GOLDEN NUGGET ONLINE GAMING
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2020

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

GOLDEN NUGGET ONLINE GAMING
BALANCE SHEETS

AS OF DECEMBER 31, 2020

(UNAUDITED)
($ IN THOUSANDS)

Amended 8/25/21

Line (a)	Description (b)	Notes	2020 (c)	20__ (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$132,432	
2	Short-Term Investments		0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, $ 0 ; 20__, $)		7,057	
4	Inventories		0	
5	Other Current Assets		938	
6	Total Current Assets		140,427	0
7	Investments, Advances, and Receivables			
8	Property and Equipment - Gross		1,157	
9	Less: Accumulated Depreciation and Amortization		(551)	
10	Property and Equipment - Net		606	0
11	Other Assets		37,692	
12	Total Assets		$178,725	$0
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$12,818	
14	Notes Payable		0	
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	
16	External		0	
17	Income Taxes Payable and Accrued		0	
18	Other Accrued Expenses		19,716	
19	Other Current Liabilities		47,519	
20	Total Current Liabilities		80,053	0
	Long-Term Debt:			
21	Due to Affiliates			
22	External		141,727	
23	Deferred Credits		5,821	
24	Other Liabilities		23,334	
25	Commitments and Contingencies	Note 10	617,607	
26	Total Liabilities		868,542	0
27	Stockholders', Partners', or Proprietor's Equity		(689,817)	
28	Total Liabilities and Equity		$178,725	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
STATEMENTS OF INCOME

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2020 AND 20___

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	20__ (d)
	Revenue:			
1	Casino		$57,813	
2	Rooms		0	
3	Food and Beverage		0	
4	Other		7,819	
5	Net Revenue		65,632	0
	Costs and Expenses:			
6	Casino		18,146	
7	Rooms, Food and Beverage		0	
8	General, Administrative and Other		28,834	
9	Total Costs and Expenses		46,980	0
10	Gross Operating Profit		18,652	0
11	Depreciation and Amortization		156	
	Charges from Affiliates Other than Interest:			
12	Management Fees			
13	Other		1,216	
14	Income (Loss) from Operations		17,280	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates			
16	Interest Expense - External		(38,127)	
17	CRDA Related Income (Expense) - Net		(1,843)	
18	Nonoperating Income (Expense) - Net		(25,383)	
19	Total Other Income (Expenses)		(65,353)	0
20	Income (Loss) Before Taxes		(48,073)	0
21	Provision (Credit) for Income Taxes		(9,354)	
22	Net Income (Loss)		($38,719)	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 20___

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	20__ (c)	20__ (d)
	Revenue:			
1	Casino		$20,029	
2	Rooms		0	
3	Food and Beverage		0	
4	Other		3,000	
5	Net Revenue		23,029	0
	Costs and Expenses:			
6	Casino		6,077	
7	Rooms, Food and Beverage		0	
8	General, Administrative and Other		14,094	
9	Total Costs and Expenses		20,171	0
10	Gross Operating Profit		2,858	0
11	Depreciation and Amortization		52	
	Charges from Affiliates Other than Interest:			
12	Management Fees			
13	Other		415	
14	Income (Loss) from Operations		2,391	0
	Other Income (Expenses):			
15	Interest Expense - Affiliates			
16	Interest Expense - External		(19,415)	
17	CRDA Related Income (Expense) - Net		(404)	
18	Nonoperating Income (Expense) - Net		(25,384)	
19	Total Other Income (Expenses)		(45,203)	0
20	Income (Loss) Before Taxes		(42,812)	0
21	Provision (Credit) for Income Taxes		(8,565)	
22	Net Income (Loss)		($34,247)	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE EIGHT ENDED DECEMBER 31, 2020 AND THE ______ MONTHS ENDED ___________, 20__

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	Note from Old GNOG Parent (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2019..........**								($8,385)	($8,385)
2	Net Income (Loss) - 20__.............								6,986	6,986
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................								(15,208)	(15,208)
5	Prior Period Adjustments.............									0
6										0
7										0
8										0
9										0
10	**Balance, April 30, 2020..................**		0	0	0	0	0	0	(16,607)	(16,607)
11	Net income prior to acquisition tra								(6,571)	(6,571)
12	Contribution to Paid-in-Capital.....							(1,920)	18,712	16,792
13	Dividends....................................								(15,334)	(15,334)
14	Prior Period Adjustments.............									0
15	Note receivable from parent of Ol							(288,000)		(288,000)
16	Acquisition transaction recapitaliz		36,982	4	31,351	3	277,330	289,920	(288,545)	278,712
17	Net loss post acquisition transacti								(14,798)	(14,798)
18	Other						(277,330)		(366,681)	(644,011)
19	**Balance, ____________, 20__ ....**		36,982	$4	31,351	$3	$0	$0	($689,824)	($689,817)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
STATEMENTS OF CASH FLOWS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2020 AND 20__

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	20__ (c)	20__ (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		($6,851)	$0
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(59)	0
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations			
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(59)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....		(8,081)	
17	Payments to Settle Long-Term Debt.....		(150,051)	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		16,792	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		(15,334)	
21	Cash received in the Acquisition Transaction		270,366	
22	Other financing activities			
23	Net Cash Provided (Used) By Financing Activities.....		113,692	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		106,782	0
25	Cash and Cash Equivalents at Beginning of Period.....		25,650	
26	Cash and Cash Equivalents at End of Period.....		$132,432	$0

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$26,713	
28	Income Taxes.....		$0	

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
STATEMENTS OF CASH FLOWS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2020 AND 20__

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	20__ (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)........		($38,719)	
30	Depreciation and Amortization of Property and Equipment...		156	
31	Amortization of Other Assets........		11,769	
32	Amortization of Debt Discount or Premium........			
33	Deferred Income Taxes - Current		(12,085)	
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment........			
36	(Gain) Loss on CRDA-Related Obligations........			
37	(Gain) Loss from Other Investment Activities........			
38	(Increase) Decrease in Receivables and Patrons' Checks			
39	(Increase) Decrease in Inventories			
40	(Increase) Decrease in Other Current Assets........		(1,437)	
41	(Increase) Decrease in Other Assets........		(3,728)	
42	Increase (Decrease) in Accounts Payable........		4,846	
43	Increase (Decrease) in Other Current Liabilities		9,844	
44	Increase (Decrease) in Other Liabilities		22,468	
45	Stock based compensation		35	
46	....			
47	Net Cash Provided (Used) By Operating Activities........		($6,851)	$0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2020 (c)	20__ (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment........		($59)	
49	Less: Capital Lease Obligations Incurred........			
50	Cash Outflows for Property and Equipment........		($59)	$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired........			
52	Goodwill Acquired........			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed........			
55	Issuance of Stock or Capital Invested........			
56	Cash Outflows to Acquire Business Entities........		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions........		$16,792	$0
58	Less: Issuances to Settle Long-Term Debt........		0	0
59	Consideration in Acquisition of Business Entities........		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions......		$16,792	$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

GOLDEN NUGGET ONLINE GAMING
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2020
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	128,173	19,960		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other		87		
12	Total	128,173	$20,047	0	$0

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits	35,149	5,773		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other		77		
12	Total	35,149	$5,850	0	$0

*No item in this category (Other) exceeds 5%.

GOLDEN NUGGET ONLINE GAMING
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2020

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

3/31/2021

Michael Harwell

CFO
Title

4717-03
License Number

On Behalf of:

GOLDEN NUGGET ONLINE GAMING
Casino Licensee

Golden Nugget Online Gaming, Inc.

Notes to Consolidated Financial Statements

1. Nature of Operations and Recent Developments

Golden Nugget Online Gaming, Inc. (formerly known as Landcadia Holdings II, Inc. or “GNOG”, the “Company”, “we”, “our” or “us”) is an online gaming, or iGaming, and digital sports entertainment company focused on providing our customers with the most enjoyable, realistic and exciting online gaming experience in the market. We currently operate in New Jersey and Michigan where we offer patrons the ability to play their favorite casino games and bet on live-action sports events. We were one of the first online gaming operators to enter the New Jersey market in 2013 and we commenced operations in Michigan on January 22, 2021.

We are authorized by the New Jersey Division of Gaming Enforcement (“DGE”) and the Michigan Gaming Control Board (“MGCB”) to operate interactive real money online gaming in New Jersey and Michigan.

Acquisition Transaction

On December 29, 2020 (the “Closing Date”) we completed the acquisition of Golden Nugget Online Gaming, LLC (formerly known as Golden Nugget Online Gaming, Inc., or “Old GNOG”), a New Jersey limited liability company and wholly-owned subsidiary of GNOG Holdco (“GNOG LLC”). The acquisition was completed pursuant to the purchase agreement, dated June 28, 2020 by and among the Company, LHGN HoldCo, LLC, a Delaware limited liability company and newly formed, wholly-owned subsidiary of the Company (“Landcadia Holdco”), Landry’s Fertitta, LLC, a Texas limited liability company (“LF LLC”), GNOG Holdings, LLC, a Delaware limited liability company and newly formed, wholly-owned subsidiary of LF LLC (“GNOG Holdco”), and GNOG LLC. The transactions contemplated by the Purchase Agreement are referred to herein as the “Acquisition Transaction.” The Acquisition Transaction was accounted for as a reverse recapitalization and the reported amounts from operations prior to the Acquisition Transaction are those of Old GNOG (See Note 3).

Following the Acquisition Transaction, we operate as an umbrella partnership C-corporation, or “Up-C,” meaning that substantially all of our assets are held indirectly through Golden Nugget Online Gaming LLC (“GNOG LLC”), our indirect subsidiary, and our business is conducted through GNOG LLC.

Covid-19

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions around the world, accelerating during the last half of March 2020, as federal, state and local governments react to the public health crisis. The direct impact on us is primarily through an increase in new patrons utilizing online gaming due to closures of land-based casinos and suspensions, postponement and cancellations of major sports seasons and sporting events, although sports betting accounted for less than 1% of our revenues for 2020. Land based casinos reopened in July with significant restrictions, which eased over time. However, virus cases began to increase and capacity restrictions were reinstituted. As a result, the ultimate impact of this pandemic on our financial and operating results is unknown and will depend, in part, on the length of time that these disruptions exist and the subsequent behavior of new patrons after land-based casinos reopen fully.

A significant or prolonged decrease in consumer spending on entertainment or leisure activities could have an adverse effect on the demand for the Company's product offerings, reducing cash flows and revenues, and thereby materially harming the Company's business, financial condition and results of operations. In addition, a recurrence of COVID-19 cases or an emergence of additional variants or strains could cause other widespread or more severe impacts depending on where infection rates are highest. As steps taken to mitigate the spread of COVID-19 have necessitated a shift away from a traditional office environment for many employees, the Company has business continuity programs in place to ensure that employees are safe and that the business continues to function with minimal disruptions to normal work operations while employees work remotely. The Company will continue to monitor developments relating to disruptions and uncertainties caused by COVID-19.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The acquisition of Old GNOG has been accounted for as a reverse recapitalization. Under this method of accounting, Old GNOG was treated as the acquirer for financial reporting purposes. Therefore, the consolidated financial statements included herein reflect (i) the historical operating results of Old GNOG prior to the Acquisition Transaction, (ii) our combined results following the Acquisition Transaction, (iii) the assets, liabilities and accumulated deficit of Old GNOG at their historical amounts, and (iv) our equity and earnings per share presented for the period from the Closing Date through the end of the year.

These audited consolidated financial statements include all the accounts of GNOG and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period reported. Management utilizes estimates, including, but not limited to, the useful lives of assets and inputs used to calculate the tax receivable agreement liability. Actual results could differ from those estimates.

Emerging Growth Company

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. The Partnership has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Partnership, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Partnership's consolidated financial statements with another company which is neither an emerging growth company nor an emerging growth company, which has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

Concentrations Related to Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of operating cash and cash equivalents and cash reserved for users. The Company maintains separate accounts for cash and cash reserved for users in two financial institution. Some amounts exceed federally insured limits. Management believes all financial institutions holding our cash are of high credit quality and we do not believe we are subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on accounts and cash on hand. We consider short-term, highly liquid investments that have an original maturity of three months or less to be cash equivalents. Amounts held in financial institutions are in excess of FDIC insurance limits. We have not experienced any losses in such account and believe we are not exposed to any significant risks on our cash in bank accounts.

Restricted cash represents required amounts on hand that generally represent the amount of players' funds on deposit in their wagering accounts.

Accounts Receivable

Receivables consist of amounts due from third party payment processors and online gaming operators. As of December 31, 2020, and 2019, there were $4.7 million and $3.3 million, respectively, due from gaming operators. Receivables are reviewed for collectability based on historical collection experience and specific review of individual accounts. Receivables are written off when they are deemed to be uncollectible. For the years ended December 31, 2020 and 2019 there was no allowance for doubtful accounts. Accounts receivables are non-interest bearing and are initially recorded at cost. Amounts written off totaled $0.4 million, $0.2 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Customer Deposits

Customer deposits are liabilities that relate to amounts due to players and online betting operators and are required to be maintained to comply with regulatory requirements. The amounts due to players consist of customer deposits, plus bonuses converted to cash, plus winning wagers, less losing wagers, and less player withdrawals. We separately track amounts due to players and per certain regulatory requirements must maintain a balance equal to or greater than amounts due as restricted cash.

Property and Equipment, net

Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset. Leasehold improvements depreciation is computed over the shorter of the lease term or estimated useful life of the asset. Additions and improvements are capitalized, while repairs and maintenance are expensed as incurred. Useful lives of each asset class are as follows:

Computer equipment and software	3-5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of the lease terms or the estimated useful lives of the improvements, generally 1 – 10 years

Financial Instruments and Fair Value

Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1	Unadjusted quoted market prices for identical assets or liabilities;
Level 2	Quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets or liabilities; and
Level 3	Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The carrying value of certain of our assets and liabilities, consisting primarily of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and certain accrued liabilities approximates their fair value due to the short-term nature of such instruments.

The fair value of our long-term debt is determined by Level 1 measurements based on quoted market prices. The fair value and carrying value of our long-term debt as of December 31, 2020 was $171.0 million and $145.0 million, respectively.

Revenue and Cost Recognition

We recognize revenue for services when the services are performed and when we have no substantive performance obligations remaining. Online real money gaming revenues are recognized as the aggregate net difference between gaming wins and losses and are recorded as gaming revenue in the accompanying statements of operations, with liabilities recognized for funds deposited by customers before gaming play occurs. We report 100% of wins as revenue and our content provider's share is reported in costs and expenses.

Jackpots, other than the incremental progressive jackpots, are recognized at the time they are won by customers. We accrue the incremental progressive jackpots as the progressive games are played, and the progressive jackpot amount increases, with a corresponding reduction to gaming revenues. Free play and other incentives to customers related to internet gaming play are recorded as a reduction of gaming revenue.

We are contracted to manage multi-year market access agreements with online gaming operators that are authorized to operate real money online gaming and sports betting in New Jersey, for which we receive royalties and cost reimbursement. Initial fees received for the market access agreements and prepaid guaranteed minimum royalties are deferred and recognized over the term of the contract as the performance obligations are satisfied.

Gaming Taxes

We incur gaming taxes, which are determined by each jurisdiction in which we operate, and are generally based on a percentage of gross gaming revenues ("GGR") minus applicable deductions. We record a liability for gaming taxes payable as accrued gaming and related taxes in our consolidated balance sheets.

Advertising

Advertising costs are expensed as incurred during such year and are recorded as selling, general and administrative expense in our accompanying statements of operations. Advertising expenses were $17.5 million, $9.3 million and $8.2 million, in 2020, 2019 and 2018, respectively.

Stock-Based Compensation

We record compensation expense over the requisite service period for all stock-based compensation based on the grant date fair value of the award. The expense is included in selling, general and administrative expense in our statements of operations. As we have limited historical experience, our policy is to account for forfeitures of share-based compensation awards as they occur.

Income Taxes

We were subject to a tax sharing agreement with certain affiliates prior to the December 29, 2020 closing date of the Acquisition Transaction and we recognized tax assets and liabilities associated with temporary differences on a separate return basis in accordance with GAAP. Following the consummation of the Acquisition Transaction, we operate as an Up-C, meaning that substantially all of our assets are held indirectly through Golden Nugget Online Gaming LLC ("GNOG LLC"), our indirect subsidiary, and our business is conducted through GNOG LLC.

We follow the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are realized or liabilities are settled. A valuation allowance reduces deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.

We use a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order to be recognized in the financial statements. Accordingly, we report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement.” This update modifies fair value measurement disclosure requirements including (i) removing certain disclosure requirements such as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) modifying certain disclosure requirements, and (iii) adding certain disclosure requirements such as changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. Adoption of this standard did not materially impact our financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This guidance requires recognition of most lease liabilities on the balance sheet to give investors, lenders, and other financial statement users a more comprehensive view of a company’s long-term financial obligations, as well as the assets it owns versus leases. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and for interim periods within annual periods after December 15, 2022. In July 2018, the FASB issued ASU 2018-11 making transition requirements less burdensome. The standard provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the Company’s financial statements. We are currently evaluating the impact that this guidance will have on our financial statements as well as the expected adoption method. We do not believe the adoption of this standard will have a material impact on our financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments”, as additional guidance on the measurement of credit losses on financial instruments. The new guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. In addition, the guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The new guidance is effective for all public companies for interim and annual periods beginning after December 15, 2019, with early adoption permitted for interim and annual periods beginning after December 15, 2018. In October 2019, the FASB approved a proposal which grants smaller reporting companies additional time to implement FASB standards on current expected credit losses (CECL) to January 2023. As a smaller reporting company, we will defer adoption of ASU No. 2016-13 until January 2023. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes-Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the timing of adopting this guidance and the impact of adoption on its financial position, results of operations and cash flows.

3. Acquisition Transaction

The Acquisition Transaction was accounted for as a reverse recapitalization, with no goodwill or other intangible assets recorded and we were determined to be the “acquired” company for accounting purposes. For accounting purposes, the Acquisition Transaction was treated as the equivalent of Old GNOG issuing stock for the net assets of Landcadia Holdings II, Inc., accompanied by a recapitalization. The net assets of Landcadia Holdings II, Inc. were stated at historical cost, with no goodwill or other intangible assets recorded. Reported amounts from operations prior to the Acquisition Transaction are those of Old GNOG.

The aggregate consideration for the transaction was (i) $313.5 million payable in 31,350,625 Landcadia Holdco Class B Units (the “Class B Units”) and 31,350,625 shares of Class B common stock, (ii) Closing Cash Consideration in an amount of $30.0 million and (iii) the repayment of $150.0 million, representing one-half of the existing principal amount owed by Old GNOG under the Credit Agreement, together with related prepayment premium in an amount of approximately $24.0 million, as well as related expenses and accrued and unpaid interest in an amount of approximately $4.9 million.

The Class B common stock carries 10 votes per share, provided that the voting power of the shares held by Mr. Fertitta and his affiliates will be subject to an automatic downward adjustment to the extent necessary for the total voting power of all shares of common stock beneficially held by Mr. Fertitta and his affiliates not to exceed 79.9%.

The Class B Units represent a 45.9% economic interest in Landcadia Holdco that have no voting rights and that are redeemable, together with an equal number of Class B common stock, for either 31,350,625 shares of Class A common stock or an equal value of cash based on the average of the volume-weighted closing price of our Class A common stock for the ten trading days immediately prior to and including the date the redemption notice is provided. The cash redemption is at our option through a vote of our independent directors. Mr. Fertitta, directly or indirectly, will have 79.9% of the voting power of our capital stock and therefore will control the election of the board of directors, including the independent directors and therefore we have accounted for these Class B Units as redeemable non-controlling interests outside of permanent equity in our consolidated balance sheets.

Upon closing, we entered into the Tax Receivable Agreement with LF LLC as additional consideration. The Tax Receivable Agreement generally provides for the payment by us to LF LLC of 85% of certain tax benefits that we actually realize or are deemed to realize from the use of certain tax attributes in periods after the closing of the transaction. We will retain the tax benefit, if any, of the remaining 15% of these tax attributes.

The following represents the aggregate cash, equity and other consideration (in thousands):

Rollover equity issued at closing	31,351
Value per unit of rollover equity (1)	$ 10.00
Total equity consideration	$ 313,510
Plus: Cash consideration	$ 30,000
Plus: GNOG debt repayment	150,000
Plus: Debt repayment fees and accrued interest	28,975
Plus: Tax receivable agreement	23,334
Total cash, equity and other consideration	$ 545,819

(1) Equity consideration is calculated using a $10.00 reference price. The closing share price on the date of the consummation of the transaction was $25.49. As the transaction was accounted for as a reverse recapitalization, the value per share is disclosed for informational purposes only in order to indicate the fair value of shares transferred.

In connection with the Acquisition Transaction, we incurred direct and incremental acquisition related expenses of approximately $4.1 million, consisting of legal professional fees and other one-time expenses included in acquisition related expenses in the consolidated statement of operations for the year ended December 31, 2020.

4. Revenues from Contracts with Customers

Effective January 1, 2018, we adopted Accounting Standards Codification ("ASC") Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaborative arrangements and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance.

In determining the appropriate amount of revenue to be recognized as we fulfill our obligations under the agreement, the following steps must be performed at contract inception: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) we satisfy each performance obligation.

Online Gaming

Our revenues are principally derived from real money online gaming, which includes both online casino wagering and online sports wagering. Gaming revenue is recognized at the conclusion of each wager or contest and is measured as the aggregate net difference between gaming wins and losses and is recorded as gaming revenue in the accompanying statements of operations.

Online casino wagering offerings typically include games similar to those available in land-based casinos. Online casino wagering involves a player placing a wager on a game of chance such as a virtual slot machine or a virtual table game such as blackjack. Online sports wagering involves a player placing a wager on a particular outcome of a sporting event at some fixed odds. For both online casino and online sports wagering, in the event the player wins on a settled result, we pay out the bet.

Jackpots, other than the incremental progressive jackpots, are recognized at the time they are won by customers. We accrue the incremental progressive jackpots as the progressive games are played, and the progressive jackpot amount increases, with a corresponding reduction to casino revenues. Free play and other incentives to customers related to internet gaming play are recorded as a reduction of casino gaming revenue.

Market Access Agreements

We have been contracted to manage multi-year market access agreements with online gaming operators that are authorized to operate online casino wagering and online sports betting, for which we receive royalties. Initial fees received for the market access agreements and prepaid guaranteed minimum royalties are deferred and recognized over the term of the contract as the performance obligations are satisfied.

We generally receive monthly royalties that can be fixed amounts or based on a percentage of Net Gaming Revenues (as defined) ("NGR"), and in some cases we receive upfront minimum royalty payments for specified contract periods. Royalties owed by the customer in excess of these minimum royalty amounts are collected as earned. Some contracts call for a one-time non-refundable market access fee to be paid at the inception of the contract.

Live Dealer Studio Broadcast License Agreements

We have been contracted to manage multi-year live studio broadcast license agreements with authorized online gaming operators that provide for the use of the live table games that are broadcast from our studio at the Golden

Nugget in Atlantic City, New Jersey. We receive royalties from the online gaming operators using the studio based on a percentage of GGR. We also offer some “private tables” for which we receive a flat monthly fee in addition to a percentage of GGR and or a share of costs.

Reimbursable Revenue

We receive partial or pro-rated reimbursements from our partners for the annual upfront initial or renewal permit fees charged by gaming authorities, other gaming related costs and expenses and certain specifically designated personnel costs incurred in connection with fulfilling our contracts. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof is dependent on factors outside of our influence. Accordingly, reimbursable revenue is fully constrained and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer.

Loyalty Programs

We have established promotions and a player’s club to encourage repeat business from frequent and active online gaming patrons. Members earn points based on gaming activity and such points can be redeemed for cash and free play into the patron’s online gaming account. The incentives earned by customers under these programs are based on their past play and represent separate performance obligations. Player club points generally expire within ninety days of patron inactivity.

As player’s club points earned can be redeemed for cash, we defer 100% of the cash converted point balance as they are earned and record a reduction to casino gaming revenue.

Deferred revenue liabilities from contracts related to our loyalty program included in accrued gaming and related taxes in our accompanying balance sheets was $46 thousand and $25 thousand as of December 31, 2020 and 2019, respectively.

Disaggregation of Revenue

The following table summarizes revenues from our contracts disaggregated by revenue generating activity contained therein for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31,		
	2020	**2019**	**2018**
Gaming	$ 79,919	$ 47,694	$ 38,827
Market access and live dealer studio	8,753	5,903	2,615
Reimburseables	2,448	1,824	1,460
Total revenue	$ 91,120	$ 55,421	$ 42,902

Gaming revenue and reimbursable revenue is recognized at a point in time, while market access and live studio revenue are earned over time.

Contract Balances

Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on invoiced amounts are payable upon receipt. Contract liabilities include payments received for initial set-up fees and upfront guaranteed minimum royalty fees, which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

The following table provides information about receivables, contract assets and contract liabilities related to contracts with customers (in thousands):

	December 31,	
	2020	**2019**

Receivables, which are included in "Accounts receivable - trade and other"	$ 4,703	$ 3,264
Contract liabilities [1]	$ (9,136)	$ (6,750)

(1) As of December 31, 2020, includes $3.3 million recorded as deferred revenue – current, $46 thousand of loyalty program liability recorded as accrued gaming and related taxes and $5.8 million recorded as deferred revenue - long-term in our consolidated balance sheets. As of December 31, 2019, includes $2.1 million recorded as deferred revenue, $25 thousand of loyalty program liability recorded as accrued gaming and related taxes and $4.6 million recorded as deferred revenue in long-term liabilities in our consolidated balance sheets.

Significant changes in contract assets and contract liabilities balances during 2020 and 2019 are as follows (in thousands):

	Year ended December 31,	
	2020	**2019**
Decrease due to recognition of revenue	$ 2,854	$ 2,712
Increase due to cash received, excluding amounts recogized as revenue	$ 5,240	$ -

Transaction Price Allocated to the Remaining Performance Obligation

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2020. The estimated revenue does not include amounts of variable consideration that are constrained (in thousands):

Year Ending December 31,	
2021	$ 3,327
2022	2,633
2023	1,433
2024	571
2025	322
Thereafter	850
Total	$ 9,136

5. Property and Equipment

Property and equipment are comprised of the following (in thousands):

	December 31,	
	2020	**2019**
Leashold improvements	$ 544	$ 533
Furniture, fixtures and equipment	613	565
	1,157	1,098
Less - accumulated depreciation	(551)	(378)
	$ 606	$ 720

We review the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. The recoverability of assets is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying amount of the asset. If such assets are considered to be impaired, an impairment charge is recorded in the amount by which the carrying amount of the assets exceeds fair value using Level 3 measurements.

6. Accrued Liabilities

Accrued gaming and related taxes are comprised of the following (in thousands):

	December 31,	
	2020	2019
Gaming related, excluding taxes	$ 10,046	$ 9,556
Taxes, other than payroll and income taxes	6,670	4,141
	$ 16,716	$ 13,697

7. Long-term Debt

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

	December 31,	
	2020	2019
$150.0 million term loan, LIBOR + 12.0% (floor 1.0%), interest only due October 4, 2023	$ 150,000	$ -
Equipment note		74
Less: Deferred debt issuance costs	(3,233)	-
Less: Unamortized discount	(5,040)	-
Total debt, net of unnamortized debt issuance costs and discounts	141,727	74
Less: Current portion	-	(74)
Long-term debt	$ 141,727	$ -

On April 28, 2020, we entered into a term loan credit agreement that is guaranteed by our indirect parent, comprised of a $300.0 million interest only term loan due October 4, 2023. Net proceeds received from the term loan of $288.0, net of original issue discount, were sent to the parent of Old GNOG, who issued Old GNOG a note receivable due October 2024 in the same amount, with substantially similar terms as the credit agreement (see Note 12). The note receivable from the parent of Old GNOG was accounted for as contra-equity, similar to a subscription receivable, however in the reverse recapitalization recorded in connection with the Acquisition Transaction, the note receivable from our indirect parent was accounted for as a distribution to the parent of Old GNOG, reducing retained earnings. The term loan was issued at a 4% discount. The term loan bears interest at the London Interbank Offered Rate ("LIBOR") plus 12%, with a 1% floor, and interest payments are made quarterly. The term loan is secured by the note receivable which effectively, but indirectly provides pari passu security interest with the Golden Nugget, LLC senior secured credit facility.

In connection with the Acquisition Transaction, we repaid $150.0 million of the $300.0 million term loan and incurred a prepayment premium of $24.0 million, which along with other related fees and expenses was expensed as other expense in our consolidated statement of operations. Additionally, we expensed $3.3 million in deferred debt issuance costs and $5.0 million in unamortized discount as interest expense in our consolidated statement of operations.

The term loan credit agreement contains certain negative covenants including restrictions on incurring additional indebtedness or liens, liquidation or dissolution, limitations on disposal of assets and paying dividends. The term loan credit agreement also contains a make-whole provision that is in effect through April 2022. The prepayment premium under the make-whole provision is calculated as (A) the present value of (i) 100% of the aggregate principal amount of the term loan prepaid, plus (ii) all required remaining scheduled interest payments through April 2022, minus (B) the outstanding principal amount being prepaid. We have completed a tender offer in connection with the Acquisition Transaction for $150.0 million of the term loans at 116%, which represented a $24.0 million premium to face value. This premium, along with related fees and expenses for the tender offer were expensed as other expense in our consolidated statements of operations for the year ended December 31, 2020.

8. Income Taxes

The provision for income taxes for the years ended December 31, 2020, 2019 and 2018 is summarized as follows (in thousands):

	December 31, 2020	December 31, 2019	December 31, 2018
Current:			
Federal	$ 275	$ 3,315	$ 2,381
State	2,124	2,376	1,672
Total current income taxes	$ 2,399	$ 5,691	$ 4,053
Deferred:			
Federal	$ (6,680)	$ 19	$ 985
State	(3,370)	250	(330)
Total deferred income taxes	(10,050)	269	655
Provision for income taxes	$ (7,651)	$ 5,960	$ 4,708

The effective income tax rate for the years ended December 31, 2020, 2019 and 2018, differs from the federal statutory rate as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Income tax at statutory rate	21.0%	21.0%	21.0%
Loss attributable to non-controlling interest	(9.3%)	-	-
State tax expense	4.3%	12.1%	8.4%
Non-deductible expenses	(0.3%)	-	-
Change in tax rate	-	-	9.2%
Changes in unrecognized tax benefits	3.7%	0.7%	1.1%
Effective tax rate	19.4%	33.8%	39.7%

Deferred tax assets and liabilities as of December 31, 2020 and 2019 are comprised of the following (in thousands):

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Investment in GNOG, LLC	$ 96,934	$ -
Excess business interest expense	4,965	-
Net operating loss	203	-
Accruals and other	-	2,428
Deferred tax assets, prior to valuation reserve	102,102	2,428
Valuation allowance	(67,386)	-
Deferred tax assets, net of valuation reserve	34,716	2,428
Deferred tax liabilities:		
Property and other	-	(58)
Net deferred tax asset	$ 34,716	$ 2,370

The changes to unrecognized tax benefits, excluding interest and penalties that we recognize as a component of income tax expense is as follows (in thousands):

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at beginning of year	$ 2,829	$ 2,960	$ 2,960

Additions for current year tax positions	-	-	-
Reductions for prior year tax positions	(2,829)	(131)	-
Balance at end of year	$ -	$ 2,829	$ 2,960

As of December 31, 2020, we do not have any unrecognized tax benefits. As of December 31, 2019, we had approximately $2.8 million of unrecognized tax benefit and $0.5 million of penalties and interest. The reduction in unrecognized tax benefits is the result of a tax accounting method change that was filed during 2020 that put us on the proper method, allowing for a full reversal of the historical liability, including penalties and interest.

We are subject to income taxes in U.S. federal and state jurisdictions. We have concluded all U.S. federal income tax matters for years through 2016. Our tax returns for the calendar years 2017 and 2018 are currently under examination by the Internal Revenue Service, but there have not been any material issues identified at this time.

9. Stock-based Compensation

In 2020, we adopted the Golden Nugget Online Gaming, Inc. 2020 Incentive Award Plan (the "2020 Plan") providing for common stock-based awards to employees, non-employee directors and consultants. The 2020 Plan permits the granting of various types of awards, including awards of nonqualified stock options, ISOs, stock appreciation rights, restricted stock awards, restricted stock units, other stock-based awards, other cash-based awards, dividend equivalents, and/or performance compensation awards or any combination of the foregoing. The 2020 Plan provides for an aggregate of 5,000,000 shares of Class A common stock to be delivered; provided that the total number of shares that will be reserved, and that may be issued, under the Incentive Plan will automatically increase on the first trading day of each calendar year, beginning with calendar year 2021, by a number of shares equal to one percent (1%) of the total outstanding shares of Class A common stock on the last day of the prior calendar year. Restricted stock and restricted stock units may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant. As of December 31, 2020, approximately 3,965,000 shares were available for future awards.

A summary of compensation cost recognized for stock-based payment arrangements is as follows (in thousands):

	Year Ended December 31,		
	2020	**2019**	**2018**
Compensation cost recognized:			
Restricted stock units	$ 35	$ -	$ -
	$ 35	$ -	$ -

We have granted 4 to 5-year time vested restricted stock unit awards where each unit represents the right to receive, at the end of a vesting period, one share of our Class A common stock with no exercise price. The fair value of restricted stock unit awards was determined based on the fair market value of our shares on the grant date. As of December 31, 2020, there was $26.3 million of total unrecognized compensation cost related to unvested restricted stock unit awards. This cost is expected to be recognized over a weighted-average period of 2.1 years.

A summary of the status of our restricted stock unit awards and of changes in our restricted stock unit awards outstanding for the year ended December 31, 2020 is as follows:

	Shares	Weighted Average Grant-Date Fair Value Per Share

Outstanding at January 1, 2020	-	$ -
Granted	1,035,000	25.49
Vested and converted	-	-
Forfeited/expired	-	-
Outstanding at December 31, 2020	1,035,000	$ 25.49

None of these restricted stock units were vested as of December 31, 2020.

10. Stockholder' Deficit and Loss per Share

Stockholders' Deficit

Acquisition Transaction

Immediately prior to the closing of the Acquisition Transaction, there were 31,625,000 shares of Landcadia Holdings II, Inc. Class A common stock issued and outstanding and 7,906,250 shares of Class B common stock held by Landcadia Holdings II, Inc.'s co-sponsors, Fertitta Entertainment, Inc. and Jefferies Financial Group Inc. ("JFG"). On December 29, 2020, in connection with the Acquisition Transaction, JFG forfeited 2,543,750 shares of their Class B common stock and the remainder of the Class B common stock converted into Class A common stock of the post-combination company on a one-for-one basis. Additionally, 5,180 stockholders elected to have their shares redeemed in connection with the Acquisition Transaction.

Common Stock

As of December 31, 2020, we had 36,982,320 shares of Class A common stock, par value $0.0001, outstanding of a total of 220,000,000 shares authorized. Holders of Class A common stock are entitled to cast one vote per share of Class A common stock and will share ratably if and when any dividend is declared.

As of December 31, 2020, we had 31,350,625 shares of Class B common stock, par value $0.0001, outstanding of a total of 50,000,000 shares authorized. There is no public market for our Class B common stock. New shares of Class B common stock may be issued only to, and registered in the name of, Mr. Fertitta or his affiliates (including all successors, assigns and permitted transferees) (collectively, the "Permitted Class B Owners"). We may not issue additional shares of Class B common stock other than in connection with the valid issuance of Landcadia Holdco Class B Units in accordance with the A&R HoldCo LLC Agreement to any Permitted Class B Owner. For so long as Mr. Fertitta and his affiliates beneficially own 30% or more of the total number of (i) shares of Class A common stock outstanding as of the Closing and (ii) shares of Class A common stock that were issued upon exchange of the Landcadia Holdco Class B Units held by Mr. Fertitta and his affiliates as of the Closing (the "Sunset Event"), holders of Class B common stock are entitled to cast 10 votes per share of Class B common stock. The voting power of the shares held by Mr. Fertitta and his affiliates is subject to an automatic downward adjustment to the extent necessary for the total voting power of all shares of our common stock beneficially held by Mr. Fertitta and his affiliates not to exceed 79.9%. To the extent Mr. Fertitta and his affiliates exchange Landcadia Holdco Class B Units (and a corresponding number of shares of Class B common stock have been cancelled), the number of votes per share of each remaining share of Class B common stock will increase, up to 10 votes per share. In no event will the shares of Class B common stock have more than 10 votes or less than 1 vote per share. Once Mr. Fertitta and his affiliates cease to beneficially own 30% or more of the total number of (i) shares of Class A common stock outstanding as of the Closing and (ii) shares of Class A common stock that were issued upon exchange of the Landcadia Holdco Class B Units held by Mr. Fertitta and his affiliates as of the closing, the holders of the shares of Class B common stock will be entitled to one (1) vote per share. Holders of Class B common stock will not participate in any dividend declared by the board of directors. Beginning 180 days after the closing of the Acquisition Transaction, each holder of Class B Units will be entitled to cause Landcadia Holdco to exchange all or a portion of its Class B Units (upon the surrender of a corresponding number of shares of Class B common stock) for either one share of Class A common stock or, or at our election, in its capacity as the sole managing member of Landcadia Holdco, the cash equivalent of the market value of one share of Class A common stock.

Dividends

During the years ended December 31, 2020, 2019 and 2018, we made dividend payments of $30.5 million $10.8 million and $8.4 million, respectively to the parent of Old GNOG.

Warrants

As of December 31, 2020, we had 10,541,667 public warrants outstanding. Each public warrant entitles the holder to purchase one share of Class A common stock at a price of $11.50 per share. Under the terms of the warrant agreement, we may call the warrants for redemption: (i) in whole and not in part; (ii) at a price of $0.01 per warrant; (iii) upon not less than 30 days' prior written notice of redemption to each warrant holder; and (iv) if, and only if, the reported closing price of the Class A common stock equals or exceeds $18.00 value per share for any 20 trading days within a 30-trading day period ending three business days before we send the notice of redemption to the warrant holders.

As of December 31, 2020, we had 5,883,333 sponsor warrants outstanding. Each sponsor warrant entitles the holder to purchase one share of Class A common stock at $11.50 per share. The sponsor warrants were not transferable, assignable or salable until 30 days after the completion of the Acquisition Transaction and they are non-redeemable so long as they are held by the initial purchasers of the sponsor warrants or their permitted transferees. If the sponsor warrants are held by someone other than the initial purchasers or their permitted transferees, the sponsor warrants will be redeemable by us and exercisable by such holders on the same basis as the public warrants. Otherwise, the sponsor warrants have terms and provisions that are identical to those of the public warrants except that the sponsor warrants may be exercised on a cashless basis.

Redeemable Non-Controlling Interests

In connection with the Acquisition Transaction, 31,350,625 Landcadia Holdco Class B Units were issued to LF LLC, representing 45.9% economic interest with no voting rights. Beginning 180 days after the closing of the Acquisition Transaction, the holder of the Class B Units is entitled to redeem all or a portion of such Class B Units to be settled in cash or shares of Class A Common Stock and as such, these Class B Units are classified as temporary equity in accordance with ASC 480-10-S99-3A and represent a non-controlling interest. The non-controlling interest has been adjusted to redemption value as of December 31, 2020 in accordance with paragraph 15 option b of ASC 480-10-S99-3A. This measurement adjustment results in a corresponding adjustment to shareholders' deficit through adjustments to additional paid-in capital and retained earnings. The redemption value of the Class B Units was $617.6 million on December 31, 2020. The redemption value is calculated by multiplying the 31,350,625 Class B Units by the $19.70 trading price of our Class A common stock on December 31, 2020.

Concurrent with future redemptions of the Class B Units, an equal number of shares of the Class B common stock will be cancelled.

Loss per Share

	Closing Date Through December 31, 2020
Numerator:	
Net loss post Acquisition Transaction - diluted	$ (32,148)
Net loss post Acquisition Transaction attributable to non-controlling interests	17,350
Net loss post Acquisition Transaction attributable to Class A common shares - basic	$ (14,798)
Denominator:	
Weighted average shares outstanding - Class A common stock - basic	36,982
Weighted average shares outstanding - Class B Units redeemed	31,351
Weighted average shares outstanding - diluted	68,333

Loss per share:		
Basic	$	(0.40)
Diluted	$	(0.47)

No earnings (loss) per share are presented for periods preceding the Acquisition Transaction as only the Class B common shares would have been outstanding in historical periods pursuant to the reverse recapitalization and the Class B common shares do not participate our income or loss. Public warrants totaling 10,541,667 and sponsor warrants totaling 5,883,333 were excluded from the computation as inclusion in the period presented would have been anti-dilutive.

11. Commitments and Contingencies

Leases with Affiliates

In connection with the Acquisition Transaction, GNOG LLC entered into office leases with GNAC and Golden Nugget respectively, or their respective affiliates (collectively, the "Office Leases"). The Office Leases provide for annual rent payments of $88,128 for the office space leased in Houston, Texas and $24,252 for the office space leased in Atlantic City, New Jersey, subject to an increase of 10% for any renewal term and market rent increases in the event that GNOG LLC requires the use of additional office space during the term thereof. However, any amounts actually paid by GNOG LLC under the Trademark License Agreement and the A&R Online Gaming Operations Agreement (see Note 12) will be credited against GNOG LLC's rent obligations under the Office Leases. Consequently, we paid no rent expenses pursuant to these leases during the year ended December 31, 2020. Each Office Lease will have a term of five years. In connection with any renewal of the term of the A&R Online Gaming Operations Agreement (see Note 12), GNOG LLC has an option to renew each Office Lease for the lesser of (i) five years or (ii) the length of the renewed term of the A&R Online Gaming Operations Agreement. Each Office Lease may be terminated by GNOG LLC or the respective landlord upon six months' notice.

Assuming no amounts are paid under the Trademark License Agreement and the A&R Online Gaming Operations Agreement, future minimum lease payments are as follows (in thousands):

Year Ending December 31,		
2021	$	112
2022		112
2023		112
2024		112
2025		84
Total	$	532

Other Contractual Obligations and Contingencies

We have entered into a number agreements for advertising, licensing, market access, technology, and other services. Certain of these agreements have early termination rights that, if exercised, would reduce the aggregate amount of such payable under these commitments. As of December 31, 2020, future minimum payments under these contracts that are non-cancelable are as follows (in thousands):

Year Ending December 31,	
2021	$ 12,479
2022	4,300
2023	2,800
2024	3,400
2025	16,584
Thereafter	5,750
Total	$ 45,313

Agreement with Danville Development

On November 18, 2020, we entered into a definitive agreement with Danville Development, for market access to the State of Illinois (see Note 12). Pursuant to this agreement, we have committed to cause to be provided a mezzanine loan in the amount of $30.0 million to Danville Development for the development and construction a new Golden Nugget branded casino in Danville, Illinois. This mezzanine loan is currently expected to be fully funded in the fourth quarter of 2021 or the first quarter of 2022.

Employment Agreements

We have entered into employment agreements with two key employees, with original terms of 4 to 5 years. These agreements in the aggregate provide for minimum base cash compensation of $0.7 million and potential severance payments totaling $1.7 million for termination by us without cause, or termination by the employee for good reason, as defined in the agreements. Pursuant to one of the agreements cash payments of $2.5 million will be made to the employee in both 2021 and 2022.

Legal Proceedings

We are from time to time subject to various claims, lawsuits and other legal and administrative proceedings arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, non-monetary sanctions or relief. However, we do not consider any such claims, lawsuits or proceedings that are currently pending, individually or in the aggregate, to be material to our business or likely to result in a material adverse effect on our future operating results, financial condition or cash flows.

12. Related Party Transactions

Second A&R Intercompany Note

In connection with the Acquisition Transaction, LF LLC and GNOG LLC entered into the Second A&R Intercompany Note, which amended and restated that certain Amended and Restated Intercompany Note, dated December 16, 2020, by LF LLC and GNOG LLC (the “First Intercompany Note”), to continue to act as a guarantee to the credit agreement and provided for, among other things, (a) a reduction in the principal amount outstanding under the First A&R Intercompany Note by $150.0 million, which reduction occurred at closing, and (b) a reduction in the amounts payable thereunder to 6% per annum, to be paid quarterly on the outstanding balance from day to day thereunder. The Second A&R Intercompany Note will continue to provide for a corresponding reduction in the remaining principal amount due and owing thereunder for each payment made under the credit agreement that reduces the principal amount of the loans under the credit agreement. The A&R HoldCo LLC agreement provides for additional issuances of Class B Units and the equivalent number of shares of Class B common stock to LF LLC in consideration of the payments described in clause (b) above to be made by LF LLC to GNOG LLC pursuant to the terms of the Second A&R Intercompany Note, with such payments and equity issuances being treated as capital transactions for accounting purposes. Pursuant to the First Intercompany Note, amounts paid for the year ended December 31, 2020 and recorded as additional capital contributions from the parent of Old GNOG totaled $16.8 million.

Tax Receivable Agreement

In connection with the Acquisition Transaction, we entered into a Tax Receivable Agreement (the “Tax Receivable Agreement”) with LF LLC. The Tax Receivable Agreement provides for payment to LF LLC in respect of 85% of the U.S. federal, state and local income tax savings allocable to us from Landcadia Holdco and arising from certain transactions, including (a) certain transactions contemplated under the Purchase Agreement and (b) the exchange of LF LLC’s Class B Units for shares of our Class A common stock, par value $0.0001 per share, as determined on a “with and without” basis, and for an early termination payment to LF LLC in the event of a termination with a majority vote of disinterested directors, a material breach of a material obligation, or a change of control, subject to certain limitations, including in connection with available cash flow and financing facilities. Assuming no exchange of LF LLC's Class B Units pursuant the A&R Holdco LLC Agreement (as defined below), the initial estimated liability under the Tax Receivable Agreement ("TRA liability") of $23.3 million was recognized in our consolidated balance sheets. Payments for such TRA liability will, subject to certain limitations, including in connection with available cash flow and financing facilities, be made annually in cash and are expected to be funded with tax distributions from Landcadia Holdco. The Tax Receivable Agreement payments will commence in the year following our ability to realize tax savings provided through the transaction and, at this time, are expected to commence in 2025 (with respect to taxable periods ending in 2024). The amount and timing of such Tax Receivable Agreement payments may vary based upon a number of factors. The Tax Receivable Agreement also provides for an accelerated lump sum payment on the occurrence of certain events, among them a change of control. Based upon certain assumptions, it is estimated that such early termination payment could amount to approximately $354.3 million. It is anticipated that such early termination payments may be made from the proceeds of such change of control transaction; however, we may be required to fund such early termination payments from other sources and there can be no assurances that the Company will be able to finance such obligations in a manner that does not adversely affect its working capital or financial conditions.

Trademark License Agreement

In connection with the Acquisition Transaction, we entered into a trademark license agreement (the "Trademark License Agreement") with Golden Nugget and GNLV, pursuant to which GNLV has granted us an exclusive license to use certain "Golden Nugget" trademarks (and other trademarks related to our business) in connection with operating online real money casino gambling and sports wagering in the U.S. and any of its territories, subject to certain restrictions. The license has a twenty-year term that commenced on the closing date. During the term of the agreement, we have agreed to pay Golden Nugget a monthly royalty payment equal to 3% of Net Gaming Revenue (as defined therein). Upon the tenth and fifteenth anniversary of the effective date of the Trademark License Agreement, the monthly royalty amount payable to GNLV will be adjusted to equal the greater of (i) 3% of Net Gaming Revenue and (ii) the fair market value of the licenses (as determined by an independent appraiser, if necessary).

While the trademarks licensed under the Trademark License Agreement generally will be exclusively licensed to us, in the event that (i) a new market or opportunity becomes available (e.g., pursuant to the legalization of online gaming in another jurisdiction), and (ii) we are unwilling, unable or otherwise fail to pursue such market or opportunity, Golden Nugget will be permitted to pursue such market or opportunity and utilize the trademarks covered by the Trademark License Agreement with respect thereto. For the avoidance of doubt, nothing in the Trademark License Agreement will restrict us (or Golden Nugget) from owning or operating an online-based casino using marks that are not covered by the A&R Trademark License Agreement. We expensed $1.2 million for the year ended December 31, 2020 under this agreement and the predecessor of the A&R Online Gaming Operations Agreement (together referred to as the "Royalty Agreements)." Amounts payable under the Royalty Agreements as of December 31, 2020 is $0.4 million, which included along with other various amounts in paid on our behalf as payable to an affiliate on our consolidated balance sheets.

A&R Online Gaming Operations Agreement

In connection with the Acquisition Transaction, we entered into an amended and restated online gaming operations agreement (the "A&R Online Gaming Operations Agreement") with GNAC pursuant to which GNAC granted us the right to host, manage, control, operate, support and administer, under GNAC's land-based casino operating licenses, the Golden Nugget-branded online gaming business, live dealer studio in New Jersey and the third-party operators. In addition, we are responsible for managing, administering and operating GNAC's online gaming business and providing services to GNAC in connection with the management and administration of certain platform agreements and GNAC is required to provide certain operational and infrastructure services to GNOG LLC in connection with its New Jersey operations. In addition to the 3% royalty payable pursuant to the A&R Trademark License Agreement as described above, we are also obligated to reimburse GNAC for certain expenses incurred by GNAC in connection with the New Jersey online gaming business, such as New Jersey licensing costs, regulatory fees, certain gaming taxes and other expenses incurred by GNAC directly in connection with our operations in New Jersey. The A&R Online Gaming Operations Agreement has a term of five years commencing from April 2020 and is renewable by us for an additional five-year term. The A&R Online Gaming Operations Agreement also provides for, among other things, (a) minimum performance standards under which we are required to operate the Golden Nugget online gaming business, and (b) an arms-length risk allocation framework (including with respect to insurance and indemnification obligations).

Lease Agreements

We lease a portion of the space within the Golden Nugget Atlantic City Hotel & Casino located at 600 Huron Ave, Atlantic City, NJ 08401 (the "Atlantic City Hotel and Casino") from GNAC for the operation of an online live casino table gaming studio from which live broadcasted casino games are offered to online gaming customers. The lease has a five-year term from April 27, 2020, plus one five-year renewal period.

We also have the right to use certain office and equipment spaces within the Atlantic City Hotel and Casino and GNAC's headquarters in Houston, Texas, and have entered into new lease agreements with respect to such spaces (see Note 11).

Services Agreement

In connection with the Acquisition Transaction, we terminated our prior shared services agreement and entered into the Services Agreement (together, the "Services Agreements") with Golden Nugget to provide for the performance of certain services. Pursuant to the Services Agreement entered, GNAC and Golden Nugget have agreed to provide certain services and facilities, including payroll, accounting, financial planning and other agreed upon services, to us from time to time and we have agreed to provide continued management, consulting and administrative services to Golden Nugget's applicable subsidiary in connection with retail sports wagering conducted and such subsidiary's brick-and-mortar casino. Under this agreement, each party is responsible for its own expenses and the employer of any shared employee is responsible for such shared employee's total compensation. We are also obligated to reimburse the party providing the service or facilities at cost. Reimbursements we expensed under the Services Agreements totaled $0.3 million, $0.3 million and $0.2 million for the years ended December 31, 2020, 2019 and 2018.

Agreement with Danville Development

On November 18, 2020, we entered into a definitive agreement with Danville Development, LLC ("Danville Development") for market access to the State of Illinois. Danville Development is a joint venture between Wilmot Gaming Illinois, LLC and GN Danville, LLC, a wholly owned subsidiary of Golden Nugget, LLC and an affiliate of ours, formed to build a new Golden Nugget branded casino in Danville, Illinois, pending obtaining all regulatory approvals. GN Danville, LLC will own a 25% equity interest in Danville Development and has an option to purchase the other equity interests in the future at a price to be determined pursuant to definitive agreement. The definitive agreement has a term of 20 years and requires us to pay Danville Development a percentage of its online net gaming revenue, subject to minimum royalty payments over the term. In addition, under the definitive agreement, we hold the exclusive right to offer online sports wagering and, if permitted by law in the future, online casino wagering. We have committed to cause to be provided a mezzanine loan in the amount of $30.0 million to Danville Development, which will indirectly benefit GN Danville, LLC, for the development and construction of the casino.

The foregoing agreements were entered into between related parties and were not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable than might have been obtained from unaffiliated third parties.

Tax sharing Agreement

Prior to the closing of the Acquisition Transaction, we were subject to a tax sharing agreement with the parent of Old GNOG. Amounts owed under the tax sharing agreement as of December 31, 2020 were $2.2 million included in payable to an affiliate on our consolidated balance sheets.

13. Subsequent Events

We have evaluated subsequent events through March 31, 2021, which is the date our financial statements were issued.

On February 4, 2021 we announced that we would redeem all of our outstanding public warrants to purchase shares of our Class A common stock that were issued under the warrant agreement dated May 6, 2019, by and between us and Continental Stock Transfer & Trust Company, as warrant agent and transfer agent, and that remain outstanding following 5:00 p.m. New York City time on March 8, 2021 for a redemption price of $0.01 per warrant. Warrants that were issued under the Warrant Agreement in a private placement and held by the founders of the Company were not subject to this redemption.

Under the terms of the Warrant Agreement, we were entitled to redeem all of our outstanding public warrants for $0.01 per public warrant if the reported closing price of our common stock was at least $18.00 per share on each of twenty trading days within a thirty-trading day period ending on the third trading day prior to the date on which a notice of redemption is given. This performance threshold was achieved following the market close on January 28, 2021.

A total of 9,584,227 warrants were exercised through March 8, 2021 for proceeds of $110.2 million.

On February 24, 2021, we announced that we had entered into a definitive agreement with Tioga Downs Race Track, LLC. ("Tioga Downs") for future online gaming market access in the state of New York, subject to legislation, regulatory approval, license eligibility and availability. This agreement gives us market access to the state of New York for online casino wagering under a Tioga Downs' license, regulations permitting. As part of the 20-year agreement, we will pay Tioga Downs, one of only seven commercial and tribal casinos in the state, a percentage of our net gaming revenue, which will be subject to minimum royalty payments for the duration of the term.

On March 16, 2021, we announced that we had secured an online sports betting temporary permit in Virginia.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charges to Costs and Expenses	Deductions	Other (1)	Balance at End of Period
Year Ended December 31, 2020:					
Valuation allowance for deferred taxes	$ -	$ -	$ -	$ 67,386	$ 67,386

(1) Amount relates to valuation allowance established on deferred tax assets related to the completion of the Acquisition Transaction.

GOLDEN NUGGET ONLINE GAMING

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2020

SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

GOLDEN NUGGET ONLINE GAMING

ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2020

(UNAUDITED)
($ IN THOUSANDS)

Amended 8/25/21

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks..............................	$0		
2	Returned Patrons' Checks..................................	-		
3	Total Patrons' Checks......................................	-	$0	$0
4	Hotel Receivables..	-	-	$0
	Other Receivables:			
5	Receivables Due from Officers and Employees...	-		
6	Receivables Due from Affiliates.........................			
7	Other Accounts and Notes Receivables...............	7,057	0	0
8	Total Other Receivables..................................	-		$0
9	Totals (Form DGE-205).......................................	$7,057	$0	$0

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1)...	$0
11	Counter Checks Issued..	-
12	Checks Redeemed Prior to Deposit...	-
13	Checks Collected Through Deposits..	-
14	Checks Transferred to Returned Checks..	-
15	Other Adjustments..	
16	Ending Balance...	$0
17	"Hold" Checks Included in Balance on Line 16...	0
18	Provision for Uncollectible Patrons' Checks..	$0
19	Provision as a Percent of Counter Checks Issued..	0.0%

GOLDEN NUGGET ONLINE GAMING
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2020

($ IN THOUSANDS)

Line	Department	Number of Employees	Salaries and Wages		
			Other Employees	Officers & Owners	Totals
(a)	(b)	(c)	(d)	(e)	(f)
	CASINO:				
1	Table and Other Games	122			
2	Slot Machines	0			
3	Administration	0			
4	Casino Accounting	0			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	122	$1,951		$1,951
8	ROOMS	0	0		0
9	FOOD AND BEVERAGE	0	0		0
10	GUEST ENTERTAINMENT	0	0	`	0
11	MARKETING	0	0		0
12	OPERATION AND MAINTENANCE	0	0		0
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	3	687		687
14	Accounting and Auditing	6	247		247
15	Security	0	0		0
16	Other Administrative and General	38	2,618		2,618
	OTHER OPERATED DEPARTMENTS:				
17	Valet	0	0		0
18	Retail	0	0		0
19	Pool/Spa	0	0		0
20	Marina	0	0		0
21					
22					
23	TOTALS - ALL DEPARTMENTS (1)	169	$5,503	$0	$5,503