2014.

**Revenues.** Consolidated net revenues and casino revenues decreased primarily as a result of decreased gaming revenue at Rising Star and the expiration of our tribal management agreement, partially offset by increased gaming revenue at Silver Slipper.

Consolidated non-casino revenues increased primarily due to the increase in food and beverage revenue at Silver Slipper, resulting from an increase in patrons and more aggressive promotional activities.

**Casino costs and expenses.** The decrease in consolidated casino costs and expenses was primarily attributable to reductions in gaming taxes associated with reduced revenues and cost containment measures at Rising Star. These decreases were partially offset by an increase in complimentary and gaming taxes associated with increased revenues and marketing changes at Silver Slipper.

**Selling, general and administrative costs and expenses.** These costs decreased due to a \$0.5 million reduction in marketing and other costs at Rising Star, partially offset by a \$0.2 million increase at Silver Slipper. These expenses included \$38,000 related to the new hotel at Silver Slipper, which is scheduled to open in phases during the second quarter of 2015.

Depreciation and amortization expense. Depreciation and amortization expense decreased primarily due to fully depreciated two-year assets at Silver Slipper and the player loyalty program becoming fully amortized at Rising Star.

Interest expense and other. Interest expense and other consisted of the following:

	Three Months Ended March 31, (In Thousands)	
	2015	2014
Interest expense (excluding loan fee amortization)	\$ 1,318	\$ 1,222
Amortization of loan fees	404	370
Capitalized interest	(197 )	(75 )
Other	(12 )	--
	\$ 1,513	\$ 1,517

There were no significant changes in interest rates during the comparative periods.

Income tax expense. We had a provision for income taxes in the first quarter of 2015 despite incurring a pre-tax loss. This was due to the effects of the valuation allowance against our deferred tax assets and the recording of a deferred tax expense on the tax amortization of indefinite-lived intangible assets. Our effective income tax rate for continuing operations for the three months ended March 31, 2015 was -14.9%, or an expense of \$0.2 million, as compared to an effective tax rate of 32.7%, or a benefit of \$0.5 million, for the corresponding prior-year period. In the prior-year period, we recorded a benefit against a pre-tax loss. Subsequently, in the fourth quarter of 2014, we created a valuation reserve against our deferred tax assets due to the uncertainty that such benefits would be realized. We continued the practice of recording a valuation reserve against our deferred tax assets during the first quarter of 2015.

#### Non-GAAP Measures

“Adjusted EBITDA” is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening expenses, impairment charges, asset write-offs, gain (loss) from asset disposals, board and executive transition costs, project development and acquisition costs, and non-cash share based compensation expense. Adjusted EBITDA information is presented solely as a supplemental disclosure to reported U.S. generally accepted accounting principles (“GAAP”) measures because management believes these measures are (1) widely used measures of operating performance in the gaming and hospitality industry, (2) a principal basis for valuation of gaming and hospitality companies, and (3) are utilized in the covenants within our debt agreements, although not necessarily defined in the same way as above. “Adjusted Property EBITDA” is Adjusted EBITDA before corporate related costs and expenses which are not allocated to each property. Adjusted EBITDA and Adjusted Property EBITDA are not, however, a measure of financial performance or liquidity under U.S. generally accepted accounting principles. Accordingly, these measures should be considered supplemental and not a substitute for net income (loss) or cash flows as an indicator of the Company’s operating performance or liquidity.



The following table presents a reconciliation of Adjusted EBITDA to net loss for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Adjusted EBITDA	\$ 2,141	\$ 2,498
Depreciation and amortization	(1,992 )	(2,455 )
Pre-opening	(38 )	--
Write-offs and asset disposals	(84 )	(1 )
Project development & acquisition costs	(4 )	(55 )
Stock compensation	(37 )	(78 )
Operating loss	(14 )	(91 )
Non-operating expenses (income)		
Interest expense	1,525	1,517
Other	(12 )	--
	1,513	1,517
Loss before income taxes	(1,527 )	(1,608 )
Income tax expense (benefit)	228	(526 )
Net loss	\$ (1,755 )	\$ (1,082 )

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The following tables present reconciliations of operating income (loss) to Adjusted Property EBITDA and Adjusted EBITDA for the three months ended March 31, 2015 and 2014:

Three Months Ended March 31, 2015	Operating income (loss)	Depreciation and amortization	Preopening	Write-offs and asset disposals	Project development and acquisition costs	Stock compensation	Adjusted EBITDA
Casino properties							
Silver Slipper Casino	\$ 1,558	\$ 1,100	\$ 38	\$ --	\$ --	\$ --	\$ 2,696
Rising Star Casino Resort	(483 )	688	--	--	--	--	205
Northern Nevada Casinos	83	200	--	80	--	--	363
	1,158	1,988	38	80	--	--	3,264
Other operations							
Management fees	--	--	--	--	--	--	--
Project development and acquisition costs	(4 )	--	--	--	4	--	--
Stock compensation	(37 )	--	--	--	--	37	--
Corporate	(1,131 )	4	--	4	--	--	(1,123 )
	(1,172 )	4	--	4	4	37	(1,123 )
	\$ (14 )	\$ 1,992	\$ 38	\$ 84	\$ 4	\$ 37	\$ 2,141

Three Months Ended March 31, 2014	Operating income (loss)	Depreciation and amortization	Preopening	Write-offs and asset disposals	Project development and acquisition costs	Stock compensation	Adjusted EBITDA
Casino properties							
Silver Slipper Casino	\$ 750	\$ 1,386	\$ --	\$ --	\$ --	\$ --	\$ 2,136
Rising Star Casino Resort	(250 )	847	--	1	--	--	598
Northern Nevada Casinos	148	217	--	--	--	--	365
	648	2,450	--	1	--	--	3,099

Other operations Management fees	494	--	--	--	--	--	494
Project development and acquisition costs	(55 )	--	--	--	55	--	--
Stock compensation	(78 )	--	--	--	--	78	--
Corporate	(1,100 )	5	--	--	--	--	(1,095 )
	(739 )	5	--	--	55	78	(601 )

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