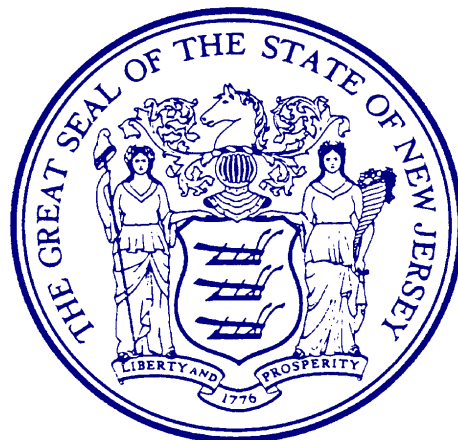


**GOLDEN NUGGET ONLINE GAMING
QUARTERLY REPORT**

FOR THE FIVE MONTHS ENDED MAY 4, 2022

**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 MAY 4, 2022 AND JUNE 30, 2021

(UNAUDITED)
(\$ IN THOUSANDS)

*Amended 11/18/2022

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$8,709	\$57,747
2	Short-Term Investments.....			0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 20__, \$; 20__, \$).....		35,031	8,641
4	Inventories		0	0
5	Other Current Assets.....		121	235
6	Total Current Assets.....		43,861	66,623
7	Investments, Advances, and Receivables.....			0
8	Property and Equipment - Gross.....		2,505	1,456
9	Less: Accumulated Depreciation and Amortization.....		(797)	(629)
10	Property and Equipment - Net.....		1,708	827
11	Other Assets.....		71	0
12	Total Assets.....		\$45,640	\$67,450
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,289	\$5,675
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		170	0
17	Income Taxes Payable and Accrued.....			0
18	Other Accrued Expenses.....		10,192	29,037
19	Other Current Liabilities.....		5,857	39,757
20	Total Current Liabilities.....		21,508	74,469
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....		145	(3,340)
23	Deferred Credits		1,804	0
24	Other Liabilities.....			4,505
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		23,457	75,634
27	Stockholders', Partners', or Proprietor's Equity.....		22,183	(8,184)
28	Total Liabilities and Equity.....		\$45,640	\$67,450

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 FIVE MONTHS ENDED MAY 4, 2022 AND SIX MONTHS ENDED JUNE 30, 2021

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$23,638	\$38,513
2	Rooms.....			0
3	Food and Beverage.....			0
4	Other.....		4,819	7,346
5	Net Revenue.....		28,457	45,859
	Costs and Expenses:			
6	Casino.....		11,295	19,511
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		7,895	10,631
9	Total Costs and Expenses.....		19,190	30,142
10	Gross Operating Profit.....		9,267	15,717
11	Depreciation and Amortization.....		75	84
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		586	0
14	Income (Loss) from Operations.....		8,606	15,633
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		(853)	(1,306)
18	Nonoperating Income (Expense) - Net.....		0	
19	Total Other Income (Expenses).....		(853)	(1,306)
20	Income (Loss) Before Taxes		7,753	14,327
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$7,753	\$14,327

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 TWO MONTHS ENDED MAY 4, 2022 AND THREE MONTHS ENDED JUNE 30, 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....		\$6,907	\$19,220
2	Rooms.....			0
3	Food and Beverage.....			0
4	Other.....		1,196	3,663
5	Net Revenue.....		8,103	22,883
	Costs and Expenses:			
6	Casino.....		3,103	13,365
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		2,474	1,707
9	Total Costs and Expenses.....		5,577	15,072
10	Gross Operating Profit.....		2,526	7,811
11	Depreciation and Amortization.....		21	40
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		164	(443)
14	Income (Loss) from Operations.....		2,341	8,214
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		(253)	(656)
18	Nonoperating Income (Expense) - Net.....		0	
19	Total Other Income (Expenses).....		(253)	(656)
20	Income (Loss) Before Taxes		2,088	7,558
21	Provision (Credit) for Income Taxes.....		0	
22	Net Income (Loss).....		\$2,088	\$7,558

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 TWELVE MONTHS ENDED DECEMBER 31, 2021 AND THE FIVE MONTHS ENDED MAY 4, 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2020.....		36,982	\$4	31,351	\$3	\$0	\$0	(\$866,183)	(\$866,176)
2	Net Income								28,229	28,229
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Note receivable from parent of Old									0
7	Acquisition transaction recapitaliz									0
8	Net loss post acquisition transactio									0
9	Reorganization		(36,982)	(4)	(31,351)	(3)			852,384	852,377
10	Balance, December 31, 2021.....		0	0	0	0	0	0	14,430	14,430
11	Net Income.....								7,753	7,753
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15									0
16									0
17									0
18									0
19	Balance, June 30, 2022		0	\$0	0	\$0	\$0	\$0	\$22,183	\$22,183

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 PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021
AND THE FIVE MONTHS ENDED MAY 4, 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 20__					\$0
2	Net Income (Loss) - 20__					0
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 20__		0	0	0	0
11	Net Income (Loss) - 20__					0
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, _____, 20__		\$0	\$0	\$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

FOR THE FIVE MONTHS ENDED MAY 4, 2022 AND SIX MONTHS ENDED JUNE 30, 2021

(UNAUDITED)
(\$ IN THOUSANDS)

*Amended 11/18/2022

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$46,111)	\$2,116
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			0
3	Proceeds from the Sale of Short-Term Investments			0
4	Cash Outflows for Property and Equipment.....		0	(299)
5	Proceeds from Disposition of Property and Equipment.....			0
6	CRDA Obligations			0
7	Other Investments, Loans and Advances made.....			0
8	Proceeds from Other Investments, Loans, and Advances			0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	Property plant and equipment additions		(25)	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(25)	(299)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			0
14	Payments to Settle Short-Term Debt.....			0
15	Proceeds from Long-Term Debt			0
16	Costs of Issuing Debt.....			0
17	Payments to Settle Long-Term Debt.....			0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			0
20	Payments of Dividends or Capital Withdrawals.....			0
21	Reorganization			(76,502)
22				
23	Net Cash Provided (Used) By Financing Activities.....		0	(76,502)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(46,136)	(74,685)
25	Cash and Cash Equivalents at Beginning of Period.....		54,845	132,432
26	Cash and Cash Equivalents at End of Period.....		\$8,709	\$57,747
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
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

FOR THE FIVE MONTHS ENDED MAY 4, 2022 AND SIX MONTHS ENDED JUNE 30, 2021

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$7,753	\$14,327
30	Depreciation and Amortization of Property and Equipment...		75	84
31	Amortization of Other Assets.....			
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current			
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		(4,500)	(2,269)
39	(Increase) Decrease in Inventories			
40	(Increase) Decrease in Other Current Assets.....		252	(8,309)
41	(Increase) Decrease in Other Assets.....			160
42	Increase (Decrease) in Accounts Payable.....		683	(4,386)
43	Increase (Decrease) in Other Current Liabilities		(7,415)	9,375
44	Increase (Decrease) in Other Liabilities		(42,959)	(6,866)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$46,111)	\$2,116

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		\$0	(\$299)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		\$0	(\$299)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			\$0
52	Goodwill Acquired.....			0
53	Other Assets Acquired - net			0
54	Long-Term Debt Assumed.....			0
55	Issuance of Stock or Capital Invested.....			0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$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.....		\$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
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

FOR THE FIVE MONTHS ENDED MAY 4, 2022
(UNAUDITED)
(\$ IN THOUSANDS)

*Amended 11/18/2022

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	28,466	6,999		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	28,466	\$6,999	0	\$0

FOR THE TWO MONTH ENDED MAY 4, 2022

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	6,190	1,459		
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other				
12	Total	6,190	\$1,459	0	\$0

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

FOR THE FIVE MONTHS ENDED MAY 4, 2022

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.

8/15/2022

Date



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.

The assets and liabilities have been stated at historical carrying amounts. Only those assets and liabilities that are specifically identifiable to the New Jersey Division of GNOG, LLC are included in the consolidated balance sheet included herein. The statement of income included herein consists of all the revenues, costs and expenses of the New Jersey Division of GNOG, LLC, including allocations to general and administrative expense, certain expenses incurred by GNOG, LLC, or its parent, based on net gaming revenues.

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 subsequent expansion to additional states, 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 financial statements presented herein are for the New Jersey division only.

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”).

The DraftKings Merger was completed on May 5, 2022.

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. Since 2021 there have 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, 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 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.

Given that the DraftKings Merger was completed on May 5, 2022, the financial statements included herein present the approximate one-month and four-month periods ending May 4, 2022.

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.

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, receivable from an affiliate, accounts payable and certain accrued liabilities approximates their fair value due to the short-term nature of such instruments.

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. Supplemental Balance Sheet Information

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

	<u>May 4, 2022</u>	<u>December 31, 2021</u>
Gaming related, excluding taxes	\$ 1,459	\$ 7,601
Taxes, other than payroll and income taxes	7,626	8,005
	<u>\$ 9,085</u>	<u>\$ 15,606</u>

4. 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 6) 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 one month ended May 4, 2022, and 2021, respectively. 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 6), 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):

<u>Year Ending December 31,</u>	
2022	\$ 36
2023	72
2024	56
2025	18
Total	<u>\$ 182</u>

Other Contractual Obligations and Contingencies

We have entered into a number of agreements for advertising, technology and other services. As of May 4, 2022, future minimum payments under these contracts that are non-cancelable are as follows (in thousands):

<u>Year Ending December 31,</u>	
2022	\$ 705
2023	300
2024	150
Total	<u>\$ 1,155</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.

5. 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 \$0.6 million for both the four month period ended May 4, 2022 and 2021, under this agreement. Amounts payable under the Royalty Agreements as of May 4, 2022, is \$0.8 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. 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.

Receivable from an Affiliate

Amounts receivable from an affiliate as of May 4, 2022 totaled \$26.6 million, which consisted primarily of cash advances from the New Jersey division to the other operating divisions of GNOG, LLC.

6. Subsequent Events

We have evaluated subsequent events through August 15, 2022, which is the date our financial statements were available to be issued.

As noted in Footnote 1, the DraftKings Merger was completed on May 5, 2022.