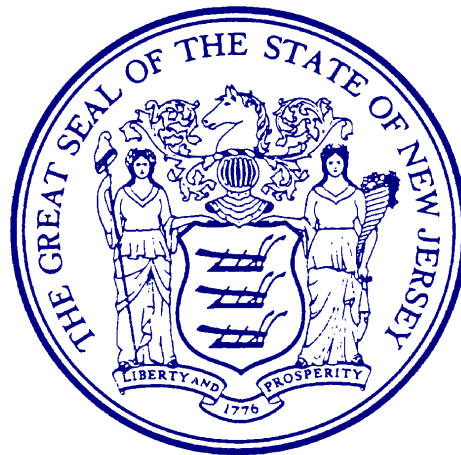


**GOLDEN NUGGET ONLINE GAMING  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2021**

**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, 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$54,845	\$132,432
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2021, \$ 0; 2020, \$0).....		30,531	7,057
4	Inventories .....		0	0
5	Other Current Assets.....		373	938
6	Total Current Assets.....		85,749	140,427
7	Investments, Advances, and Receivables.....			
8	Property and Equipment - Gross.....		2,480	1,157
9	Less: Accumulated Depreciation and Amortization.....		(728)	(551)
10	Property and Equipment - Net.....		1,752	606
11	Other Assets.....		77	37,692
12	Total Assets.....		\$87,578	\$178,725
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$4,606	\$12,818
14	Notes Payable.....		0	
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		170	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....		16,222	19,716
19	Other Current Liabilities.....		48,816	47,519
20	Total Current Liabilities.....		69,814	80,053
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....		145	141,727
23	Deferred Credits .....		3,189	5,821
24	Other Liabilities.....		0	199,693
25	Commitments and Contingencies.....	Note 10	0	617,607
26	Total Liabilities.....		73,148	1,044,901
27	Stockholders', Partners', or Proprietor's Equity.....		14,430	(866,176)
28	Total Liabilities and Equity.....		\$87,578	\$178,725

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

E YEAR ENDED DECEMBER 31, 2021 AND EIGHT MONTHS ENDED DECEMBER  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....		\$76,011	\$57,813
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		14,892	7,819
5	Net Revenue.....		90,903	65,632
	Costs and Expenses:			
6	Casino.....		34,599	18,146
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		23,447	28,834
9	Total Costs and Expenses.....		58,046	46,980
10	Gross Operating Profit.....		32,857	18,652
11	Depreciation and Amortization.....		192	156
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....		1,821	1,216
14	Income (Loss) from Operations.....		30,844	17,280
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(3)	(38,127)
17	CRDA Related Income (Expense) - Net.....		(2,612)	(1,843)
18	Nonoperating Income (Expense) - Net.....			14,203
19	Total Other Income (Expenses).....		(2,615)	(25,767)
20	Income (Loss) Before Taxes .....		28,229	(8,487)
21	Provision (Credit) for Income Taxes.....		0	(9,354)
22	Net Income (Loss).....		\$28,229	\$867

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, 2021 AND 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	Revenue:			
1	Casino.....		\$17,480	\$20,029
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		3,700	3,000
5	Net Revenue.....		21,180	23,029
	Costs and Expenses:			
6	Casino.....		8,198	6,077
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		5,769	14,094
9	Total Costs and Expenses.....		13,967	20,171
10	Gross Operating Profit.....		7,213	2,858
11	Depreciation and Amortization.....		32	52
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....		438	415
14	Income (Loss) from Operations.....		6,743	2,391
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(3)	(19,415)
17	CRDA Related Income (Expense) - Net.....		(626)	(404)
18	Nonoperating Income (Expense) - Net.....		0	14,202
19	Total Other Income (Expenses).....		(629)	(5,617)
20	Income (Loss) Before Taxes .....		6,114	(3,226)
21	Provision (Credit) for Income Taxes.....		0	(8,565)
22	Net Income (Loss).....		\$6,114	\$5,339

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 YEAR ENDED DECEMBER 31, 2021 AND THE EIGHT MONTHS ENDED DECEMBER 31, 2020

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Note from Old GNOG Parent (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, April 30, 2020.....								(\$16,607)	(\$16,607)
2	Net income prior to acquisition tra								(6,571)	(6,571)
3	Contribution to Paid-in-Capital.....						(1,920)		18,712	16,792
4	Dividends.....								(15,334)	(15,334)
5	Prior Period Adjustments.....									0
6	Note receivable from parent of Old						(288,000)			(288,000)
7	Acquisition transaction recapitaliz		36,982	4	31,351	3	277,330	289,920	(288,545)	278,712
8	Net loss post acquisition transactio								24,781	24,781
9	Other						(277,330)		(582,619)	(859,949)
10	Balance, December 31, 2020.....		36,982	4	31,351	3	0	0	(866,183)	(866,176)
11	Net income								28,229	28,229
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Note receivable from parent of Old									0
16	Acquisition transaction recapitaliz									0
17	Net loss post acquisition transactio									0
18	Reorganization		(36,982)	(4)	(31,351)	(3)			852,384	852,377
19	Balance, December 31, 2021 .....		0	\$0	0	\$0	\$0	\$0	\$14,430	\$14,430

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

THE YEAR ENDED DECEMBER 31, 2021 AND EIGHT MONTHS ENDED DECEMBER 31, 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$3,955)	(\$6,851)
	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.....		(1,078)	(59)
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.....		(1,078)	(59)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		(15)	
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....		0	(8,081)
17	Payments to Settle Long-Term Debt.....		0	(150,051)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	16,792
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....		0	(15,334)
21	Cash received in the Acquisition Transaction .....		0	270,366
22	Reorganization .....		(72,539)	
23	Net Cash Provided (Used) By Financing Activities.....		(72,554)	113,692
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(77,587)	106,782
25	Cash and Cash Equivalents at Beginning of Period.....		132,432	25,650
26	Cash and Cash Equivalents at End of Period.....		\$54,845	\$132,432
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$2	\$26,713
28	Income Taxes.....		\$0	\$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

THE YEAR ENDED DECEMBER 31, 2021 AND EIGHT MONTHS ENDED DECEMBER 31, 2020

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2021 (c)	2020 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$28,229	\$867
30	Depreciation and Amortization of Property and Equipment.....		192	156
31	Amortization of Other Assets.....		0	11,769
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....		0	(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.....		(4,751)	(1,437)
41	(Increase) Decrease in Other Assets.....		18	(3,728)
42	Increase (Decrease) in Accounts Payable.....		(2,843)	4,846
43	Increase (Decrease) in Other Current Liabilities .....		(3,440)	9,844
44	Increase (Decrease) in Other Liabilities .....		(21,674)	(17,118)
45	Stock based compensation .....		314	35
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$3,955)	(\$6,851)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$1,078)	(\$59)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$1,078)	(\$59)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$16,792
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.....		\$0	\$16,792

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 TWELVE MONTHS ENDED DECEMBER 31, 2021  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		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	254,685	40,181		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other		333		
12	Total	254,685	\$40,514	0	\$0

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		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	78,317	11,456		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other		218		
12	Total	78,317	\$11,674	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, 2021

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.

3/31/2022



Michael Harwell

CFO

Title

4717-03

License Number

On Behalf of:

GOLDEN NUGGET ONLINE GAMING

Casino Licensee

**Golden Nugget Online Gaming, LLC. – New Jersey**  
**Notes to Consolidated Financial Statements**

**1. Nature of Operations and Recent Developments**

Golden Nugget Online Gaming, LLC. (“GNOG”, the “Company”, “we”, “our” or “us”), a New Jersey limited liability company, 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. These financial statements included herein reflect the operations of the of our New Jersey division only.

***Acquisition and Reorganization***

On December 29, 2020, Golden Nugget Online Gaming, Inc. (formerly Landcadia Holdings II, Inc., “GNOG, Inc.”) completed its acquisition of the Company. The acquisition was completed pursuant to the purchase agreement, dated June 28, 2020 (as amended on September 17, 2020 and December 20, 2020, the “Purchase Agreement”) by and among GNOG, Inc., LHGN HoldCo, LLC, a Delaware limited liability company and newly formed, wholly owned subsidiary of GNOG, Inc. (“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 the Company. The transactions contemplated by the Purchase Agreement are referred to herein as the “Acquisition Transaction.”

Prior to 2021, the Company only operated in the State of New Jersey. Following the Acquisition Transaction with GNOG, Inc. described above, and based on our expansion into Michigan and West Virginia in 2022, the Company reorganized its financial statements by division in the first quarter of 2021 to separate its operations in the State of New Jersey. The reorganization has been recorded in the accompanying financial statements as if it occurred on December 31, 2020.

***DraftKings Merger***

On August 9, 2021, GNOG, Inc., DraftKings Inc., a Nevada corporation (“DraftKings”), New Duke Holdco, Inc., a Nevada corporation and a wholly owned subsidiary of DraftKings (“New DraftKings”), Duke Merger Sub, Inc., a Nevada corporation and a wholly owned subsidiary of New DraftKings (“Duke Merger Sub”), and Gulf Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of New DraftKings (“Gulf Merger Sub” and, together with Duke Merger Sub, the “Merger Subs”), entered into an agreement and plan of merger (the “DraftKings Merger Agreement”), pursuant to which New DraftKings will, among other things, acquire all of GNOG, Inc.’s issued and outstanding shares of common stock. The transactions contemplated by the DraftKings Merger Agreement and the other related transactions are referred to herein as the “DraftKings Merger.”

On the terms and subject to the conditions set forth in the Merger Agreement, (a) at the Duke Effective Time (as defined in the DraftKings Merger Agreement), Duke Merger Sub will be merged with and into DraftKings in accordance with the Nevada Revised Statutes (the “NRS”), with DraftKings becoming the surviving corporation (the “Duke Surviving Corporation”) and (b) at the Gulf Effective Time (as defined in the DraftKings Merger Agreement), Gulf Merger Sub will be merged with and into the Company in accordance with the General Corporation Law of the State of Delaware (the “DGCL”), with GNOG, Inc. becoming the surviving corporation (the “Gulf Surviving Corporation”, and together with the Duke Surviving Corporation, collectively the “Surviving Corporations”). .

***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 reacted to the public health crisis. The direct impact on us was 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 2020 with significant restrictions, which eased over time. However, virus cases began to increase and capacity restrictions were reinstated. During 2021 there has been additional concerns regarding the emergence of COVID-19 variants. 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. To date for the year ended December 31, 2021 there has been no adverse impact on revenues due to concerns regarding COVID-19.

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***

These audited consolidated financial statements include all the accounts of the Company's New Jersey division. 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. Actual results could differ from those estimates.

### ***Concentration Risks and Vendor Uncertainties***

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 one 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.

The Company relies on a limited number of vendors to support our operations. In particular, a single vendor is currently the primary provider of the online gaming platform that allows the Company to host its iGaming and sports betting offerings. Any interruption in the services provided by this supplier could have a material adverse effect on the Company's business, financial conditions and results of operations.

### ***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents include cash on account 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, 2021 there were \$9.5 million 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 year ended December 31, 2021 there was no allowance for doubtful accounts. Accounts receivable are non-interest bearing and are initially recorded at cost. Amounts written off totaled \$0.4 million for the year ended December 31, 2021.

### ***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.

### ***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 \$18.2 million for the year ended December 31, 2021.

### ***Stock-based Compensation Allocated from and Affiliate***

Our ultimate parent, Golden Nugget Online Gaming, Inc. granted restricted stock units ("RSUs") to certain of our employees. An allocation of the stock-based compensation expense associated with these RSUs was made to reflect the cost of the services that these employees provide to the New Jersey division.

Golden Nugget Online Gaming, Inc. measures compensation expense for stock awards in accordance with ASC 718, *Compensation-Stock Compensation* and records compensation expense over the requisite service period based on the grant date fair value of the award.

### ***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 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 Not Yet Adopted***

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. The adoption of this standard did not have a material impact on our financial statements. The Company has adopted the standard as of January 1, 2022.

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 October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities in accordance with Accounting Standards Codification Topic 606. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. While the Company is continuing to assess the timing of adoption and the potential impacts of ASU 2021-08, it does not expect ASU 2021-08 to have a material effect on its consolidated financial statements.

### **3. Revenues from Contracts with Customers**

Effective January 1, 2018, we adopted Accounting Standards Codification (“ASC”) 606, 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 (or as) 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) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) measure the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations; and (v) recognize 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. Online gaming contracts contain a single performance obligation for the Company to conduct the game and award price or payouts to users based on the results. Gaming revenue is recognized at a point in

time 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 are party 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. Our market access agreements contain a single performance obligation under which we stand ready to provide daily use of our gaming license. Revenue from market access agreements is recognized over time as we satisfy our performance obligation. Initial fees received for the market access agreements and prepaid guaranteed minimum royalties are deferred and recognized ratably over the term of the contract as the performance obligations are satisfied. Royalties in excess of fixed minimum amounts are recognized in revenue in the month they are earned.

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 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. Our live dealer studio broadcast license agreements contain a single performance obligation under which we stand ready to perform our obligations under the contracts. Revenue from live dealer studio broadcast license agreements are recognized over time in the month royalties are earned.

### ***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 were \$0.1 million as of December 31, 2021.

### ***Disaggregation of Revenue***

The following table summarizes revenues from our contracts disaggregated by revenue generating activity contained therein for the year ended December 31, 2021 (in thousands):

Gaming	\$ 76,011
Market access and live dealer studio	11,432
Reimbursables	3,460
Total revenue	<u>\$ 90,903</u>

Casino gaming revenue and reimbursable revenue is recognized at a point in time, while market access and live dealer 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 as of December 31, 2021 (in thousands):

Receivables, which are included in "Accounts receivable - trade and other"	\$ 9,453
Contract liabilities <sup>(1)</sup>	\$ (6,631)

(1) As of December 31, 2021, includes \$3.3 million recorded as deferred revenue – current, \$0.1 million of loyalty program liability recorded as accrued gaming and related taxes and \$3.2 million recorded as deferred revenue - long-term in our balance sheet.

Significant changes in contract liabilities balances during 2021 are as follows (in thousands):

Decrease due to recognition of revenue	\$ 4,353
Increase due to cash received, excluding amounts recognized as revenue	\$ 1,848



### ***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, 2021. The estimated revenue does not include amounts of variable consideration that are constrained (in thousands):

<b>Year Ending December 31,</b>	
2022	\$ 3,455
2023	1,433
2024	571
2025	322
2026	200
Thereafter	650
Total	<u>\$ 6,631</u>

### **4. Property and Equipment**

Property and equipment are comprised of the following as of December 31, 2021 (in thousands):

Leashold improvements	\$ 1,281
Furniture, fixtures and equipment	<u>1,199</u>
	2,480
Less - accumulated depreciation	<u>(728)</u>
	<u>\$ 1,752</u>

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.

### **5. Supplemental Balance Sheet Information**

Accrued gaming and related taxes are comprised of the following as of December 31, 2021 (in thousands):

Gaming related, excluding taxes	\$ 7,601
Taxes, other than payroll and income taxes	<u>8,005</u>
	<u>\$ 15,606</u>

## 6. Commitments and Contingencies

### *Leases with Affiliates*

In connection with the Acquisition Transaction, we entered into an office lease with GNAC. The office lease provides for annual rent payments of \$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 we require the use of additional office space during the term thereof. However, any amounts actually paid by us under the Trademark License Agreement and the A&R Online Gaming Operations Agreement (see Note 7) will be credited against our rent obligations under the lease. Consequently, we paid no rent and recognized no rental expenses pursuant to this lease during the year ended December 31, 2021. The office lease has a term of five years. In connection with any renewal of the term of the A&R Online Gaming Operations Agreement (see Note 7), we have an option to renew the 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. The office lease may be terminated by us or the 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):

<b>Year Ending December 31,</b>	
2022	\$ 72
2023	72
2024	56
2025	18
Total	<u>\$ 218</u>

### *Other Contractual Obligations and Contingencies*

We have entered into a number agreements for advertising, technology and other services. As of December 31, 2021, future minimum payments under these contracts that are non-cancelable are as follows (in thousands):

<b>Year Ending December 31,</b>	
2022	\$ 1,298
2023	300
2024	150
Total	<u>\$ 1,748</u>

### *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.

## 7. Related Party Transactions

### *Trademark License Agreement*

In connection with the Acquisition Transaction, GNOG LLC entered into a trademark license agreement (the "Trademark License Agreement") with Golden Nugget and GNLV, LLC, pursuant to which GNLV, LLC has granted

GNOG LLC 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 of the Acquisition Transaction. 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 (such provision, the “Exclusive Area Adjustment”). 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 Trademark License Agreement. We expensed \$1.8 million for the year ended December 31, 2021 under this agreement. Amounts payable under the Royalty Agreements as of December 31, 2021 is \$0.2 million, which is included as payable/receivable to affiliates on our balance sheet.

In connection with the DraftKings Merger, GNOG LLC, Golden Nugget and GNLV, LLC agreed to amend the Trademark License Agreement pursuant to terms agreed to in the DraftKings Merger Agreement, including, among other things, to (i) extend the term of the Trademark License Agreement from twenty years to fifty years from the closing of the DraftKings Merger and (ii) eliminate the Exclusive Area Adjustment described above.

### **A&R Online Gaming Operations Agreement**

Pursuant to an amended and restated online gaming operations agreement (the “A&R Online Gaming Operations Agreement”), GNAC granted GNOG LLC 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, the live dealer studio in New Jersey and the third-party operators. Under the A&R Online Gaming Operations Agreement, GNOG LLC is responsible for managing, administering and operating its 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 royalty payable pursuant to the Trademark License Agreement, under the A&R Online Gaming Operations Agreement GNOG LLC is 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 GNOG LLC’s 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 GNOG LLC 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 GNOG LLC is required to operate the “Golden Nugget”-branded online gaming business, and (b) an arm’s length risk allocation framework (including with respect to insurance and indemnification obligations).

The A&R Online Gaming Operations Agreement, as modified by the Commercial Agreement (as defined in the DraftKings Merger Agreement) and certain other changes thereto agreed upon by GNAC and GNOG LLC, is expected to remain in effect following the completion of the DraftKings Merger.

### ***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 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. This lease is expected to remain in effect following the completion of the DraftKings Merger.

In connection with the closing of the Acquisition Transaction, GNOG LLC entered into office leases with Golden Nugget Atlantic City. The office lease provides for annual rent payments of \$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 will be credited against GNOG LLC's rent obligations under the office Lease. The 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, GNOG LLC has an option to renew the 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. The office lease may be terminated by GNOG LLC or the landlord upon six months' notice. The office lease is expected to remain in effect following the completion of the DraftKings Merger.

### ***Services Agreement***

In connection with the Acquisition Transaction, we entered into the Services Agreement with Golden Nugget to provide for the performance of certain services. Pursuant to the Services Agreement, 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 betting conducted in such subsidiary's brick-and-mortar casino. Under the Services 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. Reimbursements we expensed under the Services Agreements totaled \$0.3 million for the year ended December 31, 2021. The Services Agreement is expected to be terminated in connection with the completion of the DraftKings Merger. However, certain services are expected to continue on a transitional basis pursuant to a transition services agreement to be entered into in connection with the completion of the DraftKings Merger.

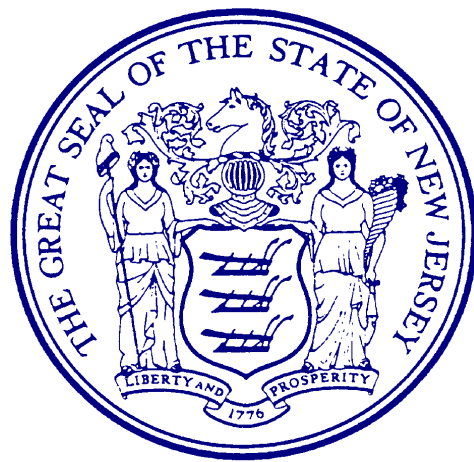
## **8. Subsequent Events**

We have evaluated subsequent events through March 31, 2022, which is the date our financial statements were issued.

**GOLDEN NUGGET ONLINE GAMING  
ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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, 2021**

(UNAUDITED)  
(\$ IN THOUSANDS)

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.....	19,408		
7	Other Accounts and Notes Receivables.....	11,123	0	0
8	Total Other Receivables.....	-		\$0
9	Totals (Form DGE-205).....	\$30,531	\$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, 2021

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	158	\$2,855		\$2,855
2	Slot Machines	0			
3	Administration	0			
4	Casino Accounting	0			
5	Simulcasting	0			
6	Other	0			
7	Total - Casino	158	\$2,855		\$2,855
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	1	633		633
14	Accounting and Auditing	9	439		439
15	Security	0	0		0
16	Other Administrative and General	93	2,829		2,829
	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)	261	\$6,755	\$0	\$6,755