EVERI

Everi Holdings Inc.

# 2015 ANNUAL REPORT

**The Annual Meeting of Stockholders**
of Everi Holdings Inc. will be held:
Monday, May 23, 2016

Everi Holdings Inc.
7250 S. Tenaya Way, Ste. 100
Las Vegas, NV 89113

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT**

To the holders of Common Stock of Everi Holdings Inc.:

The 2016 Annual Meeting of Stockholders of Everi Holdings Inc., formerly known as Global Cash Access Holdings, Inc. (the "Company"), will be held as follows:

**When:** 9:00 a.m., local time, Monday, May 23, 2016
**Where:** Everi Corporate Headquarters
7250 S. Tenaya Way, Suite 100
Las Vegas, Nevada 89113

The purpose of the Annual Meeting is to consider and take action on the following proposals:

1. The election of three Class II directors;

2. The approval, on an advisory basis, of the compensation of our named executive officers as shown in this proxy statement;

3. The ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm;

4. A non-binding stockholder proposal as described in this proxy statement, if properly presented at the Annual Meeting; and

5. To transact such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

Holders of record of Everi Holdings Inc. common stock at the close of business on April 8, 2016 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

**YOUR PROXY IS IMPORTANT TO ASSURE A QUORUM AT THE ANNUAL MEETING.** You are urgently requested to submit the enclosed proxy by telephone or through the Internet in accordance with the instructions provided to you. You may also date, sign and mail the Proxy Card in the postage-paid envelope that is provided. Your proxy is revocable in accordance with the procedures set forth in the accompanying proxy statement.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 23, 2016.** Our Proxy Statement is attached. Financial and other information concerning Everi Holdings Inc. is contained in our Annual Report to Stockholders for the fiscal year ended December 31, 2015. A complete set of proxy materials relating to our Annual Meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting of Stockholders, Proxy Statement, Proxy Card and Annual Report to Stockholders are available and may be viewed at www.proxyvote.com.

By Order of the Board of Directors,

/s/ Michael D. Rumbolz

Michael D. Rumbolz
*Interim President and Chief Executive Officer*
April 22, 2016

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## PROXY STATEMENT SUMMARY

This proxy statement is being issued in connection with the solicitation of proxies by the Board of Directors of Everi Holdings Inc. for use at the 2016 Annual Meeting of Stockholders and at any adjournment or postponement thereof. On, or about, April 25, 2016, we will begin distributing to each stockholder entitled to vote at the meeting this proxy statement, a proxy card or voting instruction form and our 2015 annual report. Shares represented by a properly executed proxy will be voted in accordance with instructions provided by the stockholder. This summary highlights information contained elsewhere in this proxy statement. It does not contain all of the information you should consider. You should read the entire proxy statement before casting your vote.

### General Information

**Date and Time:** Monday, May 23, 2016
9:00 a.m. Pacific Time

**Record Date:** April 8, 2016

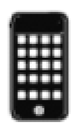
**Place:** Everi Corporate Headquarters, 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113

**Voting:**

Stockholders of record as of April 8, 2016 may cast their votes in any of the following ways:

**Internet**

Visit *www.proxyvote.com.* You will need the 16-digit number included in your proxy card, voter instruction form or notice.

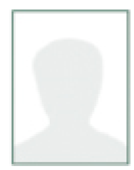


**Phone**

Call 1-800-690-6903 or the number on your voter instruction form. You will need the 16-digit number included in your proxy card, voter instruction form or notice.

**Mail**

Send your completed and signed proxy card or voter instruction form to the address on your proxy card or voter instruction form.



**In Person**

If you plan to attend the meeting in person, you will need to bring a picture ID and proof of ownership of Everi Holdings Inc. common stock as of the record date.

### Voting Matters and Board Recommendations

| Item | Description | Board Recommendation | Page (for more detail) |
|---|---|---|---|
| 1 | Election of directors | **FOR** | 9 |
| 2 | Approval, on an advisory basis, of named executive officer compensation | **FOR** | 23 |
| 3 | Ratification of independent auditor | **FOR** | 48 |
| 4 | Stockholder proposal regarding simple majority voting | **AGAINST** | 51 |

## Director Nominees

- Two of our three nominees are independent
- Two of our three nominees have served on our Board of Directors for less than seven years
- All of our director nominees are highly-qualified individuals with diverse skills, backgrounds and experiences

| Name | Age | Director Since | Principal (or Most Recent) Occupation | Current Committees |
|---|---|---|---|---|
| Geoff Judge | 62 | 2006 | Partner at iNova Capital, a manager of early stage venture capital funds | Audit; Compensation; Nominating and Corporate Governance |
| Michael D. Rumbolz | 62 | 2010 | Interim President and Chief Executive Officer of the Company; Former Chairman and Chief Executive Officer of Cash Systems, Inc.; Former Chairman of the Nevada Gaming Control Board | None |
| Ronald Congemi | 69 | 2013 | Former Chief Executive Officer of First Data's Debit Services Group; member of the Philadelphia Federal Reserve's Payments Advisor Council; founder of Star Systems, Inc., an Automated Teller Machine ("ATM") network | Audit; Compensation; Nominating and Corporate Governance |

## Governance and Compensation Highlights

- All of our directors are independent (other than our Interim President and Chief Executive Officer)
- We have adopted "plurality-plus" voting for directors(i.e., a plurality vote standard coupled with a mandatory resignation policy for nominees who fail to achieve an affirmative majority of votes cast)
- Each of our Board committees is entirely independent
- We separate the roles of Chairman and Chief Executive Officer
- Our independent directors meet regularly in executive sessions without our Chief Executive Officer or other management present
- Our directors may not serve on a total of more than three public company boards without the approval of the Nominating and Corporate Governance Committee
- Our directors and officers are subject to stock ownership guidelines
- We have adopted an incentive compensation clawback policy
- We have adopted anti-hedging and anti-pledging policies
- We seek to pay our executives based on performance
- We have a Code of Business Conduct, Standards and Ethics and provide training to our employees on compliance
- We do not have a stockholder rights (poison pill) plan
- Our Board has established a formal process for executive succession planning

## Stockholder Engagement

At the 2015 annual meeting of stockholders, our say-on-pay proposal received the support of approximately 51% of the shares voted. Our Board was concerned and disappointed in this outcome, and as a result, we undertook a broad-based stockholder outreach and engagement program to solicit feedback, understand investor concerns and consider any necessary and appropriate actions.

Over several months, our Compensation Committee and management reached out to the majority of top 20 shareholders, representing approximately 68.5% of our shareholders at the time, and had extensive, meaningful dialogue with stockholders representing approximately 42.5% of our outstanding Common Stock, as well as with two leading proxy advisory firms, Institutional Shareholder Services, Inc. and Glass Lewis & Co. Our stockholders were pleased with the proposed changes we were implementing, and asked questions and raised concerns about certain other practices. As a result of these conversations, we made additional changes that will strengthen our compensation program and further align management and stockholder interests. Our stockholders universally expressed a desire for ongoing communication, which we believe is prudent and valuable for all parties.

Although our stockholder base is diverse in type and size, and certainly in processes for compensation program evaluation, several topics were commonly raised, which included:

| What We Heard | What We Did |
|---|---|
| **Questions regarding Ram Chary's 2014 pay**<br>**Issues included:**<br>— **Perceived weak link between pay and performance**<br>— **Single trigger provision**<br>— **Pure quantum concerns** | • Discussed challenging nature of disclosed vs. realized values for the options grants<br>• Discussed the switch in mid-year 2015 from single to double trigger equity acceleration provisions<br>• Introduced incentive clawbacks and stock ownership guidelines<br>• Conducted a competitive benchmarking study using industry best practice against which to make future pay decisions |
| **Disclosure needs to improve** | • Worked diligently with our compensation consultant to make our Compensation Discussion and Analysis more transparent and meet investor expectations |
| **Concerns regarding retention** | • We redesigned the long-term incentive plan for 2016 to incorporate a different mix of performance metrics to better encourage retention while still motivating our executives |

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## 2016 ANNUAL MEETING PROXY STATEMENT

### QUESTIONS AND ANSWERS

***Why am I receiving these proxy materials?***

The Board of Directors (the “Board”) of Everi Holdings Inc., a Delaware corporation, formerly known as Global Cash Access Holdings, Inc. (the “Company”), is furnishing these proxy materials to you in connection with the Company’s 2016 annual meeting of stockholders (the “Annual Meeting”). The Annual Meeting will be held on Monday, May 23, 2016, at the Company’s corporate offices located at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113 beginning at 9:00 a.m., local time. You are invited to attend the Annual Meeting and are entitled and requested to vote on the proposals outlined in this proxy statement (this “Proxy Statement”).

This Proxy Statement is dated April 22, 2016 and is first being mailed to stockholders on or about April 25, 2016.

***What proposals will be voted on at the Annual Meeting and what are the recommendations of the Board?***

There are four proposals scheduled to be voted on at the Annual Meeting. Those proposals, and the Board’s voting recommendations with respect to such proposals, are as follows:

| Proposal | | Board’s Voting Recommendations |
|---|---|---|
| 1 | The election of three Class II directors to serve until the 2019 annual meeting of stockholders and until such director’s respective successor has been duly elected and qualified or until his earlier resignation or removal. | For the Board’s nominees |
| 2 | The approval, on an advisory-non-binding basis, of the compensation of the Company’s named executive officers as disclosed in this Proxy Statement. | For |
| 3 | The ratification of the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm -hereinafter referred to as “independent auditors” for the fiscal year ending December 31, 2016. | For |
| 4 | A non-binding stockholder proposal regarding simple majority voting | Against |

Management does not know of any matters to be presented at the Annual Meeting other than those set forth in this Proxy Statement and in the Notice of Annual Meeting of Stockholders accompanying this Proxy Statement. Without limiting our ability to apply the advance notice provisions in our Second Amended and Restated Bylaws with respect to the procedures that must be followed for a matter to be properly presented at an annual meeting, if other matters should properly come before the Annual Meeting, the proxy holders will vote on such matters in accordance with their best judgment. Our stockholders have no dissenter’s or appraisal rights in connection with any of the proposals to be presented at the Annual Meeting.

***What is the record date and what does it mean?***

The record date for the Annual Meeting is April 8, 2016. The record date was established by the Board as required by Delaware law. Only holders of shares of the Company’s common stock, par value $0.001 per share (“Common Stock”), at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. At the close of business on April 8, 2016, we had approximately 66,183,745 shares of Common Stock outstanding and entitled to vote.

Shares held in treasury by the Company are not treated as being issued or outstanding for purposes of determining the number of shares of Common Stock entitled to vote.

***How many votes do I have?***

Each holder of shares of Common Stock is entitled to one vote for each share of Common Stock owned as of the record date.

***Who is a "stockholder of record" and who is a "beneficial holder"?***

You are a stockholder of record if your shares of our Common Stock are registered directly in your own name with our transfer agent as of the record date. You are a beneficial owner if a bank, brokerage firm, trustee or other agent (called a "nominee") holds your stock. This is often called ownership in "street name" because your name does not appear in the records of the transfer agent. If your shares are held in street name, you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting in order to vote.

***Who votes shares held in "street name"?***

If you are a beneficial owner of shares held in "street name" by a bank, brokerage firm, trustee or other holder of record, and you do not give that record holder specific instructions as to how to vote those shares, then under the rules of the New York Stock Exchange (the "NYSE"), your record holder may exercise discretionary authority to vote your shares on routine proposals, including Proposal 3 (the ratification of the Company's independent auditors). Without your specific instructions, however, your record holder cannot vote your shares on non-routine proposals, including the election of directors, the advisory vote on the compensation of our named executive officers and the non-binding stockholder proposal. Accordingly, if you do not instruct your record holder how to vote with respect to Proposal 1 (election of directors), Proposal 2 (advisory vote on executive compensation), and Proposal 4 (stockholder proposal regarding simple majority voting), no votes will be cast on your behalf with respect to such proposals (this is referred to as a "broker non-vote"). Your record holder, however, will continue to have discretion to vote any uninstructed shares on Proposal 3 (the ratification of the Company's independent auditors). If you hold your shares in street name, please refer to the information forwarded by your bank, broker or other holder of record for procedures on voting your shares or revoking or changing your proxy. **We encourage you to provide instructions to your broker regarding the voting of your shares**.

***What constitutes a quorum?***

The presence at the Annual Meeting, in person or by proxy, of a majority of the shares of Common Stock outstanding and entitled to vote on the record date will constitute a quorum permitting the proposals described herein to be acted upon at the Annual Meeting. Abstentions and broker non-votes are counted as present and are, therefore, included for purposes of determining whether a quorum of shares of Common Stock is present at the Annual Meeting.

***What is the voting requirement to approve each of the proposals?***

- *Election of directors (Proposal 1).* The affirmative vote of a plurality of the outstanding shares of Common Stock present in person, or by proxy, at the Annual Meeting and entitled to vote is required for the election to the Board of the nominees for a Class II director (meaning that the three director nominees who receive the highest number of shares voted "for" their election are elected). Stockholders do not have the right to cumulate their votes in the election of directors. Votes that are withheld and broker non-votes will have no effect on the outcome of the election; however, a director nominee receiving a specified amount of "withhold votes" will trigger the Company's guideline regarding majority voting for directors.

  The Company amended its Corporate Governance Guidelines effective July 1, 2015 to include a guideline regarding majority voting for directors. Under the majority voting guideline, if a nominee for director in an uncontested election of directors (i.e., an election other than one in which the number of director nominees exceeds the number of directorships subject to election), does not receive the vote of at least "the majority of the votes cast" at any meeting for the election of directors at which a quorum is present and no successor has been elected at such meeting, the director will promptly tender his or her resignation to the Board. For purposes of this corporate governance guideline, "the majority of votes cast" means that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to that director's election, and "votes cast with respect to that director's election" includes votes to withhold authority, but excludes abstentions and broker non-votes (i.e., failures to vote with respect to that director's election). If a nominee for director does not receive the majority of the votes cast in an uncontested election, then that director must promptly tender his or her resignation following certification of the stockholder vote. Thereafter, the Nominating and Corporate Governance Committee is required to make a recommendation to the Board on whether to accept or reject such resignation and whether any other actions should be taken. The Board is required to take action with respect to this recommendation within 90 days following certification of the stockholder vote and to promptly disclose its decision and decision-making process. Full details of the policy are set out in our Corporate Governance Guidelines, which are publicly available at the Corporate Governance section of the Investors page on our website at ir.everi.com/investor-relations/everi-overview.

- *Advisory vote on the compensation of our named executive officers (Proposal 2).* The proposal to approve, on an advisory (non-binding) basis, the compensation of our named executive officers requires the affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Broker non-votes will have no effect on the outcome of this proposal, while abstentions will have the effect of a vote against this proposal. Although this vote is advisory and non-binding on our Board, the Board and the Compensation Committee will consider the voting results, along with other relevant factors, in connection with their ongoing evaluation of our compensation program.

- *Ratification of the appointment of our independent auditors (Proposal 3).* The proposal to ratify the Audit Committee's appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016 requires the affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Abstentions will have the effect of a vote against this proposal.

- *Stockholder proposal regarding simple majority voting (Proposal 4).* The stockholder proposal regarding simple majority voting requires the affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Broker non-votes will have no effect on the outcome of this proposal, while abstentions will have the effect of a vote against this proposal. Although this vote is advisory and is non-binding on our Board of Directors, the Board will consider the voting results, along with other relevant factors, in connection with its review of the outcome of the vote on this proposal.

All valid proxies received prior to the Annual Meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If you are a stockholder of record and sign and return your proxy card or vote electronically without making any specific selections, then your shares will be voted in accordance with the recommendations of the proxy holders on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion regarding any other matters properly presented for a vote at the Annual Meeting.

***How do I vote my shares?***

You can either attend the Annual Meeting and vote in person or give a proxy to be voted at the Annual Meeting. A proxy may be given in one of the following three ways:

- electronically by using the Internet;

- over the telephone by calling a toll-free number; or

- by mailing the enclosed proxy card.

The Internet and telephone voting procedures have been set up for your convenience and are designed to authenticate stockholders' identities, to allow stockholders to provide their voting instructions, and to confirm that their instructions have been recorded properly. The Company believes the procedures that have been put in place are consistent with the requirements of applicable law.

Specific instructions for stockholders who wish to use the Internet or telephone voting procedures are set forth on the enclosed proxy card. If your shares are held in street name by a bank, brokerage firm, trustee or other holder of record, you will receive instructions from the record holder that you must follow in order to have your shares voted.

***Who will tabulate the votes?***

An automated system administered by Broadridge Financial Solutions, Inc. ("Broadridge") will tabulate votes cast by proxy at the Annual Meeting and a representative of Broadridge will tabulate votes cast in person at the Annual Meeting.

***Is my vote confidential?***

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except as necessary to meet applicable legal requirements or to allow for the tabulation and/or certification of the vote.

***Can I change my vote after submitting my proxy?***

You can change your vote at any time before your proxy is exercised at the Annual Meeting. You may do so in one of the following four ways:

- submitting another proxy card bearing a later date;
- sending a written notice revoking your proxy to the Corporate Secretary of the Company at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113;
- submitting new voting instructions via telephone or the Internet (if initially able to vote in that manner); or
- attending the Annual Meeting and voting in person.

If you hold your shares in "street name" through a bank, broker, trustee or other holder of record and you have instructed the bank, brokerage firm, trustee or other holder of record to vote your shares, you must follow the directions received from the holder of record to change those instructions. Please refer to the information forwarded by your bank, brokerage firm, trustee or other holder of record for procedures on revoking or changing your proxy.

***Who is paying for this proxy solicitation?***

This proxy solicitation is being made by the Company. The Company will bear the cost of soliciting proxies, including the cost of preparing, assembling, printing and mailing this Proxy Statement. The Company also will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. In addition, proxies may be solicited by certain of the Company's directors, officers and regular employees, either personally, by telephone, facsimile or e-mail. None of such persons will receive any additional compensation for their services.

***How can I find out the voting results?***

The Company will report the voting results in a Current Report on Form 8-K to be filed within four business days after the end of the Annual Meeting.

***How do I receive electronic access to proxy materials for future annual meetings?***

Stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies, which results in cost savings for the Company. If you are a stockholder of record and would like to receive future proxy materials electronically, you can elect this option by following the instructions provided when you vote your proxy over the Internet at www.proxyvote.com. If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail notification next year with instructions containing the Internet address of those materials. Your choice to view future proxy statements and annual reports over the Internet will remain in effect until you contact either your broker or the Company to rescind your instructions. You do not have to elect Internet access each year.

If your shares of Common Stock are registered in the name of a brokerage firm, you still may be eligible to vote your shares of Common Stock electronically over the Internet. A large number of brokerage firms are participating in the Broadridge online program, which provides eligible stockholders who receive a paper copy of this Proxy Statement the opportunity to vote via the Internet. If your brokerage firm is participating in Broadridge's program, your proxy card will provide instructions for voting online. If your proxy card does not reference Internet information, please complete and return your proxy card.

***How can I avoid having duplicate copies of the proxy statements sent to my household?***

The Securities and Exchange Commission ("SEC") has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for annual reports and proxy statements with respect to two or more stockholders sharing the same address by delivering a single annual report or proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Brokers with account holders who are stockholders of the Company may be householding the Company's proxy materials. Once you have received notice from your broker that it will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report or proxy statement or if you are receiving multiple copies thereof and wish to receive only one, please notify your broker or notify the Company by sending a written request to the Company's Investor Relations department at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113, telephone number (702) 855-3000.

***When are stockholder proposals due for next year's annual meeting?***

Stockholder proposals may be included in our proxy materials for an annual meeting so long as they are provided to us on a timely basis and satisfy certain other conditions established by the SEC, including specifically under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). To be timely, a proposal to be included in our proxy statement must be received at our principal executive offices, addressed to our Secretary of the Company, not less than 120 calendar days before the date of our proxy statement released to stockholders in connection with the previous year's annual meeting. Accordingly, for a stockholder proposal to be included in our proxy materials for our 2017 annual meeting of stockholders, the proposal must be received at our principal executive offices, addressed to our Secretary of the Company, not later than the close of business on December 26, 2016.

Subject to certain exceptions, stockholder business that is not intended for inclusion in our proxy materials may be brought before an annual meeting so long as notice of the proposal as specified by, and subject to the conditions set forth in, our Second Amended and Restated Bylaws, is received at our principal executive officers, addressed to our Secretary of the Company, not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting. For our 2017 annual meeting of stockholders, proper notice of business that is not intended for inclusion in our proxy statement must be received no earlier than the close of business on January 23, 2017, nor later than the close of business on February 22, 2017.

A stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act and Rule 14a-4(d) thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner, (b) the class and number of shares of the Company which are owned beneficially and of record by such stockholder and such beneficial owner, and (c) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the Company's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Company's voting shares to elect such nominee or nominees.

**PROPOSAL 1**
**ELECTION OF CLASS II DIRECTORS**

Our Amended and Restated Certificate of Incorporation, as amended, provides that the number of directors that shall constitute the Board shall be exclusively fixed by resolutions adopted by a majority of the authorized directors constituting the Board. The Company's Second Amended and Restated Bylaws state that the number of directors of the Company shall be fixed in accordance with the Company's certificate of incorporation as then in effect. The authorized number of directors of the Company is currently set at seven, and there is one position on the Board that is currently vacant. The Company's Amended and Restated Certificate of Incorporation, as amended, and Second Amended and Restated Bylaws provide that the Board shall be divided into three classes constituting the entire Board. The members of each class of directors serve staggered three-year terms. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement. Currently, the Board is composed of the following six members:

| Class | Directors | Term Expiration |
|---|---|---|
| I | E. Miles Kilburn and Eileen F. Raney | 2018 Annual Meeting of Stockholders |
| II | Geoff Judge, Michael D. Rumbolz and Ronald Congemi | 2016 Annual Meeting of Stockholders |
| III | Fred C. Enlow | 2017 Annual Meeting of Stockholders |

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, the Board has nominated Messrs. Judge, Rumbolz and Congemi, who are each currently a Class II Director of the Company, for reelection as a Class II Director of the Company, to serve a three-year term until the 2019 annual meeting of stockholders and until a respective successor is duly elected and qualified or until his earlier resignation or removal. Each of Messrs. Judge, Rumbolz and Congemi have consented, if reelected as a Class II Director of the Company, to serve until his term expires. The Board believes that each of Messrs. Judge, Rumbolz and Congemi will serve if elected, but if one of them should become unavailable to serve as a director, and if the Board designates a substitute nominee, the person or persons named as proxy in the enclosed form of proxy may vote for a substitute nominee recommended by the Nominating and Corporate Governance Committee and approved by the Board.

***Information Concerning the Director Nominees***

Information regarding the business experience of our nominees for election as a Class II Director is provided below.

**Geoff Judge**
Age 62

*Geoff Judge* has served as a member of the Board since September 2006. Since 2010, Mr. Judge has been a Partner at iNovia Capital, a manager of early stage venture capital funds. Prior to joining iNovia, he was an early stage private investor. From 2003 to 2005, he was an investor in and the Chief Operating Officer of Preclick, a digital photography software firm. In 2002, he was the Chief Operating Officer of Media Solution Services, Inc., a provider of credit card billing insert media. From 1997 to 2002, Mr. Judge was a co-founder and Senior Vice President and General Manager of the media division of 24/7 Real Media. From 1995 to 1997, he was a Vice President of Marketing for iMarket, Inc., a software company. From 1985 to 1994, Mr. Judge was a Vice President and General Manager in the credit card division of American Express.

***Skills and Qualifications:*** The Board believes Mr. Judge is qualified to serve as a member of our Board due to his knowledge of the Company's business and his experience in the financial services and payments industries.

***Other Directorships:*** Mr. Judge serves as a director of numerous privately held companies.

**Michael D. Rumbolz** . . . . . . . .
Age 62

*Michael D. Rumbolz* has served as our Interim President and Chief Executive Officer since February 13, 2016 and as a member of the Board since August 2010. From August 2008 to August 2010, Mr. Rumbolz served as a consultant to the Company advising the Company upon various strategic, product development and customer relations matters. Mr. Rumbolz served as the Chairman and Chief Executive Officer of Cash Systems, Inc., a provider of cash access services to the gaming industry, from January 2005 until August 2008 when the Company acquired Cash Systems, Inc. Mr. Rumbolz also has provided various consulting services and held various public and private sector employment positions in the gaming industry, including serving as Member and Chairman of the Nevada Gaming Control Board from January 1985 to December 1988. Mr. Rumbolz is a Director of Seminole Hard Rock Entertainment, LLC. Mr. Rumbolz is also the former Vice Chairman of the Board of Casino Data Systems, was the President and Chief Executive Officer of Anchor Gaming, was the Director of Development for Circus Circus Enterprises (later Mandalay Bay Group) and was the President of Casino Windsor at the time of its opening in Windsor, Ontario. In addition, Mr. Rumbolz is the former Chief Deputy Attorney General of the State of Nevada.

***Skills and Qualifications:*** The Board believes Mr. Rumbolz is qualified to serve as a member of our Board due to his experience in the cash access and gaming industries.

***Other Directorships:*** Mr. Rumbolz currently serves as a member of the Board of Directors of Employers Holdings, Inc. (NYSE: EIG).

**Ronald Congemi** . . . . . . . . . . .
Age 69

*Ronald Congemi* has served as a member of the Board since February 2013. Mr. Congemi currently serves as a member of the Philadelphia Federal Reserve's Payments Advisor Council. Mr. Congemi previously served as the Chief Executive Officer of First Data's Debit Services Group from 2004 until his retirement at the end of 2008. Mr. Congemi also served as Senior Vice President of Concord EFS, Inc., a payment and network services company (which was acquired by First Data Corporation in February 2004), and Concord's Network Services Group. Mr. Congemi founded Star Systems, Inc., an ATM and Personal Identification Number, or PIN, debit network in the United States, and served as its President and Chief Executive Officer from 1984 to 2008.

**Skills and Qualifications:** The Board believes Mr. Congemi is qualified to serve as a member of our Board due to his management experience in the payments industry.

***Other Directorships:*** None.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION TO THE BOARD OF THE NOMINEES NAMED ABOVE.**

*Directors Not Up for Election*

Each of the Company's directors listed below will continue in office for the remainder of his or her term and until a successor is duly elected and qualified or until his or her earlier resignation or removal. Information regarding the business experience of each such director is provided below.

*Class III Director Whose Term Will Expire in 2017*

**Fred C. Enlow** . . . . . . . . . . . . .
Age 76

*Fred C. Enlow* has served as a member of the Board since October 2006. Since 2000, Mr. Enlow has been a consultant to various financial institutions, primarily involving international consumer financial business. Previously, he was a director, Chairman of the Board and Chairman of the Audit Committee of Prudential Vietnam Finance Company, a group executive director of Standard Chartered Bank PLC, a Vice Chairman and director of MBNA America Bank, Chairman of MasterCard International's Asia Pacific region and member of the Board of Directors and Executive Committee of MasterCard International.

***Skills and Qualifications:*** The Board believes Mr. Enlow is qualified to serve as a member of our Board due to his experience in the financial services and payments industries.

***Other Directorships:*** None.

*Class I Directors Whose Terms Will Expire in 2018*

**E. Miles Kilburn**. . . . . . . . . . . .
Age 53

*E. Miles Kilburn* has served as a member of the Board since March 2005 and currently serves as Chairman of the Board. Mr. Kilburn is the co-founder and a partner of Mosaik Partners, LLC, a venture capital firm focused on commerce enabling technology. He has been a private investor focused on the electronic payments sector since June 2004. Prior to that, Mr. Kilburn was Executive Vice President and Chief Strategy Officer of Concord EFS, Inc., a payment and network services company (which was acquired by First Data Corporation in February 2004), from 2003 to 2004, and Senior Vice President of Business Strategy and Corporate Development from 2001 to 2003. He served as Chief Executive Officer of Primary Payment Systems, Inc. (now Early Warning), a subsidiary of Concord EFS, Inc., from 2002 to 2003, and Chief Financial Officer from 1997 to 1999. From 1995 to 2001, Mr. Kilburn served in various roles at Star Systems, Inc., ultimately as Group Executive Vice President and Chief Financial Officer.

**Skills and Qualifications:** The Board believes Mr. Kilburn is qualified to serve as a member on our Board due to his management and investment experience in the financial technology and payments industry, as well as his status as an "audit committee financial expert."

***Other Directorships:*** Mr. Kilburn serves as a director of numerous privately held companies.

**Eileen F. Raney** . . . . . . . . . . . .
Age 66

*Eileen F. Raney* has served as a member of the Board since February 2016. Ms. Raney has also served as Vice Chair of the Board of Governors and Chair of the Audit and Finance Committee of the University Medical Center of Southern Nevada since 2014. She has been a member of the Advisory Board for the UNLV Libraries since 2010 and served as a member of the Board of Directors and the Board's Finance Committee at the Nevada Health Centers, a federally qualified health center in Nevada, from 2013 to 2015. From January 2011 to November 2013, Ms. Raney served as a member of the Board and a member of the Audit, Compensation and Governance Committees of the Board of SHFL entertainment, Inc., a global gaming supplier that was acquired by Bally Technologies, Inc. in November 2013. From 1988 to 2007, Ms. Raney held numerous positions with Deloitte & Touche USA, LLP, where she was hired as a Director in 1988 and made Principal in 1990. Her last position prior to retirement was National Managing Principal, Research & Development and Member, Deloitte & Touche USA Executive Committee from 2003 to 2007. She was a member of the Deloitte Board of Directors from 2000 to 2003 while serving as the Human Capital E-Business Leader. She also held the positions of Global Leader, Integrated Health Group from 1996 to 2000; and Western Regional Leader and National Co-Leader, Integrated Health Group from 1988 to 1996.

**Skills and Qualifications:** The Board believes Ms. Raney is qualified to serve as a member on our Board due to her experience in the gaming industry, as well as her status as an "audit committee financial expert."

***Other Directorships:*** Ms. Raney serves as a director of numerous privately held companies.

## BOARD AND CORPORATE GOVERNANCE MATTERS

### *Corporate Governance Philosophy*

The business affairs of the Company are managed under the direction of the Board in accordance with the Delaware General Corporation Law, as implemented by the Company's Amended and Restated Certificate of Incorporation, as amended, and Second Amended and Restated Bylaws. The role of the Board is to effectively govern the affairs of the Company for the benefit of its stockholders and other constituencies. The Board strives to ensure the success and continuity of business through the selection of qualified management. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner. The Company is committed to having sound corporate governance principles. Highlights of our corporate governance structure and policies include:

- All of our directors are independent (other than our Interim President and Chief Executive Officer)
- Corporate governance guideline requires majority voting for directors
- Regular executive sessions of independent directors
- Annual Board and committee self-evaluations
- Risk management oversight by the Board and committees
- Code of Business Conduct, Standards and Ethics (and related training)
- Formal Board process for executive succession planning
- Entirely independent Board committees
- Separate Chairman and Chief Executive Officer roles
- Anti-hedging and anti-pledging policies
- Director and officer stock ownership guidelines
- Cash and equity compensation clawback policy
- Executive compensation based on pay-for-performance philosophy
- Absence of stockholder rights (poison pill) plan

### *Board Leadership Structure*

We separate the roles and responsibilities of the Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer formulates our strategic direction and oversees the day-to-day management and performance of the Company, while the Chairman of the Board provides general guidance to the Chief Executive Officer and sets the agenda for and presides over Board meetings. The Board believes that Mr. Kilburn's role as Chairman ensures a greater role for the non-management directors in the oversight of the Company and encourages greater participation of the non-management directors in setting agendas and establishing priorities and procedures for the work of the Board. In addition, Mr. Kilburn has been selected as the Presiding Director over meetings of our non-management directors that take place in executive session with no management directors or employees present. Our independent directors met in executive session with no management directors or employees present four times last year.

### *Board Role in Risk Oversight*

Our Board is responsible for oversight of our risk assessment process. The Board's role in the Company's risk oversight process includes receiving regular reports from members of our management team with respect to material risks that the Company faces, including operational, financial, legal and regulatory (including cybersecurity), strategic and reputational risks. The Board, or the applicable committee of the Board, receives these reports from members of our management team to enable it to identify material risks and assess management's risk management and mitigation strategies. As part of its charter, our Audit Committee assesses risks relating to the Company's financial statements and cybersecurity matters, oversees both the Company's external and internal audit functions and oversees the Company's compliance with all applicable laws and regulations. Our Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks and mitigation strategies.

***Board Meetings and Attendance***

During fiscal 2015, the Board held four meetings and each director attended at least 75% of such meetings of the Board. The Company encourages, but does not require, its Board members to attend annual stockholders meetings. All of the Company's Board members attended the Company's 2015 annual meeting of stockholders, in person or via teleconference.

***Director Independence***

Under independence standards established by the Board in accordance with the rules and regulations of the SEC and the NYSE, a director does not qualify as independent unless the Board affirmatively determines that the director does not have any material relationship with the Company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company, which, in the opinion of our Board, would interfere with the exercise of independent judgment by the director in carrying out the responsibilities of a director. The Board considers such facts and circumstances as it deems relevant to the determination of director independence. To assist in making its determination regarding independence, the Board considers, at a minimum, the following categorical standards:

- a director who is an employee, or whose immediate family member is an executive officer, of the Company or any of its subsidiaries is not independent until three years after the end of such employment relationship;

- a director who receives, or whose immediate family member receives, more than $120,000 per year in direct compensation from the Company or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $120,000 per year in such compensation;

- a director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company or any of its subsidiaries is not "independent" until three years after the end of the affiliation or the employment or auditing relationship;

- a director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company's or any of its subsidiaries present executives serve on that company's Compensation Committee is not "independent" until three years after the end of such service or the employment relationship;

- a director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company (which does not include chartable entities) that makes payments to, or receives payments from, the Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of $1.0 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold; and

- any director that has a material relationship with the Company shall not be independent. Any relationship not required to be disclosed pursuant to Item 404 of Regulation S-K of the Exchange Act shall be presumptively not material. For relationships not covered by the preceding sentence, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the Board.

The Board has determined that none of our current directors, other than Mr. Rumbolz, our Interim President and Chief Executive Officer, has a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company), which, in the opinion of our Board, would interfere with the exercise of independent judgment by the director in carrying out the responsibilities of a director, and that each of the following current non-employee directors is independent within the meaning of independence as set forth in the rules and regulations of the SEC and the NYSE: Messrs. Kilburn, Judge, Enlow and Congemi and Ms. Raney.

***Committees of the Board***

The Board has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each director attended at least 75% of the meetings of every committee on which each served. In addition, from time to time, special committees may be established under the direction of the Board when necessary to address specific issues. The composition of the Board committees complies with the applicable rules of the SEC, the NYSE and applicable law. Our Board has adopted written charters for its Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

The members of our standing committees during fiscal 2015, each of whom our Board has determined was "independent," as defined under and required by the rules of the SEC and the NYSE, are identified in the following table. During fiscal 2015, Mr. Chary, our former President and Chief Executive Officer and former director, did not serve on any committees of the Board.

| Name | Audit | Compensation | Nominating and Corporate Governance |
|---|---|---|---|
| E. Miles Kilburn | Chair | Chair | X |
| Geoff Judge | X | | Chair |
| Fred C. Enlow | X | X | |
| Michael D. Rumbolz | X | X | |
| Ronald Congemi | X | | X |

In February 2016, the composition of each committee's membership was reconstituted such that each of the independent members of the Board were appointed to serve on each of the standing committees. The current members of our standing committees, each of whom our Board has determined is "independent," as defined under and required by the rules of the SEC and the NYSE, are identified in the following table. Effective February 13, 2016, Mr. Rumbolz, our Interim President and Chief Executive Officer and director, does not serve on any committees of the Board.

| Name | Audit | Compensation | Nominating and Corporate Governance |
|---|---|---|---|
| E. Miles Kilburn | Chair | Chair | X |
| Geoff Judge (1) | X | X | Chair |
| Fred C. Enlow (2) | X | X | X |
| Ronald Congemi (3) | X | X | X |
| Eileen F. Raney (4) | X | X | X |

(1) Mr. Judge was appointed to serve as a member of the Compensation Committee of the Board effective February 13, 2016.

(2) Mr. Enlow was appointed to serve as a member of the Nominating and Corporate Governance Committee of the Board effective February 25, 2016.

(3) Mr. Congemi was appointed to serve as a member of the Compensation Committee of the Board effective February 25, 2016.

(4) Ms. Raney was appointed to serve as a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee of the Board effective February 25, 2016.

*Audit Committee.* All of the members of the Audit Committee are independent for purposes of the listing standards of the NYSE as they apply to audit committee members. The Audit Committee met four times in fiscal 2015. The Audit Committee has delegated responsibility to, among other things:

- review the policies and procedures adopted by the Company to fulfill its responsibilities regarding the fair and accurate presentation of financial statements in accordance with generally accepted accounting principles ("GAAP") and applicable rules and regulations of the SEC and the NYSE;

- review any analyses prepared by management and/or the Company's independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

- review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of any material control deficiencies;

- discuss with management policies with respect to risk assessment and risk management, including information technology risks (inclusive of but not limited to data privacy and security issues) and discuss the Company's material financial risk exposures and the steps management has taken to monitor and control such exposures;

- review with the Company's independent auditor, management and internal auditors any information regarding any second opinions sought by management from an independent auditor with respect to the accounting treatment of a particular event or transaction;

- review and discuss with management and the Company's independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements and aggregate contractual obligations, on the Company's financial statements;

- review and discuss reports from the Company's independent auditor regarding: (a) critical accounting policies and practices to be used by the Company; (b) alternative treatments of financial information within GAAP that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;

- review certifications provided by the Company's principal executive officer and principal financial officer pursuant to Sections 302 and 906 the Sarbanes-Oxley Act of 2002;

- review and discuss with management press releases regarding the Company's financial results and any other information provided to securities analysts and rating agencies, including any "pro-forma" information, "non-GAAP" measures or adjusted financial information; and

- review and discuss the Company's annual audited financial statements and quarterly financial statements with management and the Company's independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Additionally, the Audit Committee is responsible for reviewing and discussing with management the Company's policies with respect to risk assessment and risk management. Further detail about the role of the Audit Committee in risk assessment and risk management is included in the section entitled "Board and Corporate Governance Matters — Board Role in Risk Oversight" above.

The Audit Committee has established policies and procedures for the pre-approval of services provided by the independent auditors. The Audit Committee has also established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company.

The Audit Committee is required by rules of the SEC to publish a report to stockholders concerning the Audit Committee's activities during the prior fiscal year. The Audit Committee's report for 2015 and further detail about the role of the Audit Committee may be found in the Report of the Audit Committee later in this Proxy Statement immediately following "Proposal 3 — Ratification of Independent Registered Public Accounting Firm."

The Board has determined that each of Mr. Kilburn, the Chair of the Audit Committee, and Ms. Raney, a member of the Audit Committee, is an "audit committee financial expert" as defined under applicable federal securities laws.

*Compensation Committee.* All of the members of the Compensation Committee are independent for purposes of the listing standards of the NYSE.The Compensation Committee met six times during 2015, either separately or in conjunction with full Board meetings. The Compensation Committee has delegated responsibility to, among other things:

- annually review and approve the Company's corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of such goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the Chief Executive Officer's compensation level based on this evaluation;

- annually review and make recommendations to the Board with respect to non-Chief Executive Officer compensation and incentive compensation plans and equity based plans that are subject to Board approval;

- administer the Company's incentive compensation plans and equity based plans as in effect and as adopted from time to time by the Board; provided that the Board shall retain the authority to interpret such plans;

- approve any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained; and

- ensure appropriate overall corporate performance measures and goals are set and determine the extent that established goals have been achieved and any related compensation earned.

Pursuant to the authority granted to it in its charter, during 2015 the Compensation Committee engaged Aon Hewitt ("Aon") as its independent executive compensation consultant. Please refer to the discussion of the "Compensation Decision Making Process — Role of Compensation Consultants" in the "Compensation Discussion and Analysis" section of this Proxy Statement for further details.

None of the Company's management participated in the Compensation Committee's decision to retain Aon, however, the Company's management regularly interacted with Aon and provided information upon Aon's request. Aon reported directly to the Compensation Committee, and the Compensation Committee may replace Aon or hire additional consultants at any time. Aon attended meetings of the Compensation Committee, as requested, and communicated with the Chair of the Compensation Committee between meetings; however, the Compensation Committee made all decisions regarding the compensation of the Company's executive officers.

The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Aon is independent in providing executive compensation consulting services. The Compensation Committee conducted a specific review of its relationship with Aon in 2015, and determined that Aon's work for the Compensation Committee did not raise any conflicts of interest, consistent with the guidance provided under the Dodd-Frank Act, the SEC and the NYSE. In making this determination, the Compensation Committee noted that during 2015:

- Aon did not provide any services to the Company, or its management, other than service to the Compensation Committee, and its services were limited to executive and Board compensation consulting. Specifically, it did not provide, directly or indirectly through affiliates, any non-executive compensation services, including, but not limited to, pension consulting or human resource outsourcing;

- Fees from the Company were less than 1% of Aon's total revenue;

- Aon maintains a Conflicts Policy with specific policies and procedures designed to ensure independence;

- None of the Aon consultants who worked on Company matters had any business or personal relationship with the Compensation Committee members;

- None of the Aon consultants who worked on Company matters, or Aon, as a whole, had any business or personal relationship with executive officers of the Company; and

- None of the Aon consultants who worked on Company matters directly own Company stock.

The Compensation Committee continues to monitor the independence of its compensation consultant on a periodic basis.

*Nominating and Corporate Governance Committee.* All of the members of the Nominating and Corporate Governance Committee are independent for purposes of the listing standards of the NYSE. The Nominating and Corporate Governance Committee met four times in fiscal 2015. The Nominating and Corporate Governance Committee has delegated responsibility to, among other things:

- develop and recommend to the Board, and implement, a set of corporate governance principles and procedures, which shall include, at a minimum, director qualifications and responsibilities, responsibilities of key Board committees, director compensation, director access to management and, as necessary and appropriate, independent advisors, annual Board performance evaluations, director orientation and continuing education and management selection and succession;

- develop and recommend to the Board, and implement and monitor compliance with, a code of business conduct, standards and ethics for directors, officers and employees, and promptly disclose any waivers for directors or executive officers;
- review and assess the adequacy of the corporate governance principals and code of business conduct, standards and ethics and recommend any changes;
- oversee the evaluation of the Board and management on an annual basis;
- conduct annual reviews of each director's independence and make recommendations to the Board based on its findings;
- assess the Board's composition on an annual basis, including size of the Board, diversity, age, skills and experience in the context of the needs of the Board;
- advise the Board on member qualifications for each Board committee, committee member appointments and removals, committee structure and operations (including authority to delegate to subcommittees) and committee reporting to the Board;
- identify individuals qualified to become Board members or executive officers, consistent with criteria approved by the Board, and select, or recommend that the Board select, the director nominees for the next annual meeting of stockholders or executive officer nominees; and
- review on an annual basis director compensation and benefits.

***Director Nomination Process***

As provided in the charter of the Nominating and Corporate Governance Committee, nominations for director may be made by the Nominating and Corporate Governance Committee or by a stockholder of record entitled to vote. The Nominating and Corporate Governance Committee will consider and make recommendations to the Board regarding any stockholder recommendations for candidates to serve on the Board. Stockholders wishing to recommend candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Company's Investor Relations Department, Attention Nominating and Corporate Governance Committee at 7250 South Tenaya Way, Suite 100, Las Vegas, NV 89113 and providing the candidate's name, biographical data and qualifications, a document indicating the candidate's willingness to serve if elected, and evidence of the nominating stockholder's ownership of Common Stock. Submissions must be received at our principal executive offices, addressed to our Secretary of the Company, not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting. For our 2017 annual meeting of stockholders, stockholder nominations must be received no earlier than the close of business on January 23, 2017 nor later than the close of business on February 22, 2017. There are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by the committee or a stockholder. The Company does not pay any third party to identify or assist in identifying or evaluating potential nominees.

In reviewing potential nominees for the Board, the Nominating and Corporate Governance Committee considers the individual's experience in the Company's industry, the general business or other experience of the candidate, the needs of the Company for an additional or replacement director, the personality of the candidate, and the candidate's interest in the business of the Company, as well as numerous other subjective criteria. Of greatest importance is the individual's integrity, willingness to be involved and ability to bring to the Company experience and knowledge in areas that are most beneficial to the Company. The Board intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria. A detailed description of the criteria used by the Nominating and Corporate Governance Committee in evaluating potential candidates may be found in the charter of the Nominating and Corporate Governance Committee which is posted on the Company's website at ir.everi.com/investor-relations/everi-overview. In general, the Nominating and Corporate Governance Committee seeks prospective nominees with a broad diversity of experience, professions, skills and backgrounds but has no formal policies and procedures for assessing, and does not assign any specific weights to, any particular criteria. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis prohibited by law.

### *Communication between Interested Parties and Directors*

Stockholders and other interested parties may communicate with individual directors (including the Presiding Director), the members of a committee of the Board, the independent directors as a group or the Board as a whole by addressing the communication to the named director, the committee, the independent directors as a group or the Board as a whole, c/o Secretary of the Company, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, NV 89113 or via electronic mail to secretary@everi.com. The Company's Secretary will forward all correspondence to the named director, the committee, the independent directors as a group or the Board as a whole, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements or patently offensive or otherwise inappropriate material. The Company's Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within the Company for review and possible response.

### *Relationships Among Directors or Executive Officers*

There are no family relationships among any of the Company's directors or executive officers.

### *Code of Business Conduct, Standards and Ethics and Corporate Governance Guidelines*

We have adopted a Code of Business Conduct, Standards and Ethics for our directors, officers and other employees that is designed to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent required by law, any amendments to, or waivers from, any provision of the Code of Business Conduct, Standards and Ethics will be promptly disclosed to the public. To the extent permitted by such legal requirements, we intend to make such public disclosure by posting the relevant material on our website in accordance with SEC rules. We have also adopted Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities.

### *Access to Corporate Governance Policies*

Stockholders may access the Company's committee charters, the Code of Business Conduct, Standards, and Ethics and the Corporate Governance Guidelines at the Corporate Governance section of the Investors page on our website at ir.everi.com/investor-relations/everi-overview. Copies of the Company's committee charters, the Code of Business Conduct, Standards and Ethics and Corporate Governance Guidelines will be provided to any stockholder upon written request to the Secretary of the Company, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113 or via electronic mail to secretary@everi.com.

### *Director Compensation*

We have a compensation program in place for our independent members of the Board for their service to the Company. Upon initial appointment to the Board, each non-employee director receives an option to purchase 100,000 shares of our Common Stock at an exercise price equal to the closing market price of our Common Stock at the date of grant. Historically, under our 2005 Stock Incentive Plan (the "2005 Plan"), for each grant, one eighth of the options vest after six months of service as a director, and the remainder vest ratably in equal monthly installments over the succeeding forty two months; provided, however, that all outstanding unvested options held by non-employee directors vest in their entirety upon a change of control of the Company. Currently, under our 2014 Equity Incentive Plan (the "2014 Plan"), each grant is subject to vesting of 25% per anniversary over four years.

Under this compensation program, the independent members of the Board receive an annual cash fee of $40,000, except for the Chair of the Board who receives an annual cash fee of $60,000. These amounts increased to $50,000 and $75,000, respectively, beginning in the second quarter of fiscal year 2015. In addition, each member of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee receive an additional annual cash fee of $7,500, except for the Chair of each such committee who receives an annual cash fee of $20,000, $10,000, and $10,000, respectively. These amounts increased to $9,375 for each member of Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and to $25,000, $12,500 and $12,500, respectively, for the Chair of each such committee beginning in the second quarter of fiscal year 2015.

In addition, the independent members of the Board are typically granted additional options to purchase shares of our Common Stock or awards of restricted shares of our Common Stock on an annual basis. Such option and restricted stock grants historically have vested upon a schedule similar to that of the initial grants. Grants made under the 2014 Plan, including the grant made to Ms. Raney in February 2016, are subject to equal annual vesting installments over four years. Option awards granted to the Board generally have a term of ten years.

The following table sets forth the compensation of our independent members of the Board for the fiscal year ended December 31, 2015:

| Name | Fees earned or paid in cash | Stock awards[1] | Option awards[1] | Total |
|---|---|---|---|---|
| E. Miles Kilburn[2] | $ 115,781 | $ — | $ 198,660 | $ 314,441 |
| Geoff Judge[2] | 68,281 | — | 132,440 | 200,721 |
| Fred Enlow[2] | 65,313 | — | 132,440 | 197,753 |
| Michael D. Rumbolz[2][3] | 77,188 | — | 132,440 | 209,628 |
| Ronald Congemi[2] | 65,313 | — | 132,440 | 197,753 |

(1) Represents the fair value of the directors' equity awards in fiscal year 2015, as calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, *Stock Compensation*. For a discussion of the assumptions made in the valuation of the directors' stock option and restricted stock awards, see the notes to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There were no restricted stock awards granted for the fiscal year ended December 31, 2015.

(2) At December 31, 2015, our directors had the following aggregate numbers of option awards and unvested stock awards outstanding:

| Name | Unvested stock awards | Shares underlying outstanding options |
|---|---|---|
| E. Miles Kilburn | 4,265 | 144,105 |
| Geoff Judge | 2,843 | 96,071 |
| Fred Enlow | 2,843 | 96,071 |
| Michael D. Rumbolz | 2,843 | 96,071 |
| Ronald Congemi | — | 116,667 |

(3) Mr. Rumbolz received an additional $11,875 in fees for services related to compliance matters.

***Compensation Committee Interlocks and Insider Participation***

During fiscal 2015, no member of the Compensation Committee was, or formerly was, an officer or employee of the Company or its subsidiaries. During fiscal 2015, no interlocking relationship existed between any member of the Company's Board or Compensation Committee and any member of the Board of Directors or Compensation Committee of any other company, nor has such interlocking relationship existed in the past.

***Chief Executive Officer and Senior Management Succession Planning***

Our Board oversees Chief Executive Officer and senior management succession planning, which is reviewed at least annually. Our Chief Executive Officer, after consultation with other members of management, provides the Board with a list of key individuals with immediate impact, the critical area of such individual's impact, short-term/interim action and long-term action. Our Board reviews this information with our Chief Executive Officer. Further, our Board periodically reviews the overall composition of our senior management's qualifications, tenure and experience.

***Regular Board and Committee Evaluations***

The Board and the Audit, Compensation and Nominating and Corporate Governance Committees each have an annual evaluation process, which focuses on their role and effectiveness, as well as fulfillment of their fiduciary duties. In 2015, the evaluations were each completed anonymously to encourage candid feedback. The results of the evaluations are reported to and reviewed by the full Board. Each committee and the Board was satisfied with its performance and considered itself to be operating effectively, with appropriate balance among governance, oversight, strategic and operational matters.

***Stock Ownership Policies***

*Equity ownership.* On February 25, 2016, the Board adopted a Policy on Equity Ownership (the "Equity Ownership Policy") for its named executive officers, other executive officers and non-employee directors, which provides that such persons shall, within five years of the later of: (i) February 25, 2016; and (ii) the date such person first becomes subject to this policy, own shares of the Company's Common Stock with a certain value as detailed in this Proxy Statement. Prior to the adoption of the Equity Ownership Policy, the Company's then executive officers purchased the following amount of shares of the Company's Common Stock: (i) Mr. Chary, 115,000 shares; (ii) Mr. Taylor, 17,000 shares; (iii) Ms. Lim, 19,000 shares; (iv) Mr. Peters, 6,000 shares; and (v) Mr. Lucchese, 22,000 shares.

*Clawback.* On February 25, 2016, the Board adopted an Incentive Compensation Clawback Policy (the "Clawback Policy"), which entitles the Company to recover certain compensation previously paid to its Section 16 officers. Pursuant to the Company's Clawback Policy, in the event of a restatement of the Company's financial results due to the misconduct of any employee, the Board or, if so designated by the Board, the Compensation Committee of the Board, is authorized to take action to recoup all or part of any incentive compensation received by a Section 16 officer of the Company.

*No hedging.* We do not believe our executive officers or directors should speculate or hedge their interests in our Common Stock. Our Insider Trading Policy therefore prohibits them from making short sales of our Common Stock or from purchasing or selling puts, calls or other derivative securities involving our stock.

*No pledging.* Our Insider Trading Policy prohibits our executive officers and directors from pledging our Common Stock.

## TRANSACTIONS WITH RELATED PERSONS

### *Review, Approval or Ratification of Transactions with Related Persons*

Under procedures adopted by the Board, any transaction that is required to be reported under Item 404(a) of Regulation S-K promulgated by the SEC must be reviewed, approved or ratified by the Audit Committee. The types of transactions subject to these procedures include, but are not limited to: (i) the purchase, sale or lease of assets to or from a related person; (ii) the purchase or sale of products or services to or from a related person; or (iii) the lending or borrowing of funds from or to a related person. Approval of transactions with related persons shall be at the discretion of the Audit Committee, but the Audit Committee shall consider: (a) the consequences to the Company of consummating or not consummating the transaction; (b) the extent to which the Company has a reasonable opportunity to obtain the same or a substantially similar benefit of the transaction from a person or entity other than the related person; and (c) the extent to which the terms and conditions of such transaction are more or less favorable to the Company and its stockholders than the terms and conditions upon which the Company could reasonably be expected to negotiate with a person or entity other than the related person. Further, our Code of Business Conduct, Standards and Ethics requires our directors, officers and employees to raise with our General Counsel any material transaction or relationship that could reasonably be expected to give rise to a personal conflict of interest. Our Corporate Governance Guidelines also prohibit the Company's making of any personal loans to directors, executive officers or their immediate family members.

### *Transactions with Related Persons in 2015*

During fiscal 2015, the Company did not engage in any transactions, and there is not currently proposed any transactions, or series of similar transactions, to which the Company was or will be a party, with related parties that required review, approval or ratification of the Audit Committee or any other committee.

**EXECUTIVE OFFICERS**

On February 16, 2016, the Company's Board announced that, effective February 13, 2016, Mr. Ram Chary was terminated from his position as President and Chief Executive Officer and as a director of the Company. Mr. Michael D. Rumbolz was appointed by the Board as Interim President and Chief Executive Officer, effective February 13, 2016, until the Company completes the process of hiring a permanent President and Chief Executive Officer.

In addition to the information provided above regarding Mr. Rumbolz, the following sets forth the Company's current named executive officers ("NEOs"):

| Name | Age | Position and Offices |
|---|---|---|
| Michael D. Rumbolz . . . . . . . . . . . . . . . . . . . . . . | 62 | Interim President and Chief Executive Officer and Director |
| Randy L. Taylor . . . . . . . . . . . . . . . . . . . . . . . . . . | 53 | Executive Vice President and Chief Financial Officer |
| Juliet A. Lim . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 53 | Executive Vice President, Payments, General Counsel and Corporate Secretary |
| David Lucchese . . . . . . . . . . . . . . . . . . . . . . . . . . | 57 | Executive Vice President, Games |
| Edward A. Peters. . . . . . . . . . . . . . . . . . . . . . . . . . | 53 | Executive Vice President, Sales |

***Randy L. Taylor*** has served as our Executive Vice President and Chief Financial Officer since March 2014. Prior to his appointment as Executive Vice President and Chief Financial Officer, Mr. Taylor had served as the Company's Senior Vice President and Controller since November 2011. Prior to joining the Company, Mr. Taylor served in various positions for Citadel Broadcasting Corporation, a radio broadcasting company, from April 1999 to September 2005 and from September 2006 to September 2011, including most recently, from 2008 to 2011, as Chief Financial Officer. In December 2009, Citadel Broadcasting Corporation filed a petition for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code and emerged from reorganization under Chapter 11 in June 2010. Mr. Taylor also served as the Vice President of Finance and Corporate Controller of Bally Technologies, Inc. from September 2005 to September 2006.

***Juliet A. Lim*** has served as our Executive Vice President, Payments, General Counsel and Secretary since January 2015, having previously served as our Executive Vice President, General Counsel and Secretary from March 2014 to January 2015. Prior to joining the Company, Ms. Lim served as General Counsel and Corporate Secretary and Vice President of Human Resources of Clear Energy Systems, Inc. from June 2013 until February 2014. From January 2010 to May 2013, Ms. Lim served as the General Counsel and Corporate Secretary and Vice President of Human Resources of Arizona State University Foundation. Ms. Lim served as the Senior Vice President and Deputy General Counsel and in other senior legal positions at Fidelity National Information Services, Inc. and eFunds Corporation (which was acquired by Fidelity National in 2007), from June 2003 to November 2009. Ms. Lim also served as Vice President and Associate General Counsel of Honeywell, Inc. and was a partner at the law firm now known as Lewis Roca Rothgerber Christie LLP.

***David Lucchese*** has served as our Executive Vice President, Games since January 2015, having previously served as our Executive Vice President, Client Operation, from March 2014 to January 2015 and as our Executive Vice President, Sales from April 2010 to March 2014. Prior to joining the Company, Mr. Lucchese served in various positions for Bally Technologies, Inc., including Vice President of Sales, Games from April 2005 to April 2010 and Senior Vice President of Sales, Systems from April 2003 to April 2005. Mr. Lucchese served as Vice President of Sales for Aristocrat Technologies, Inc. from July 2001 to February 2003.

***Edward A. Peters*** has served as our Executive Vice President, Sales since January 2015, having previously served as Senior Vice President, Sales for the Company since November 2014. Prior to joining the Company, Mr. Peters served in various senior executive positions during the past several years, including as Senior Vice President Business Development in Global Commercial Services from February 2010 through November 2014 for Fidelity Information Services; Chief Information Officer for Silverton Bank from August 2004 through February 2010; and Senior Vice President for Prudential Bank from December 2000 through July 2004.

**PROPOSAL 2**
**ADVISORY VOTE TO APPROVE NAMED EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, enacted in 2010, requires that companies provide their stockholders with the opportunity to vote, on an advisory (non-binding) basis, whether to approve the compensation of companies' named executive officers, commonly referred to as a "say-on-pay" vote, at least once every three years. In a vote held at our 2011 annual meeting, our stockholders voted in favor of holding say-on-pay votes annually. In light of this result and other factors considered by the Board, we have adopted a frequency of obtaining say-on-pay votes on an annual basis. Accordingly, the next opportunity for stockholders to participate in a say-on-pay vote after the Annual Meeting is expected to occur in connection with our annual meeting of stockholders to be held in 2017.

The say-on-pay vote is a non-binding advisory vote on the compensation of our named executive officers as described in the Compensation Discussion and Analysis section, including the tabular disclosure and accompanying narrative disclosure regarding such compensation, set forth in this Proxy Statement. It is not a vote to approve our general compensation policies, the compensation of our Board, or our compensation policies as they relate to risk management.

Our Compensation Committee, which is responsible for designing and administering our executive compensation program, has designed our executive compensation program to provide a competitive and internally equitable compensation and benefits package that reflects company performance, job complexity and the strategic value of the applicable position, while ensuring long-term retention, motivation and alignment with the long-term interests of the Company's stockholders. We encourage you to carefully review the "Compensation Discussion and Analysis" of this Proxy Statement for additional details on the Company's executive compensation, including our compensation philosophy and objectives and the processes our Compensation Committee and the Board used to determine the structure and amounts of the compensation of our named executive officers for the year ended December 31, 2015.

The vote solicited by this Proposal 2 is advisory and, therefore, is not binding on us, our Board or our Compensation Committee, nor will its outcome require us, our Board or our Compensation Committee to take any action. Moreover, the outcome of the vote will not be construed as overruling any decision by us or our Board. Furthermore, because this non-binding, advisory vote primarily relates to the compensation of our named executive officers that we have already paid or are otherwise contractually committed to pay, there is generally no opportunity for us to revisit these decisions. However, our Board, including our Compensation Committee, values the opinions of our stockholders and, to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and evaluate what actions, if any, may be appropriate for us to take in the future to address those concerns. For example, at the 2015 annual meeting of stockholders, our say-on-pay proposal received the support of approximately 51% of the shares voted. Our board was concerned and disappointed in this outcome, and, as a result, we undertook a broad-based stockholder outreach and engagement program to solicit feedback, understand investor concerns and consider any necessary and appropriate actions.

Over several months, our Compensation Committee and management reached out to the majority of top 20 shareholders, representing approximately 68.5% of our shareholders at the time, and had extensive, meaningful dialogue with stockholders representing approximately 42.5% of our outstanding Common Stock, as well as with two leading proxy advisory firms, Institutional Shareholder Services, Inc. and Glass Lewis & Co. Our stockholders were pleased with the proposed changes we were already in the process of implementing, and asked questions and raised concerns about certain other practices. As a result of these conversations, we made additional changes that will strengthen our compensation program and further align management and stockholder interests.

Stockholders will be asked at the Annual Meeting to approve the following resolution pursuant to this Proposal 2:

> "RESOLVED, that the stockholders of Everi Holdings Inc. approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S- K, set forth in the Company's definitive proxy statement for the 2016 Annual Meeting of Stockholders."

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

## Executive Compensation

The Company is a holding company, the principal asset of which is the capital stock of Everi Payments Inc. ("Everi Payments"), and the capital stock of Everi Games Holding Inc. ("Everi Games Holding"), which is the parent of Everi Games Inc. ("Everi Games"). All of the executive officers of the Company are employees of Everi Payments, other than Mr. Lucchese who is an employee of Everi Games as of January 1, 2016, and all references in this Proxy Statement to executive compensation relate to the executive compensation paid by Everi Payments or Everi Games to such executive officers.

### Compensation Discussion and Analysis

The following Compensation Discussion and Analysis ("CD&A") describes the philosophy, objectives and structure of our 2015 executive compensation program. This CD&A is intended to be read in conjunction with the tables beginning on page 39, which provide further historical compensation information for our following NEOs as of December 31, 2015:

| Name | Title |
|---|---|
| **Ram Chary*** | Former President and Chief Executive Officer |
| **Randy L. Taylor** | Executive Vice President and Chief Financial Officer |
| **Juliet A. Lim** | Executive Vice President, Payments, General Counsel and Corporate Secretary |
| **David Lucchese** | Executive Vice President, Gaming |
| **Edward A. Peters** | Executive Vice President, Sales |

* The Board terminated the employment of Mr. Chary from his positions as President, Chief Executive Officer and Board member, effective February 13, 2016. On February 16, 2016, Michael D. Rumbolz, a director of the Company, was appointed as the Interim President and Chief Executive Officer of the Company.

**Quick CD&A Reference Guide**

## I. Executive Summary

The story of our Company's past two fiscal years is mixed: while we have had some successes that we are able to build upon, at the same time we have not been satisfied with the pace of progress regarding our long-term business strategy. In December 2014, we completed the strategic acquisition of Everi Games Holding (formerly known as Multimedia Games Holding Company, Inc.), which we believe is a key component in the future of the Company as we continue to diversify our business into two major categories, Payments and Games. The integration of Everi Games Holding has gone well; the execution of our business strategy, however, with expected increases in licenses, game sales, install base and overall market share, has been slower than expected. Unfortunately, this has been reflected in our share price and our Adjusted EBITDA.*

*See Appendix A to this Proxy Statement for a reconciliation of financial measures prepared in accordance with United States generally accepted accounting principles ("GAAP") to non-GAAP financial measures disclosed in this CD&A. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, financial results prepared in accordance with GAAP.

There are several highlights in fiscal 2015 worth noting, including a broad-sweeping improvement to our corporate governance structures and policies, as well as our executive compensation programs. We believe these changes will not only improve the prospects for long-term, sustainable business growth but also improve our transparency and communication with our stockholders.

**2015 Business Performance and Effect on Pay**

We believe our pay is reasonable and provides appropriate incentives to our executives to achieve our financial and strategic goals without encouraging them to take excessive risks in their business decisions. The Company's executive compensation program is designed to pay for performance – that is, to reward executives in a manner that is proportionate to the achievement of established goals. These goals may be expressed in terms of Company-wide performance, operating segment performance or individual performance. We have an appropriate balance of annual and long-term goals to reward executives for short-term achievement while motivating executives to have a long-term view of the Company's health and performance.

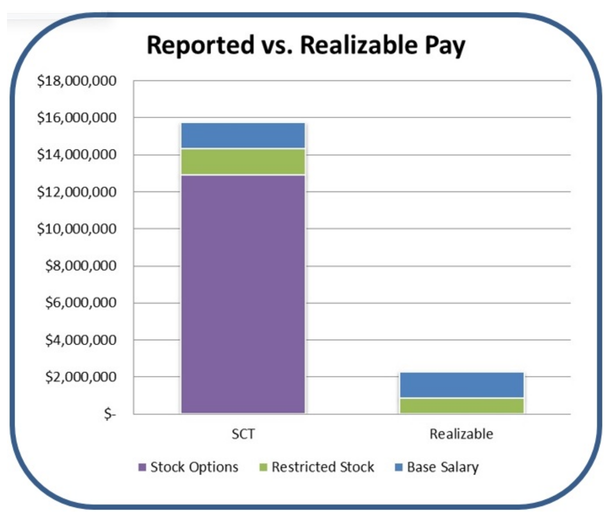
Our performance in 2015 has been reflected in our executive pay outcomes, most significantly in two areas: annual cash incentives, and realizable pay values.

***2015 Annual Incentives Pay***

Given our lower than expected Adjusted EBITDA for fiscal 2015, the threshold performance levels were not achieved and, thus, executives did not receive any annual cash incentives for this financial goal. In addition, due to the overall performance of the Company, the executives did not receive any amount of compensation related to their personal performance goals. This ultimately translated to our NEOs receiving no cash incentives for the second year in a row (See "Elements of Compensation – Annual Cash Incentives" for further details and discussion).

***Realizable Pay***

Paying for performance is the foundation of our compensation program. Our strong belief in this foundation can be demonstrated simply: we have granted options that do not vest unless significant stock price increases are achieved. To date, these rigorous stock price hurdles have not yet been achieved. In fact, our total stockholder return has stumbled in 2015 as discussed in the previous section. Therefore, the grant date value of compensation packages (as displayed in the "Summary Compensation Table") are not at all reflective of the actual realizable pay value of the compensation packages received by the executive team over the last several years. To demonstrate, the chart at the right shows the difference between the reported pay and the realizable pay of our former Chief Executive Officer, Mr. Ram Chary, since he joined the Company in January 2014 through December 31, 2015:



The above chart is as of December 31, 2015, when our stock price closed at $4.39 per share. As demonstrated in the graphic, Mr. Chary's realizable pay (aggregate $2,306,846) is substantially less than his reported pay (base, bonus and equity, an aggregate of $15,778,379) – reflecting an alignment of pay and performance, as well as the interests of Mr. Chary being aligned with those of stockholders.

**2015 Say-on-Pay Vote and Shareholder Outreach**

At the 2015 annual meeting of stockholders, our say-on-pay proposal received the support of approximately 51% of the shares voted. Our Board was concerned and disappointed in this outcome, and as a result we undertook a broad-based stockholder outreach and engagement program to solicit feedback, understand investor concerns and consider any necessary and appropriate actions.

Over several months, our Compensation Committee and management reached out to the majority of top 20 shareholders, representing approximately 68.5% of our shareholders at the time, and had extensive, meaningful dialogue with stockholders representing approximately 42.5% of our outstanding Common Stock, as well as with two leading proxy advisory firms, Institutional Shareholder Services, Inc. and Glass Lewis & Co. Our stockholders were pleased with the proposed changes we were already in the process of implementing, and asked questions and raised concerns about certain other practices. As a result of these conversations, we made additional changes that will strengthen our compensation program and further align management and stockholder interests. Our stockholders universally expressed a desire for ongoing communication, which we believe is prudent and valuable for all parties.

Although our stockholder base is diverse in type and size, and certainly in processes for compensation program evaluation, several topics were raised repeatedly. These included:

| What We Heard | | What We Did |
|---|---|---|
| **Questions regarding Ram Chary's 2014 pay**<br>**Issues included:**<br>— **Perceived weak link between pay and performance**<br>— **Single trigger provision**<br>— **Pure quantum concerns** | ➡ | • Discussed challenging nature of disclosed vs. realized values for the options grants<br>• Discussed the switch in mid-year 2015 from single to double trigger equity acceleration provisions<br>• Introduced incentive clawbacks and stock ownership guidelines<br>• Conducted a competitive benchmarking study using industry best practice against which to make future pay decisions |
| **Disclosure needs to improve** | ➡ | • Worked diligently with our compensation consultant to make our CD&A more transparent and meet investor expectations |
| **Concerns regarding retention** | ➡ | • We redesigned the long-term incentive plan for 2016 to incorporate a different mix of performance metrics to better encourage retention while still motivating our executives |

**Overview of Compensation Actions**

The Compensation Committee has been listening to stockholders, studying current best practices in the corporate governance market, examining industry peer practices, and evaluating what is needed to properly incentivize, motivate and retain the Company's executive team. This effort has resulted in numerous changes to the governance of the compensation program and the Company as a whole including:

- ➢ Switching from a single-trigger to a double-trigger change in control provision for all equity grants going forward, beginning with those awards granted in 2015 (which were made in April 2015, prior to our 2015 annual meeting of stockholders)
- ➢ Adopting a clawback policy for cash and equity-based incentive awards granted to executives

- Adopting executive and director stock ownership guidelines
- Creating, and using for the first time, a peer group for benchmarking competitive pay practices

For 2016, we have:

- Re-designed the long-term incentive plan for 2016.
- Adopted "plurality-plus" voting for directors (i.e., a plurality vote standard coupled with a mandatory resignation policy for nominees who fail to achieve an affirmative majority of votes cast)

***Interim Chief Executive Officer Pay***

On February 16, 2016, Michael Rumbolz, who has served as a director of the Company since August 2010, was named Interim President and Chief Executive Officer of the Company, replacing Mr. Chary, whose employment with the Company was terminated as of February 13, 2016. In connection with his appointment, Mr. Rumbolz was awarded an option to purchase 465,116 shares of our Common Stock with an exercise price of $2.78 per share, with the shares underlying the option subject to vesting in 24 equal monthly installments. On February 25, 2016, Mr. Rumbolz and the Company entered into an Employment Agreement, effective February 13, 2016. Pursuant to the Employment Agreement, Mr. Rumbolz is entitled to receive a monthly base salary of $50,000, which is less than that of Mr. Chary's, and is eligible for a one-time bonus of $100,000 upon the commencement of employment by the Company of a successor President and Chief Executive Officer on a non-interim basis. Mr. Rumbolz's employment agreement does not otherwise provide for an annual cash incentive bonus, and he will not receive compensation as a director while serving as Interim Chief Executive Officer.

**Components of Our Compensation Program**

The Compensation Committee oversees our executive compensation program, which includes several compensation elements that have each been tailored to incentivize and reward specific aspects of company performance the board believes are central to delivering long-term stockholder value. Key components of our 2015 compensation program are:

| | |
|---|---|
| **Base Salary** | Individual salaries are established and negotiated at the time of hire and adjusted after in the Compensation Committee's discretion.<br>Initial salaries are set based on the executive's scope of responsibilities in the context of the overall size of the Company and are designed to be competitive with market and industry norms, and to reflect individual performance. |
| **Short-Term Incentives** | Cash incentives intended to reward the achievement of annual corporate financial goals as well as individual accomplishments and contributions.<br>For 2015, based 50% on Adjusted EBITDA and 50% on Individual Performance Goals. The Compensation Committee determined that the Adjusted EBITDA and Individual Performance Goals were not achieved. Therefore no NEO received any short-term incentive in 2015. |
| **Long-Term Incentives** | Market-based stock options with challenging exercise price hurdles of $18.00 and $21.00 per share. |

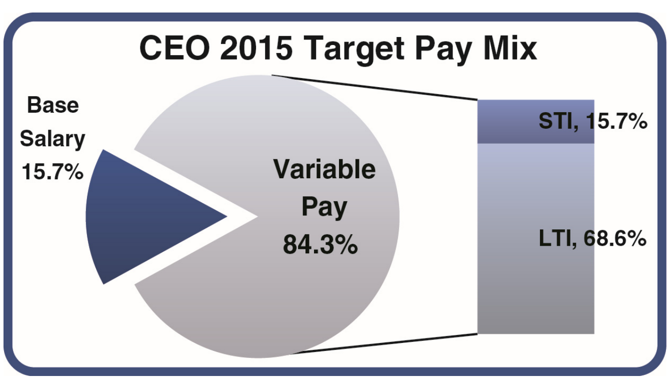
**Compensation Governance Practices**

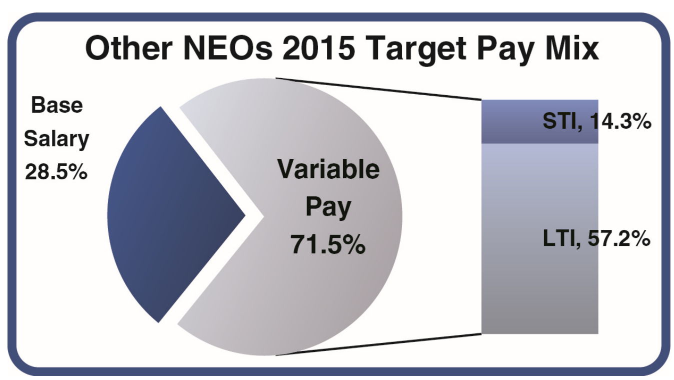
Our compensation governance framework and pay-for-performance philosophy provide appropriate incentives to our executives to achieve our financial and strategic goals without encouraging them to take excessive risks in their business decisions.

| Best Practices We Employ |
|---|
| ✓ Majority of NEO compensation tied to long term performance |
| ✓ Performance metrics are directly tied to value creation for stockholders |
| ✓ Robust stock ownership guidelines of 6x salary for Chief Executive Officer, 3x for NEOs, and 5x annual retainer fees for non-employee directors |
| ✓ Incentive compensation "clawback" policy |
| ✓ Change in control severance requires a double trigger, commencing with equity award grants made in 2015 |
| ✓ Compensation Committee is comprised entirely of independent directors |
| ✓ Compensation Committee engages an independent consultant |
| ✓ Compensation Committee regularly meets in executive session without management present |
| ✓ Proactive stockholder engagement process |
| ✓ Annual risk assessment of the compensation program |
| ✓ We avoid incentive program designs that encourage excessive risk taking |
| ✓ Hedging and short sales are not permitted |
| ✓ Pledging is not permitted without pre-approval |
| ✓ Supplemental Executive Retirement Plan (SERP) benefits are not provided |

**2015 Target Total Compensation**

To promote a performance-based culture that aligns the interests of management and stockholders, in 2015 the executive compensation program focused extensively on variable compensation. For example, our target pay mix is as follows:



**II. Compensation Philosophy and Objectives**

The principal objective of the Company's executive compensation policies is to align the executives' incentives with the achievement of the Company's strategic goals, which are in turn designed to enhance stockholder value. In order to achieve that objective, the Company's executive compensation policies are designed to help the Company attract and retain the services of key personnel who possess the necessary leadership and management skills, motivate key employees to achieve specified goals and ensure that compensation provided to key employees is both fair and reasonable in light of performance and competitive with the compensation paid to executives of similarly situated companies. The Company has attempted to design its executive compensation policies to incent its executives to achieve the Company's strategic goals, while at the same time discouraging them and other employees from taking excessive risk.

Our executive compensation program consists of base salary, annual cash incentives, and long-term equity incentives, as well as benefits that are generally available to our salaried employees and limited perquisites. Perquisites generally include, among other things, moving expenses and reimbursement of other out-of-pocket expenses. We believe that spreading compensation across these three primary components achieves our compensation objectives:

- ✓ Pay-for-Performance
- ✓ Competitive executive target pay levels
- ✓ Balances fixed and at-risk compensation appropriately
- ✓ Balances short-term and long-term goals appropriately
- ✓ Aligns the interests of management and stockholders
- ✓ Manages compensation risk

**III. Compensation Decision Making Process**

**Overall Compensation Determinations**

All of our current NEOs are parties to employment agreements. The level of base salary to be paid to those officers over the term of their respective employment agreements and their individual target bonus percentages are initially determined in connection with the negotiation process relating to such agreements or any amendments thereof, and later adjusted as necessary during the Compensation Committee's annual review of an executive's performance.

**Role of the Board of Directors**

Our Board has appointed a Compensation Committee, consisting exclusively of independent directors. The Compensation Committee's charter authorizes our Compensation Committee to review and approve or to recommend for approval to the full Board, the compensation of our Chief Executive Officer and other executives. Our Board has authorized our Compensation Committee to make various decisions with respect to executive compensation. However, the Board also may make determinations and approve compensation in its discretion, including where the Compensation Committee recommends that the Board considers such executive compensation matters.

**Role of the Compensation Committee**

Our Compensation Committee evaluates the performance of our Chief Executive Officer and approves the compensation for our Chief Executive Officer in light of the goals and objectives of our compensation program for that year. Our Compensation Committee annually assesses the performance of our other executives, and, based in part on the recommendations from our Chief Executive Officer, approves the compensation of these executives. Our Compensation Committee retains, and does not delegate, any of its responsibility to determine executive compensation.

**Role of Management**

At the request of our Compensation Committee, our Chief Executive Officer may attend a portion of our Compensation Committee meetings, including meetings at which our Compensation Committee's compensation consultants are present. This enables our Compensation Committee to review, with our Chief Executive Officer, the corporate and individual goals that the Chief Executive Officer regards as important to achieve our overall business objectives. Our Compensation Committee also requests that our Chief Executive Officer assesses the performance of, and our goals and objectives for, certain other executives as deemed appropriate, including our other NEOs. In addition, our Compensation Committee may request certain other executives to provide input on executive compensation, including assessing individual performance and future potential, market data analyses and various compensation decisions relating to bonuses, equity awards and other pay during the year. None of our executives generally attends any portion of Compensation Committee meetings at which his or her compensation is discussed.

**Role of Compensation Consultants**

Pursuant to the authority granted to it in its charter, the Compensation Committee may engage an independent executive compensation consultant. Generally, the consultant reports directly to the Compensation Committee, who may replace or hire additional consultants at any time. Generally, the compensation consultant attends meetings of the Compensation Committee, as requested, and communicates with the Chair of the Compensation Committee between meetings; however, the Compensation Committee makes all decisions regarding the compensation of the Company's executive officers.

The compensation consultant provides services to the Compensation Committee, including, but not limited to: advice on compensation philosophy, incentive plan design, executive job compensation analysis, shareholder engagement and CD&A disclosure, among other compensation topics. The compensation consultant provides no additional services to the Company, other than consulting services provided to the Compensation Committee.

In 2015, Aon provided consulting services to the Compensation Committee, including advice on compensation philosophy, incentive plan design, executive job compensation analysis, shareholder engagement, and CD&A disclosure, among other compensation topics. Aon provides no services to the company other than consulting services provided to the Compensation Committee.

The Compensation Committee conducted a specific review of its relationship with Aon in 2015, and determined that Aon's work for the Compensation Committee did not raise any conflicts of interest. Aon's work has conformed with the independence factors and guidance provided by the Dodd-Frank Act, the SEC and the NYSE.

**Compensation Risk Oversight**

The Compensation Committee has reviewed and discussed the concept of risk as it relates to the Company's compensation policies and it does not believe that the Company's compensation policies encourage excessive or inappropriate risk taking. Further, the Compensation Committee has endorsed and adopted several measures in the past year to further discourage risk-taking, such as robust stock ownership guidelines for its executives and non-employee directors, and the adoption of a clawback policy that grants the Compensation Committee broad discretion to recover incentive awards from Section 16 officers in the unlikely event that incentive plan award decisions were based on financial results that are subsequently restated.

The Compensation Committee identified no material risks in the compensation programs in 2015.

**IV. Compensation Competitive Analysis**

In 2015, the Compensation Committee worked with its independent consultant, Aon, to create a meaningful peer group for the purposes of assessing the competitiveness and appropriateness of the Company's NEO compensation in the market. To formulate this peer group, the committee looked to identify two types of businesses: Games and Payments, which represent the two core businesses of the Company. From there, the Compensation Committee and Aon screened potential peers for similar size and complexity, using revenue, market capitalization, and enterprise value as its guiding metrics.

Given the complexities and volatility of the industry, the Compensation Committee believes it is not appropriate to rigidly benchmark executive pay to a specific percentile of the group. Instead, the Compensation Committee uses the comparative data merely as a reference point in exercising its judgment about compensation design and setting appropriate target pay levels.

**2015 Peer Group**

| Company | Ticker | Revenue ($mm) | Market Cap ($mm) | Enterprise Value ($mm) | Type |
|---|---|---|---|---|---|
| Boyd Gaming Corporation | BYD | $ 2,701.3 | $ 1,650 | $ 4,922.6 | Gaming |
| Outerwall Inc. | OUTR | $ 2,303 | $ 1,404.3 | $ 2,085 | Gaming |
| Scientific Games Corp. | SGMS | $ 1,786.4 | $ 1,333.7 | $ 9,694.9 | Gaming |
| Churchill Downs Inc. | CHDN | $ 812.9 | $ 2,198.5 | $ 2,850.1 | Gaming |
| JAKKS Pacific, Inc. | JAKK | $ 810.1 | $ 231.5 | $ 341.6 | Gaming |
| Zynga, Inc. | ZNGA | $ 690.4 | $ 2,631 | $ 1,680.6 | Gaming |
| Dreamworks Animation SKG Inc. | DWA | $ 684.6 | $ 2,261.7 | $ 2,787.2 | Gaming |
| LeapFrog Enterprises | LF | $ 339.1 | $ 99 | $ (28.2) | Gaming |
| Glu Mobile, Inc. | GLUU | $ 223.1 | $ 747.3 | $ 681.6 | Gaming |
| Heartland Payments Systems, Inc. | HPY | $ 2,311.4 | $ 1,978.2 | $ 2,522.5 | Payments |
| VeriFone Systems, Inc. | PAY | $ 1,868.9 | $ 3,677.9 | $ 4,321.5 | Payments |
| Euronet Worldwide, Inc. | EEFT | $ 1,664.2 | $ 3,200.9 | $ 3,149.6 | Payments |
| Moneygram International Inc. | MGI | $ 1,454 | $ 488.9 | $ 1,458.6 | Payments |
| Blackhawk Network Holdings, Inc. | HAWK | $ 1,445 | $ 2,208.9 | $ 2,388.3 | Payments |
| Cardtronics, Inc. | CATM | $ 1,054.8 | $ 1,662.5 | $ 2,252.4 | Payments |
| WEX Inc. | WEX | $ 817.6 | $ 4,404.8 | $ 5,188.1 | Payments |
| Green Dot Corporation | GDOT | $ 601.6 | $ 989.6 | $ 227.1 | Payments |
| Evertec, Inc. | EVTC | $ 361.1 | $ 1,644.4 | $ 2,294 | Payments |
| **18 Peers** | 25th %ile | $ 684.6 | $ 1,286.8 | $ 1,424.5 | |
| | Median | $ 817.6 | $ 1,650 | $ 2,294 | |
| | 75th %ile | $ 1,664.2 | $ 2,261.7 | $ 3,149.6 | |
| **Everi Holdings Inc.** | | **$ 800** | **$ 450** | **$ 1,443** | |
| | **Rank** | **40 %** | **10 %** | **28 %** | |

## V. Elements of Compensation

The Company's executive compensation policy is simple and transparent in design, and consists primarily of base salary, annual cash incentive awards and long-term equity incentive awards for fiscal 2015.

**Summary Overview**

| Type | Element | Performance Period | Objective | Performance Measured and Rewarded for 2015 |
|---|---|---|---|---|
| Fixed | Base Salary | Annual | Recognition of an individual's role and responsibilities; retention | Reviewed annually and set based on market competitiveness, individual performance and internal equity considerations |
| | **Annual Cash Incentive Plan** | | | |
| Performance - based | Annual Bonus | Annual | Variable pay designed to reward achievement of annual financial objectives and individual performance goals | • Adjusted EBITDA (50%)<br>• Individual Performance Goals (50%) |
| | **Long-Term Incentive Plan** | | | |
| Performance - based | Market-Based Stock Options | Long-Term | Supports the achievement of strong share price growth | • Tranche 1: Exercise prices of $18/share<br>○ 133% premium at the date of grant<br>• Tranche 2: Exercise price of $21/share<br>○ 171% premium at the date of grant |

**Base Salaries**

Base salaries are intended to provide an appropriate level of assured cash compensation that is sufficient to retain the services of our executives. Base salaries are reviewed annually as part of the Company's performance review process, and are determined based upon the following factors:

- Position and responsibility;
- Job performance, and expected contribution to the Company's future performance;
- Market factors: The market compensation profile for similar jobs and the need to attract and retain qualified candidates for high-demand positions;
- Internal value of the executive's role: The relative importance of the job as compared to the Company's other executive officers, based on the scope of responsibility and performance expectation; and
- Retention risk: The need to retain high performing and high potential executives.

| Name | 2014 Annual Base | 2014 Actual Paid | 2015 Annual Base | 2015 Actual Paid |
|---|---|---|---|---|
| Ram Chary | $ 700,000 | $ 632,692 [(1)] | $ 800,000 | $ 796,154 |
| Randy L. Taylor | 300,000 | 275,962 [(2)] | 400,000 | 389,423 |
| Juliet A. Lim | 330,000 | 266,539 [(3)] | 400,000 | 397,308 |
| David Lucchese | 340,000 | 340,000 | 425,000 | 415,000 |
| Edward A. Peters | 375,000 | 23,077 [(4)] | 400,000 | 392,308 |

(1) Mr. Chary's employment began in January 2014 and terminated in February 2016.

(2) Mr. Taylor was promoted to the position of Executive Vice President and Chief Financial Officer in March 2014, and his 2014 salary was inclusive of earnings for the full year.

(3) Ms. Lim's employment began in March 2014.

(4) Mr. Peters' employment began in December 2014.

**Annual Cash Incentives**

All of our NEOs were eligible for the 2015 annual cash incentive plan, which promoted the Company's pay-for-performance philosophy by providing executives with direct financial incentives in the form of annual cash incentive awards for achieving pre-determined individual and Company performance goals.

Each NEO's annual cash incentive award target was established as a percentage of base salary. Such target cash bonus percentage was either negotiated and set forth in the NEO's employment agreement or otherwise established by the Compensation Committee. The following targets were established for 2015:

| Name | Target | Maximum |
|---|---|---|
| | *(As a % of base salary)* | |
| **Mr. Chary[(1)]** | 100 % | 150 % |
| **Mr. Taylor, Ms. Lim & Mr. Lucchese** | 50 % | 75 % |
| **Mr. Peters** | 50 % | 100 % |

*(1) The employment of Mr. Chary was terminated in February 2016.*

***2015 Performance Metrics***

For 2015, the Company's annual cash incentive plan for executives consisted of two performance metrics: (a) Adjusted EBITDA (50% weighting) and (b) Individual Performance Goals (50% weighting).

| Metric | Weight | Threshold - 1 | Threshold - 2 | Target | Threshold - 3 | Maximum | 2015 Actual Performance As % of Target |
|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | 50% | $210M to $214M 50% to 75% | $214M to $218M 75% to 100% | $218M to $220M 100% | $220M to $224M 100% to 125% | $224M to $228M 125% to 150% | 92% |
| **Individual Performance Goals** | 50% | n/a | n/a | n/a | n/a | n/a | n/a |

In 2015, the Individual Performance Goals, established by the Compensation Committee and weighted equally, for the Chief Executive Officer consisted of goals related to:

| | |
|---|---|
| **Corporate Strategy** | • Maintaining and expanding the Company's gaming footprint through strategic gaming-related acquisitions, alliances or technology development while seeking growth opportunities outside gaming that will bring value to gaming customers<br>• Continuing focus on increasing operational depth and efficiency to better position the Company to achieve its growth strategy<br>• Pivoting from an individual product-centric marketing and sales approach to a solutions suite marketing and sales approach |
| **Leadership** | • Aligning the strategic goals of the Board, Chief Executive Officer and senior management team<br>• Succession planning |
| **Enhance Customer and Community Relationships** | • Improving customer retention and satisfaction through the establishment of a robust technology development and testing discipline<br>• Implementation of a new delivery and service model<br>• Implementing a plan and process for measuring customer satisfaction |

In order to promote alignment of goals and collective responsibility for corporate performance among our senior executive team, it was determined that each NEO other than the Chief Executive Officer would be deemed to have satisfied or failed to have satisfied the Individual Performance Goals if and to the extent that the Chief Executive Officer satisfied or failed to satisfy the Individual Performance Goals, as the case may be.

***2015 Actual Payouts***

For the year ended December 31, 2015, the Company reported Adjusted EBITDA of $200.4 million, which was less than the minimum threshold of $210.0 million. Therefore, under the formula outlined above, the executives did not receive a payout with respect to the Company's Adjusted EBITDA objective performance target.

With respect to the Individual Performance Goals, the Compensation Committee determined achievement through an evaluation of our Chief Executive Officer performance versus each of the goals outlined above. The Compensation Committee subjectively assessed the achievement of the Individual Performance Goals by Mr. Chary and determined that they were not achieved. As a result, the then NEOs, including Mr. Chary, were not awarded any payout with respect to the Individual Performance Goals.

***2016 Annual Cash Incentives***

For 2016, the Compensation Committee has slightly modified the structure of the annual cash incentive plan. The Adjusted EBITDA performance target will account for 75% of the executives annual cash incentive bonus and personal goals will account for 25% of the annual cash incentive. Mr. Rumbolz is not entitled to an annual cash incentive award, but is eligible for a one-time bonus of $100,000 upon the commencement of employment by the Company of a successor President and Chief Executive Officer on a non-interim basis.

**Long-Term Equity Incentive Awards**

We believe that the award of stock-based compensation and incentives is an effective way of aligning our executives' interests with the goal of enhancing stockholder value. Due to the direct relationship between the value of an equity award, on the one hand, and the Company's stock price, on the other, we believe that equity awards motivate executives to manage the Company's business in a manner that is consistent with stockholder interests. Equity awards are intended to focus the attention of the recipient on the Company's long-term performance, which we believe results in improved stockholder value. Through the grant of stock options and restricted stock awards that vest over time, we can align executives' interests with the long-term interests of our stockholders who seek appreciation in the value of our Common Stock. To that end, the time-based equity awards that we grant to executives typically vest and become fully-exercisable over a four-year period. The grant of equity awards also provides significant long-term earnings potential in a competitive market for executive talent.

The principal factors considered in granting stock options or restricted stock awards and determining the size of grants to executives are prior performance, level of responsibility, the amounts of other compensation attainable by the executive and the executive's ability to influence the Company's long-term growth and profitability. Our Compensation Committee does not apply any quantitative method for weighing these factors and a decision to grant an award is primarily based upon a subjective evaluation of the executive's past performance as well as anticipated future performance.

***Mix of Equity Incentive Awards***

Our long-term equity compensation program has traditionally consisted of three types of awards:

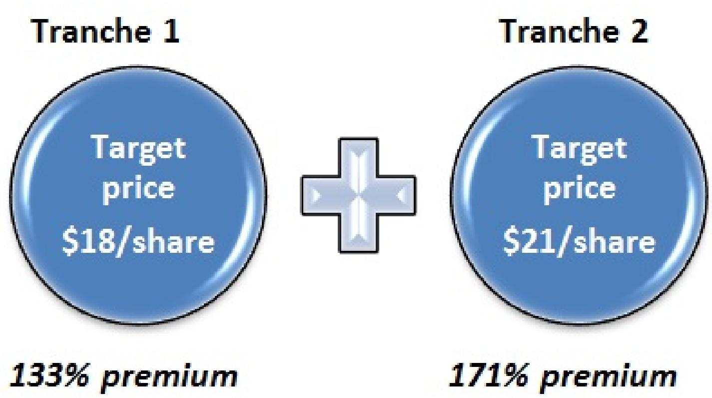
- Time-based restricted stock awards
- Time-based stock option awards
- Market-based stock option awards

***2015 Time-Based Restricted Stock Awards and Time-Based Stock Option Awards***

Based upon the Compensation Committee's desire to motivate executives to focus on share price growth, executives did not receive time-based restricted stock awards or time-based stock option awards in 2015.

***2015 Market-Based Stock Options***

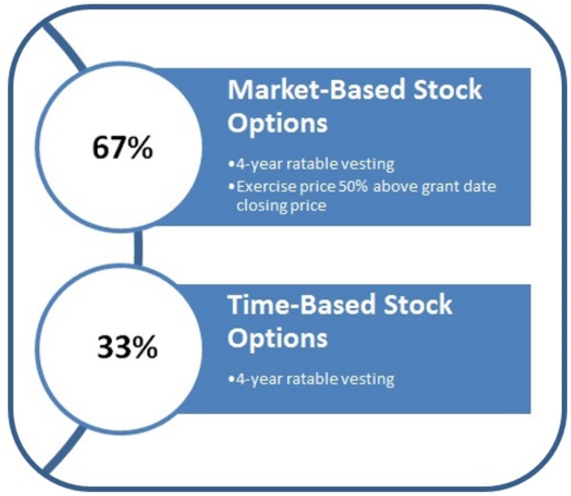
In 2015, all of our NEOs, including our former Chief Executive Officer, received market-based stock options, which were granted in two tranches with challenging target prices set well above the grant date closing price.




On the date these stock options were granted, shares of our Common Stock closed at $7.74 per share. As a result, the closing per share price of our Common Stock will need to trade for a period of thirty consecutive trading days at an average increase of approximately 133% and 171%, respectively, over such grant date price for these shares to vest and NEOs to receive any value from these awards.

*2016 Long Term Incentive Plan – Redesign*

In keeping with the Company's commitment to strengthening its overall corporate governance, including its compensation program, the Company has worked with its compensation consultant to reassess the long-term incentive plan. In doing so, the Company and Aon studied peer group designs, prevalent market practices, and spoke with numerous stockholders to receive input. Ultimately, the Compensation Committee determined that there was great value in redesigning the long-term incentive plan to better incentivize, motivate and retain the executive team, while further strengthening and demonstrating the alignment of management and shareholder interests. As such, effective with the 2016 annual grant, the long-term incentive plan will consist of these elements:




**VI. Additional Compensation Policies and Practices**

**Equity Ownership Policy**

The Company and its stockholders are best served by a board and executive team that manage the business with a long-term perspective. As such, the Company adopted the Equity Ownership Policy in February 2016, as the Company believes stock ownership is an important tool to strengthen the alignment of interests among stockholders, directors and executive officers. The policy provides that the applicable required level of equity ownership is expected to be satisfied by our directors and executive officers within five years of the later of: (i) February 25, 2016; and (ii) the date such person first becomes subject to the Equity Ownership Policy.

The Compensation Committee will receive periodic reports of the ownership achieved by each director and executive officer. Until such time as such person satisfies the equity ownership requirement, the achievement level of ownership will be determined by reference to the average closing stock price of our Common Stock during the fiscal year ended immediately prior to the determination date. Once the equity ownership requirement has been satisfied, future increases or decreases in the equity price of our Common Stock will not impact the compliance of our directors and executive officers with these guidelines, as long as such person holds the number of shares he or she had at the time he or she achieved the required ownership level.

The following table represents the NEO required salary multiples:

| Current NEO | Required Salary Multiple |
|---|---|
| President and Chief Executive Officer | 6x base salary |
| All other NEOs | 3x base salary |
| Other executives | 1x to 2x base salary |
| Outside directors | 5x annual cash retainer |

The value of all of the following types of Company stock or stock options owned by or granted to an executive or director qualifies toward the participant's attainment of the target multiple of pay:

- Shares owned outright/shares beneficially owned (including by a family member and/or in a trust)
- Vested restricted stock
- Shares owned through the Company's 401(k) plan (if applicable)
- Shares underlying vested, but unexercised stock options (based on the excess of the market price of the stock over the exercise price and after deducting any tax withholding obligations)

Prior to the adoption of the Equity Ownership Policy, the Company's executive officers purchased the following amount of shares of the Company's Common Stock: (i) Mr. Chary, 115,000 shares; (ii) Mr. Taylor, 17,000 shares; (iii) Ms. Lim, 19,000 shares; (iv) Mr. Peters, 6,000 shares; and (v) Mr. Lucchese, 22,000 shares.

**Clawback Policy**

The Board of the Company adopted an Incentive Compensation Clawback Policy in February 2016, which entitles the Company to recover certain compensation previously paid to its Section 16 officers. The policy provides that, in the event of a restatement of the Company's financial statement for any fiscal year commencing after December 31, 2015 that is due to the misconduct of any employee, the Board or, if so designated by the Board, the Compensation Committee of the Board, is authorized to take action to recoup all or part of any incentive compensation received by a Section 16 officer of the Company. For purposes of this policy, incentive compensation includes any cash compensation or an award of equity compensation from the Company that is based in whole or in part on the achievement of financial results by the Company, including, but not limited to, any bonus, incentive arrangement or equity award, but excluding base salary. The policy defines misconduct as the willful commission of an illegal act, fraud, intentional misconduct or gross recklessness in the performance of an employee's duties and responsibilities. In determining whether to take action to recoup any incentive compensation received by a Section 16 officer of the Company, the Board or, if so designated, the Compensation Committee of the Board, will take into consideration whether the Section 16 officer engaged in the misconduct or was in a position, including in a supervisory role, to have been able to have reasonably prevented the misconduct that caused the restatement.

In addition, the Dodd-Frank Act provides that the SEC shall issue regulations requiring issuers to seek recovery from executive officers in certain circumstances involving financial restatements. As of the date of this Proxy Statement, the SEC has not issued any regulations implementing this portion of the Dodd-Frank Act. Once the SEC issues regulations or guidance regarding the required form of a clawback policy under the Dodd-Frank Act, we expect to amend our Clawback Policy accordingly.

**Anti-Hedging and Pledging Policies**

Under our Insider Trading Policy, directors and executive officers, as well as other employees, are prohibited from engaging in the following activities with respect to the Company's Common Stock:

- ✓ Hedging their interest in Company shares by selling short or trading or purchasing "put" or "call" options on our Common Stock or engaging in similar transactions; and

- ✓ Pledging any shares of our Common Stock without prior clearance from our Corporate Compliance Officer as outlined in our Insider Trading Policy.

As of the date of this Proxy Statement, no shares of Company Common Stock were pledged by any director or executive officer.

**Tax Deductibility**

Section162(m) of the Internal Revenue Code of 1986, as amended (the "Code") generally limits the corporate tax deduction for compensation paid to the chief executive officer and the three other most highly compensated executives (other than the Chief Financial Officer) to $1.0 million annually, unless certain requirements are satisfied. To maximize the corporate tax deduction, the incentive plans were designed so that certain awards under those plans can comply with the requirements of Section 162(m) of the Code. As the $1.0 million limit does not apply to compensatory amounts that qualify as performance-based compensation under Section 162(m), certain of our performance-based awards made pursuant to these plans are intended to qualify for corporate tax deductibility.

We intend to use performance-based compensation to minimize the effect of the limits imposed by Section 162(m) to the extent that compliance with Code requirements does not conflict with our compensation objectives. In some cases, however, we believe the loss of some portion of a corporate tax deduction may be necessary and appropriate in order to provide the compensation necessary to attract and retain qualified executives.

**Retirement Plans**

We have established and maintain a retirement savings plan under Section 401(k) of the Code, to cover our eligible employees, including our executive officers. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a tax deferred basis through contributions to the 401(k) plan. Our 401(k) plan is intended to constitute a qualified plan under Section 401(a) of the Code and its associated trust is intended to be exempt from federal income taxation under Section 501(a) of the Code. We make contributions to the 401(k) plan for the benefit of certain executive officers.

**Severance Benefits**

In order to retain the ongoing services of our NEOs, we have provided the assurance and security of severance benefits and change in control payments, which is described more fully below under the caption "Employment Contracts, Termination of Employment and Change in Control Arrangements."

If the employment agreement for Mr. Chary, our former Chief Executive Officer, is found to be binding and controlling, and if Mr. Chary was terminated by the Company without cause (as such term is defined in his employment agreement), then he would be entitled to a lump sum payment equal to twenty four months' salary plus two times the then target amount of his discretionary bonus, plus eighteen months of continued group health insurance for him and his eligible dependents and to the vesting in full of all unvested equity awards initially granted in connection with his employment agreement in January 2014. The Company intends to assert affirmative defenses to Mr. Chary's demand for the payment of severance benefits and is evaluating the availability of counterclaims against Mr. Chary.

Mr. Rumbolz is entitled, in the event of the termination of his employment by the Company or by him, to all base salary due and owing and all other accrued but unpaid benefits through the date of termination.

Our other NEOs are entitled, in the event of the termination of the executive's employment by the Company without cause or by the executive for good reason (as such terms are defined in the respective employment agreements), to twelve months salary continuation plus one times the then target amount of the executive's discretionary bonus payable over twelve months, plus twelve months of continued group health insurance for the executive and the executive's eligible dependents, and to the vesting in full of all unvested equity awards with time-based vesting (with all unvested equity awards with performance-based vesting terminating). In addition, the agreements for each of our NEOs provide that all unvested equity awards vest upon a change in control of the Company (as such term is defined in the Company's 2014 Plan), other than with respect to unvested equity awards granted in 2015, which include a double trigger change of control and vest only if the NEO is terminated by the Company without cause or by the NEO for good reason within a specified period following a change of control. The Company and each NEO may terminate the officer's employment at any time. In the event of termination of employment, amounts payable to our NEOs are reflected in the "Employment Contracts, Termination of Employment and Change in Control Arrangements" section below.

We believe that these severance benefits and change in control payments reflect the fact that it may be difficult for such executives to find comparable employment within a short period of time and that providing such benefits should eliminate, or at least reduce, the reluctance of senior executives to pursue potential change in control transactions that may be in the best interests of stockholders. We believe that these benefits are appropriate in size relative to the overall value of the Company.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

*Members of the Compensation Committee:*

E. Miles Kilburn (Chair)
Fred C. Enlow
Geoff Judge
Eileen Raney
Michael D. Rumbolz (member until February 13, 2016)

## Compensation of Named Executive Officers

***Summary Compensation Table***

The following table sets forth the total compensation earned for services rendered in 2015 by our principal executive officer, our principal financial officer and the three other persons whose total compensation for the fiscal year ended December 31, 2015 was in excess of $100,000 and who were serving as executive officers at the end of that fiscal year.

| Name and principal position | Year | Salary | Bonus | Stock awards(1) | Option awards(2) | Non-equity incentive plan compensation(3) | All other compensation(4) | Total |
|---|---|---|---|---|---|---|---|---|
| **Randy L. Taylor** . . . . . Executive Vice President, Chief Financial Officer | 2015 | $ 389,423 | $ - | $ - | $ 930,000 | $ - | $ 15,568 | $ 1,334,991 |
| | 2014 | 275,962 | - | 313,280 | 601,310 | - | 11,501 | 1,202,053 |
| **Juliet A. Lim**. . . . . . . . Executive Vice President, Payments, General Counsel and Corporate Secretary | 2015 | 397,308 | - | - | 930,000 | - | 15,957 | 1,343,265 |
| | 2014 | 266,539 | - | 341,760 | 601,310 | - | 46,164 | 1,255,773 |
| **David Lucchese** . . . . . Executive Vice President, Games | 2015 | 415,000 | - | - | 930,000 | - | 97,834 (5) | 1,442,834 |
| | 2014 | 340,000 | - | 356,000 | 601,310 | - | 19,187 | 1,316,497 |
| | 2013 | 340,000 | - | 127,499 | 127,497 | 170,000 | 26,390 | 791,386 |
| **Edward A. Peters** . . . Executive Vice President, Sales | 2015 | 392,308 | - | - | 465,000 | - | 36,768 (6) | 894,076 |
| **Ram Chary**. . . . . . . . . President and Chief Executive Officer (former)* | 2015 | 796,154 | - | - | 3,487,500 | - | 21,826 | 4,305,480 |
| | 2014 | 632,692 | - | 1,424,000 | 9,438,033 | - | 159,944 | 11,654,669 |

* The employment of Mr. Chary was terminated in February 2016.

(1) Represents the fair value of the NEOs' restricted stock grants, as calculated in accordance with FASB ASC Topic 718, *Stock Compensation*. For a discussion of the assumptions made in determining the valuation of the restricted stock awards, see our notes to the financial statements in the Company's Annual Report on Form 10-K for the years ended December 31, 2015, 2014 and 2013.

(2) Represents the fair value of the NEOs' stock option grants, as calculated in accordance with FASB ASC Topic 718 *Stock Compensation*. For a discussion of the assumptions made in determining the valuation of the stock option awards, see our notes to the financial statements in the Company's Annual Report on Form 10-K for the years ended December 31, 2015, 2014 and 2013.

(3) Represents the amount of cash bonus earned under the Company's annual cash incentive plan for the applicable fiscal year. Amounts earned for a particular fiscal year are typically paid out to the NEOs in the first quarter of the following calendar year. None of Messrs. Taylor, Lucchese, Peters and Chary or Ms. Lim earned a cash incentive bonus for 2015.

(4) Includes amounts for out-of-pocket health care expenses and contributions made by the Company under its 401(k) plan.

(5) Mr. Lucchese received reimbursement of $82,652 in connection with relocating to the Austin, Texas metropolitan area, which included $47,979 for actual moving expenses and a gross-up of $34,673 for taxes.

(6) Mr. Peters received reimbursement of $27,168 in connection with relocating to the Las Vegas, Nevada metropolitan area, which included $15,771 for actual moving expenses and a gross-up of $11,397 for taxes.

***Grants of Plan-Based Awards***

The following table sets forth certain information concerning grants of awards made to each NEO during the fiscal year ended December 31, 2015:

| | | Estimated future payouts under non-equity incentive plan awards (1) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold (2)** | **Target** | **Maximum (3)** | **All other stock awards: number of shares of stock or units** | **All other option awards: number of securities underlying options** | **Exercise or base price of option awards** | **Grant date fair value of stock and option awards(4)** |
| Randy L. Taylor . . . . . | | $ 50,000 | $ 200,000 | $ 300,000 | | | | |
| | 4/22/2015 | - | - | - | - | 200,000 | $ 7.74 | $ 492,000 |
| | 4/22/2015 | - | - | - | - | 200,000 | 7.74 | 438,000 |
| Juliet A. Lim . . . . . . . . | | 50,000 | 200,000 | 300,000 | | | | |
| | 4/22/2015 | - | - | - | - | 200,000 | 7.74 | 492,000 |
| | 4/22/2015 | - | - | - | - | 200,000 | 7.74 | 438,000 |
| David Lucchese . . . . . | | 53,125 | 212,500 | 318,750 | | | | |
| | 4/22/2015 | - | - | - | - | 200,000 | 7.74 | 492,000 |
| | 4/22/2015 | - | - | - | - | 200,000 | 7.74 | 438,000 |
| Edward A. Peters. . . . | | 50,000 | 200,000 | 400,000 | | | | |
| | 4/22/2015 | - | - | - | - | 100,000 | 7.74 | 246,000 |
| | 4/22/2015 | - | - | - | - | 100,000 | 7.74 | 219,000 |
| Ram Chary* . . . . . . . . | | 200,000 | 800,000 | 1,200,000 | | | | |
| | 4/22/2015 | - | - | - | - | 750,000 | 7.74 | 1,845,000 |
| | 4/22/2015 | - | - | - | - | 750,000 | 7.74 | 1,642,500 |

* The employment of Mr. Chary was terminated in February 2016.

(1) Represents amounts potentially payable under the Company's annual cash incentive plan. A more detailed discussion of how the threshold, target and maximum amounts are determined and calculated is found in the CD&A above. None of Messrs. Taylor, Lucchese, Peters and Chary or Ms. Lim earned a cash incentive bonus for 2015.

(2) Represents the amount payable to the NEO under the Company's annual cash incentive plan at the threshold level.

(3) Represents the maximum amount payable to the NEO under the Company's annual cash incentive plan.

(4) Represents the total fair value of the NEOs' restricted stock grants and stock option grants received in 2015, as calculated in accordance with FASB ASC Topic 718 *Stock Compensation*. For a discussion of the assumptions made in the valuation, please see the notes to the financial statements in our Annual Report on Form 10-K for the years ended December 31, 2015, 2014 and 2013.

***Outstanding Equity Awards***

The following table sets forth certain information concerning unexercised stock options and unvested restricted stock awards under the Company's equity incentive plans for each NEO outstanding at December 31, 2015:

| | Option awards | | | | | Stock awards | |
|---|---|---|---|---|---|---|---|
| **Name** | **Number of securities underlying unexercised options exercisable** | **Number of securities underlying unexercised options unexercisable** | **Equity incentive plan awards: Number of securities underlying unexercised unearned options** | **Option exercise price** | **Option expiration date** | **Number of shares or units of stock that have not vested** | **Market value of shares or units of stock that have not vested** |
| Randy L. Taylor . . . . . . . . . . . | 15,000 | - | - | $ 4.57 | 12/7/2021 | - | $ - |
| | 15,000 | 1,875 (4) | - | 5.58 | 3/2/2022 | - | - |
| | 6,918 | 4,941 (4) | - | 7.09 | 3/6/2023 | - | - |
| | 25,000 | 75,000 (1) | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 (2) | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 (5) | 7.74 | 4/22/2022 | - | - |
| | - | - | - | - | - | 2,315 (4) | 10,163 |
| | - | - | - | - | - | 33,000 (1) | 144,870 |
| Juliet A. Lim . . . . . . . . . . . . . . | 25,000 | 75,000 (1) | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 (2) | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 (5) | 7.74 | 4/22/2022 | - | - |
| | - | - | - | - | - | 36,000 (1) | 158,040 |
| David Lucchese . . . . . . . . . . . | 100,000 | - | - | 8.68 | 4/30/2020 | - | - |
| | 62,500 | - | - | 3.41 | 3/1/2021 | - | - |
| | 93,750 | 6,250 (4) | - | 5.58 | 3/2/2022 | - | - |
| | 26,398 | 12,000 (4) | - | 7.09 | 3/6/2023 | - | - |
| | 25,000 | 75,000 (1) | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 (2) | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 (5) | 7.74 | 4/22/2022 | - | - |
| | - | - | - | - | - | 5,620 (4) | 24,672 |
| | - | - | - | - | - | 37,500 (1) | 164,625 |
| Edward A. Peters. . . . . . . . . . | 75,000 | 225,000 (1) | - | 7.61 | 12/4/2024 | - | - |
| | - | - | 200,000 (5) | 7.74 | 4/22/2022 | - | - |
| Ram Chary* . . . . . . . . . . . . . . | 479,166 | 520,834 (1) | - | 8.92 | 1/27/2024 | - | - |
| | - | - | 1,000,000 (2) | 8.92 | 1/27/2024 | - | - |
| | - | - | 250,000 (3) | 6.59 | 5/2/2024 | - | - |
| | - | - | 250,000 (3) | 6.59 | 5/2/2024 | - | - |
| | - | - | 1,500,000 (5) | 7.74 | 4/22/2022 | - | - |
| | - | - | - | - | - | 150,000 (1) | 658,500 |

* The employment of Mr. Chary was terminated in February 2016.

(1) These equity awards vest over four years from the date of grant, with 25% of the shares underlying the option subject to vesting on the first anniversary of the date of grant and the remainder vesting annually for the succeeding three anniversary dates thereafter.

(2) These equity awards vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the date of grant for these options. If these target prices are not met during such four-year period, the unvested shares underlying the options will terminate, except if there is a change in control of the Company as defined in the 2005 Plan, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control.

(3) Our cliff vesting time-based stock options granted under the 2005 Plan will vest based on the requisite service periods with a portion to vest after five years and another portion to vest after six years.

(4) These equity awards vest over four years from the date of grant, with 25% of the shares underlying the option subject to vesting on the first anniversary of the date of grant and the remainder vesting monthly for the succeeding 36 months thereafter.

(5) These equity awards vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the date of grant for these options. If these target prices are not met during such four-year period, the unvested shares underlying the options will terminate, except upon the termination of service without cause within ten days prior to, or within eighteen months after a change in control of the Company as defined in the 2014 Plan, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control.

***Option Exercises and Stock Vested***

The following table sets forth certain information concerning the exercise of stock options, and the vesting of restricted stock, for each NEO during the fiscal year ended December 31, 2015:

| | **Option Awards** | | **Stock Awards** | |
|---|---|---|---|---|
| **Name** | **Number of shares acquired on exercise** | **Value realized on exercise[(1)]** | **Number of shares acquired on vesting** | **Value realized on vesting[(2)]** |
| Randy L. Taylor | - | $ - | 12,851 | $ 62,962 |
| David Lucchese | - | - | 16,996 | 86,387 |
| Juliet A. Lim | - | - | 12,000 | 56,160 |
| Edward A. Peters | - | - | - | - |
| Ram Chary* | - | - | 50,000 | 234,000 |

* The employment of Mr. Chary was terminated in February 2016.

(1) The value realized on exercise equals (i) the closing price of our Common Stock on the date of exercise minus the exercise price of options exercised, multiplied by (ii) the number of shares that were exercised.

(2) The value realized on vesting equals (i) the closing price of our Common Stock on the vesting date, multiplied by (ii) the number of shares that vested.

***Employment Contracts, Termination of Employment and Change in Control Arrangements***

The Company is a party to employment agreements with Messrs. Taylor, Lucchese and Peters and Ms. Lim, each of which provide that, in the event of the termination of the executive's employment by the Company without cause or by the executive for good reason (as such terms are defined in the respective employment agreements), the executive is entitled to twelve months salary continuation plus one times the then target amount of the executive's discretionary bonus payable over twelve months, plus twelve months of continued group health insurance for the executive and the executive's eligible dependents, and full vesting of all unvested time-based equity awards. In addition, the agreements provide that all unvested equity awards vest upon a change in control of the Company (as such term is defined in the 2014 Plan), other than with respect to unvested equity awards granted in 2015, which include a double trigger change of control and vest only if the employment of the NEO is terminated by the Company without cause, or by the executive for good reason, within a specified period following a change of control.

The Company is also party to an employment agreement with Mr. Rumbolz, which provides that in the event of termination of his employment by the Company without cause or by him for good reason (as such terms are defined in his employment agreement), Mr. Rumbolz is entitled to all base salary due and owing and all other accrued but unpaid benefits through the date of termination. The employment agreements contain restrictive covenants not to compete with our Company or solicit our employees for a period of two years immediately following termination of employment, subject to certain exceptions, as well as confidentiality and preservation of intellectual property obligations.

The Company is also party to an employment agreement with Mr. Chary, our former Chief Executive Officer, who was terminated by the Company on February 13, 2016. If the employment agreement for Mr. Chary is found to be binding and controlling, and if Mr. Chary was terminated by the Company without cause (as such term is defined in his employment agreement), then he would be entitled to a lump sum payment equal to twenty four months' salary plus two times the then target amount of his discretionary bonus, plus eighteen months of continued group health insurance for him and his eligible dependents and to the vesting in full of all unvested equity awards initially granted in connection with his employment agreement in January 2014. The Company intends to assert affirmative defenses to Mr. Chary's demand for the payment of severance benefits and is evaluating the availability of counterclaims against Mr. Chary.

The following table sets forth the estimated payments and benefits to the NEOs based upon: (i) a hypothetical termination without cause or for good reason of each such executive's employment on December 31, 2015 that is not in connection with a change in control of us; (ii) a hypothetical change in control of us on December 31, 2015; and (iii) a hypothetical termination without cause or for good reason of each executive's employment on December 31, 2015 in connection with a change in control of us:

| | Termination without Cause or For Good Reason | | | | Change in Control | Termination without Cause following Change in Control | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Cash Payment(1)** | **Benefits(2)** | **Acceleration of Stock and Options(3)** | **Total** | **Acceleration of Stock and Options(3)** | **Cash Payment(1)** | **Benefits(2)** | **Acceleration of Stock and Options(3)** | **Total** |
| Randy L. Taylor . | $ 600,000 | $ 15,983 | $ — | $ 615,983 | $ 155,033 | $ 600,000 | $ 15,983 | $ 155,033 | $ 771,016 |
| Juliet A. Lim . . . . | 600,000 | 15,983 | — | 615,983 | 158,040 | 600,000 | 15,983 | 158,040 | 774,023 |
| David Lucchese . | 637,500 | 15,983 | — | 653,483 | 189,297 | 637,500 | 15,983 | 189,297 | 842,780 |
| Edward A. Peters | 600,000 | 15,153 | — | 615,153 | — | 600,000 | 15,153 | — | 615,153 |
| Ram Chary* . . . . | 3,200,000 | 23,975 | — | 3,223,975 | 658,500 | 3,200,000 | 23,975 | 658,500 | 3,882,475 |

* Does not reflect Mr. Chary's actual triggering event in connection with his termination in February 2016.

(1) Assumes a termination date of December 31, 2015, and is based on the executive's salary and target bonus in effect at such date.

(2) Estimated value of continued coverage under group health insurance plans through the end of the applicable severance period.

(3) The value attributable to the hypothetical acceleration of the vesting of any restricted stock awards held by a NEO is determined by multiplying the number of unvested shares of restricted stock accelerated by $4.39 (the closing price of our

Common Stock on December 31, 2015). The value attributable to the hypothetical acceleration of the vesting of any stock option awards held by a NEO is determined by multiplying (i) the difference, if greater than zero, between the exercise price of the applicable stock option award and the closing price of our Common Stock on December 31, 2015 of $4.39 by (ii) the number of unvested shares underlying the applicable stock option. The equity awards held by the NEO that are subject to possible acceleration are described as unexercisable or not vested in the table entitled "Outstanding Equity Awards at December 31, 2015."

***Pension Benefits and Nonqualified Deferred Compensation***

We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans or nonqualified deferred compensation plans or arrangements to our executives, other than the retirement benefits generally available to employees.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information known to the Company with respect to the beneficial ownership as of March 15, 2016 (except as otherwise noted in the footnotes to the table) by: (i) all persons who are beneficial owners of 5% or more of our Common Stock; (ii) each director and nominee; (iii) each of our NEOs; and (iv) all current directors and executive officers as a group.

There were 66,335,689 shares of our Common Stock issued and outstanding as of the close of business on March 15, 2016. The amounts and percentages of our Common Stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of securities as to which such person has no economic interest. Unless otherwise noted the address of each beneficial owner in the table is 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113.

| | Shares Beneficially Owned | |
|---|---|---|
| Name | Number | Percentage[1] |
| **Principal stockholders** | | |
| Mast Capital Management, LLC[2] | 9,863,110 | 14.9 % |
| Eagle Asset Management, Inc.[3] | 5,545,038 | 8.4 % |
| FMR, LLC[4] | 5,297,760 | 8.0 % |
| BlackRock, Inc.[5] | 4,934,582 | 7.4 % |
| **Directors and named executive officers**[6] | | |
| Ram Chary † [7] | 2,301,815 | 3.4 % |
| E. Miles Kilburn[8] | 606,960 | * |
| Geoff Judge[9] | 467,549 | * |
| David Lucchese[10] | 425,588 | * |
| Fred Enlow[11] | 416,974 | * |
| Michael D. Rumbolz[12] | 410,118 | * |
| Randy L. Taylor[13] | 153,021 | * |
| Ronald Congemi[14] | 132,666 | * |
| Juliet A. Lim[15] | 113,826 | * |
| Edward A. Peters[16] | 81,000 | * |
| Eileen Raney [17] | 13,000 | * |
| **Directors and current named executive officers as a group (10 persons)** [18] | 2,820,702 | 4.1 % |

† The employment of Mr. Chary was terminated in February 2016.

* Represents beneficial ownership of less than 1%.

(1) The percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date. Consequently, the numerator and denominator for calculating beneficial ownership percentages may be different for each beneficial owner.

(2) As reported on Schedule 13G/A, filed on February 17, 2016, for shares held by MAST Capital Management, LLC on its own behalf and on behalf of its principal, Mr. David J. Steinberg. The address for MAST Capital Management LLC is 200 Clarendon Street, 51st Floor, Boston, Massachusetts 02116.

(3) As reported on Schedule 13G, filed on January 25, 2016, for shares held by Eagle Asset Management, Inc. on its own behalf. The address for Eagle Asset Management, Inc. is 880 Carillon Parkway, St. Petersburg, Florida 33716.

(4) As reported on Schedule 13G, filed on February 12, 2016, for shares held by FMR, LLC on its own behalf and on behalf of its Director, Vice Chairman, Chief Executive Officer and President, Ms. Abigail P. Johnson. The address for FMR, LLC is 245 Summer Street, Boston, Massachusetts 02210.

(5) As reported on Schedule 13G/A, filed on January 26, 2016, for shares held by BlackRock, Inc. on its own behalf and on behalf of the following subsidiaries: (a) BlackRock Advisors, LLC, (b) BlackRock Investment Management Canada Limited, (c) BlackRock Asset Management Ireland Limited, (d) BlackRock Asset Management Schweiz AG, (e) BlackRock Fund Advisors, (f) BlackRock Institutional Trust Company, N.A., (e) BlackRock International Limited, (f) BlackRock Investment Management (Australia) Limited, (g) BlackRock Investment Management (UK) Ltd., (h) Blackrock Investment Management, LLC, and (i) BlackRock Japan Co., Ltd. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) Includes shares owned and shares issuable upon exercise of stock options that are currently exercisable or exercisable within 60 days.

(7) Consists of 301,815 shares owned by Mr. Chary and 2,000,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Chary.

(8) Consists of 157,645 shares owned by Mr. Kilburn and 449,315 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Kilburn.

(9) Consists of 59,672 shares owned by Mr. Judge and 407,877 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Judge.

(10) Consists of 82,690 shares owned by Mr. Lucchese and 342,898 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Lucchese.

(11) Consists of 54,097 shares owned by Mr. Enlow and 362,877 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Enlow.

(12) Consists of 19,097 shares owned by Mr. Rumbolz and 391,017 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Rumbolz.

(13) Consists of 62,581 shares owned by Mr. Taylor and 90,440 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Taylor.

(14) Consists of 16,000 shares owned by Mr. Congemi and 116,666 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Congemi.

(15) Consists of 63,826 shares owned by Ms. Lim and 50,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Ms. Lim.

(16) Consists of 6,000 shares owned by Mr. Peters and 75,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Peters.

(17) Consists of 13,000 shares owned by Ms. Raney, who was appointed to the Board on February 25, 2016.

(18) Excludes the count of person for, and number of shares owned by, Mr. Chary as he is not serving as an employee or director as of the date of this Proxy Statement.

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2015 with respect to shares of our Common Stock that may be issued under the Company's equity compensation plans:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining active for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by stockholders[1] | 16,962,955 | $ 7.43 | 2,919,000 [2] |
| Equity compensation plans not approved by stockholders[3] | 477,321 [4] | $ 6.43 | 3,640,596 [5] |
| **Total** | 17,440,276 | | 6,559,596 |

(1) Represents shares of our Common Stock issuable upon exercise of options outstanding under the Company's 2005 Plan and 2014 Plan.

(2) Consists of shares of our Common Stock reserved for future issuance under the 2014 Plan. No further grants or awards may be made under the 2005 Plan.

(3) In connection with its acquisition of Everi Games Holding (formerly known as Multimedia Games Holding Company, Inc.) in December 2014, the Company assumed awards in accordance with applicable NYSE listing standards under the Everi Games Holding 2012 Equity Incentive Plan (the "2012 Plan"), which has not been approved by the Company's stockholders, but which was approved by the Everi Games Holding's stockholders.

(4) Consists of shares of our Common Stock subject to outstanding options assumed in connection with the acquisition of Everi Games Holding.

(5) Represents shares of our Common Stock reserved for issuance under the 2014 Plan as a result of the assumption of the number of shares remaining available for grant under the Everi Games Holding 2012 Plan at the effective time of the acquisition. The Company elected to assume the available shares reserved for use under the Everi Games Holding 2012 Plan to grant awards following the acquisition to former employees of Everi Games Holding and its subsidiaries and others who were not employees, directors or consultants of the Company or its subsidiaries prior to the acquisition.

## PROPOSAL 3
## RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

***Ratification of BDO USA, LLP***

The Board has appointed BDO USA, LLP to serve as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2016.

Our Board and Audit Committee engaged BDO USA, LLP, effective March 18, 2015, as our independent registered public accounting firm, beginning with the audit for the year ending December 31, 2015, including the 2015 quarterly reviews.

Deloitte & Touche LLP previously was engaged to audit our consolidated financial statements for the year ended December 31, 2014 and 2013 and was dismissed as our independent registered public accounting firm on March 18, 2015. Deloitte & Touche LLP's audit reports on the Company's financial statements for the years ended December 31, 2014 and 2013 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended December 31, 2014 and 2013, and through March 18, 2015, we had no disagreements with Deloitte & Touche LLP on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Deloitte & Touche LLP's satisfaction, would have caused it to make reference to the matter in conjunction with its report on our consolidated financial statements for the relevant year; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

During the years ended December 31, 2014 and 2013, and through March 18, 2015, neither we, nor anyone on our behalf, consulted with Deloitte & Touche LLP with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and no written report or oral advice was provided by Deloitte & Touche LLP to us that Deloitte & Touche LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing, or financial reporting issue or (ii) any matter that was the subject of either a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

Although the Company is not required to seek stockholder approval of its selection of an independent registered public accounting firm, the Board believes it to be sound corporate governance to do so. If the appointment is not ratified, the Board will investigate the reasons for stockholder rejection and will reconsider its selection of its independent registered public accounting firm. However, because of the difficulty in making any substitution so long after the beginning of the current year, the appointment of BDO USA, LLP for fiscal 2016 will stand, unless the Audit Committee finds other good reason for making a change. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests. Proxies solicited by our Board will, unless otherwise directed, be voted to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016.

***Attendance at Annual Meeting***

A representative of BDO USA, LLP is expected to be present at the Annual Meeting, will have an opportunity to make a statement, if he or she so desires, although we do not expect him or her to do so, and will be available to respond to appropriate questions from stockholders. We do not expect a representative of Deloitte & Touche LLP to attend the Annual Meeting.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016**

***Audit and Non-Audit Fees***

The following table represents fees invoiced for professional audit services rendered by BDO USA, LLP, our independent registered public accounting firm for the year ended December 31, 2015, and by Deloitte & Touche, LLP, our independent registered public accounting firm for the year ended December 31, 2014, for the audit of the Company's annual financial statements and fees invoiced for other services rendered by BDO USA, LLP and by Deloitte & Touche LLP for each respective year (amounts in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| Audit fees [(1)] | $ 1,217 | $ 1,436 |
| Audit-related fees [(2)] | 69 | 25 |
| Tax fees [(3)] | - | 291 |
| All other fees[(4)] | - | 2 |
| **Total** | $ 1,286 | $ 1,754 |

(1) Audit fees include amounts for the following professional services:
- audit of the Company's annual financial statements for fiscal years 2015 and 2014;
- attestation services, technical consultations and advisory services in connection with Section 404 of the Sarbanes-Oxley Act of 2002;
- reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q;
- auditor transition services (consents, review of work papers and review of certain documents filed with the SEC);
- statutory and regulatory audits, consents and other services related to SEC matters; and
- professional services provided in connection with other statutory and regulatory filings.

(2) Audit-related fees include amounts for the following professional services:
- audit of the Company's employee benefit program;
- evaluations of service organization controls under the Statement on Standards for Attestation Engagements (SSAE) No. 16; and
- professional services provided in connection with proposed accounting and reporting standards.

(3) Tax fees include amounts for planning (domestic and international), advisory and compliance services. In connection with the Company's change in auditors to BDO USA, LLP in 2015, we no longer use our external auditor for the performance of tax services.

(4) All other fees include the cost of financial accounting research software licenses. In connection with the Company's change in auditors to BDO USA, LLP in 2015, these services are not provided by our principal accountant.

In making its recommendation to ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016, the Audit Committee has considered whether services other than audit and audit-related services provided by BDO USA, LLP are compatible with maintaining the independence of BDO USA, LLP.

***Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm***

The Audit Committee pre-approves all audit and permissible non-audit services provided by its independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by its independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent registered public accounting firm is required to provide detailed back-up documentation at the time of approval. The hours expended on the engagement to audit the Company's financial statements for 2015 were not attributed to work performed by persons other than BDO USA, LLP's full-time, permanent employees. All of the services described in the table above were approved in conformity with the Audit Committee's pre-approval process for independent registered public accounting firm fees.

**REPORT OF THE AUDIT COMMITTEE**

*The information contained in the following report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.*

The Audit Committee of the Board currently consists of Messrs. Kilburn, Enlow, Judge, and Congemi and Ms. Raney. Mr. Kilburn serves as Chair of the Audit Committee. The Board has determined that each member of the Audit Committee meets the experience requirements of the rules and regulations of the NYSE and the SEC, as currently applicable to the Company. The Board has also determined that each member of the Audit Committee meets the independence requirements of the rules and regulations of the NYSE and the SEC, as currently applicable to the Company.

The Audit Committee operates under a written charter approved by the Board. A copy of the charter is available on our website at ir.everi.com/investor-relations/everi-overview.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing financial reports and other financial information provided by the Company to any governmental body or the public, the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established, and the Company's auditing, accounting and financial reporting processes generally. The Audit Committee annually recommends to the Board the appointment of an independent registered public accounting firm to audit the consolidated financial statements and internal controls over financial reporting of the Company and meets with such personnel of the Company to review the scope and the results of the annual audits, the amount of audit fees, the Company's internal controls over financial reporting, the Company's consolidated financial statements in the Company's Annual Report on Form 10-K and other related matters.

The Audit Committee has reviewed and discussed with management the consolidated financial statements for fiscal year 2015 audited by BDO USA, LLP, the Company's independent registered public accounting firm for its fiscal year ended December 31, 2015, and management's assessment of internal controls over financial reporting. The Audit Committee has discussed with BDO USA, LLP various matters related to the financial statements, including those matters required to be discussed under the Public Accounting Oversight Board Auditing Standard No. 16 *Communication with Audit Committees*. The Audit Committee has also received the written disclosures regarding auditors' independence required by the Public Company Accounting Oversight Board Ethics and Independence rule 3526 "*Communications with Audit Committees Concerning Independence",* and has discussed with BDO USA, LLP its independence. Based upon such review and discussions, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC.

The Audit Committee and the Board also has recommended, subject to stockholder ratification, the selection of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016.

*Members of the Audit Committee:*

E. Miles Kilburn (Chair)
Fred C. Enlow
Geoff Judge
Ronald Congemi
Eileen F. Raney
Michael Rumbolz (member until February 13, 2016)

## PROPOSAL 4
## STOCKHOLDER PROPOSAL REGARDING SIMPLE MAJORITY VOTING

The Company has been notified that John Chevedden and/or his designee (the "Proponent"), 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, as proxy for Kenneth Steiner, the beneficial owner of shares of Common Stock having a market value in excess of $2,000, intends to present the following proposal for consideration at the Annual Meeting. The Proponent's resolution and supporting statement are quoted verbatim below. We are not responsible for the content or accuracy of the Proponent's proposal or supporting statement.

### Proposal 4 – Simple Majority Vote

RESOLVED, Shareholders request that our board take the steps necessary so that each voting requirement in our charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws.

Shareowners are willing to pay a premium for shares of companies that have excellent corporate governance. Supermajority voting requirements, the target of this proposal, have been found to be one of 6 entrenching mechanisms that are negatively related to company performance according to "What Matters in Corporate Governance" by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School. Supermajority requirements are used to block initiatives supported by most shareowners, but opposed by a status quo management.

This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy's. The proponents of these proposals included Ray T. Chevedden and William Steiner.

Currently a 1%-minority can frustrate the will of our 66%-shareholder majority. In other words a 1%-minority could have the power to prevent shareholders from improving our corporate governance.

Please vote to enhance shareholder value:

**Simple Majority Vote — Proposal 4**

***Our Response — Statement in Opposition to Stockholder Proposal regarding Simple Majority Voting***

**The Board has carefully considered the above proposal and believes that it is not in the best interests of our stockholders. Consequently, the Board recommends a vote "AGAINST" this proposal.**

***Our Supermajority Vote Requirements Apply Only to a Small Number of Fundamental Corporate Governance Matters***. The Board believes that the supermajority voting standards under the Company's Amended and Restated Certificate of Incorporation, as amended, and the Company's Second Amended and Restated Bylaws (collectively, the "existing governance documents") are appropriate and necessary. Under the Company's existing governance documents, a simple majority vote requirement already applies to most matters submitted for stockholder approval. The Company's existing governance documents require the affirmative vote of not less than 66 2/3% of the outstanding shares entitled to vote for only a small number of fundamental corporate governance matters, which are as follows: (i) an alteration, amendment or repeal of the Company's Second Amended and Restated Bylaws; and (ii) an alteration, amendment or repeal of certain provisions in the Company's Amended and Restated Certificate of Incorporation, as amended, related to (a) the Board structure, election of directors and vacancies on the Board, (b) the amendment of the Company's Second Amended and Restated Bylaws, (c) the requirement that action by stockholders be taken at a duly called meeting, (d) the requirement for advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any stockholder meeting, (e) the requirements for calling a special meeting of the stockholders, (f) indemnification provisions for our directors, and (g) the amendment of Company's Amended and Restated Certificate of Incorporation, as amended. The Board believes that in these limited circumstances the higher voting requirements are more representative of all the stockholders for a variety of reasons, the most relevant of which are described below.

***Our Supermajority Vote Requirements Serve Important Corporate Governance Objectives***. Contrary to the Proponent's assertions, the Board believes that the requirement of a supermajority vote for a limited number of fundamental matters serves important corporate governance objectives. These include:

*Ensuring Broad Stockholder Consensus for Key Actions*. Delaware law permits supermajority voting requirements, and the Board believes that targeted requirements along these lines preserve and maximize long-term value for all stockholders. The Board strongly believes that fundamental changes to corporate governance should have the support of a broad consensus of the Company's stockholders. By providing that a small number of fundamental matters require supermajority stockholder approval, this aspect of our governance structure ensures that fundamental changes may be made only with broad-based support. The Board also believes that the supermajority vote requirements protect stockholders, particularly minority stockholders, from the potentially self-interested actions of short-term investors. Without these provisions, it would be possible for a group of short-term stockholders to approve fundamental changes to corporate governance that are not in the best interests of the Company and opposed by nearly half of the Company's stockholders.

*Ensuring that Key Actions Reflect Stockholder Interests*. Our Board is subject to fiduciary duties under the law to act in a manner that it believes to be in the best interests of the Company and its stockholders. Stockholders, on the other hand, do not have the same fiduciary duties. As a result, a group of stockholders—who may be acting in their own short-term or other interests not shared by stockholders generally—may vote in a manner that is detrimental to large numbers of stockholders. Accordingly, our supermajority voting standards are necessary to safeguard the long-term interests of the Company and its stockholders.

*Providing Protection Against Certain Takeovers*. Our supermajority voting provisions further protect the Company's stockholders by encouraging persons or firms making unsolicited takeover proposals to negotiate directly with the Board. The Company believes that its independent Board is in the best position to evaluate proposed offers, to consider alternatives and to protect stockholders against abusive tactics during a takeover process, and as appropriate, to negotiate the best possible return for all stockholders. Elimination of these supermajority provisions would make it more difficult for the Company's independent, stockholder-elected Board to preserve and maximize value for all stockholders in the event of an unsolicited takeover bid.

*Corporate Governance Practices*. The Company's Nominating and Corporate Governance Committee regularly considers and evaluates corporate governance developments and recommends appropriate changes to the Board. As recently as February 2016, the Company's Nominating and Corporate Governance Committee adopted the Clawback Policy, the Equity Ownership Policy for its officers and directors, and a revised Code of Business Conduct, Standards and Ethics. As discussed in this Proxy Statement, the Board operates under corporate governance principles and practices that are designed to maximize long-term stockholder value, align the interests of the Board and management with those of our stockholders, and promote high ethical conduct among our directors and employees. Additionally, the Company's governance policies and practices fully comply with all corporate governance standards of the NYSE and the SEC. The Board believes that implementation of this proposal would adversely impact the Company's carefully considered corporate governance practices and, therefore, is not needed or advisable, or in the best interests of the Company and its stockholders.

***Stockholder Outreach.*** The Board represents the interests of all stockholders in its effort to enhance stockholder value. We are committed to fostering an open dialog with all of our stockholders and, toward that end, the Company's Compensation Committee and management conducted stockholder outreach by contacting the majority of our top 20 shareholders, representing approximately 68.5% of our shareholders at the time, which resulted in extensive and meaningful dialogue with the holders of approximately 42.5% of our outstanding shares of Common Stock. The feedback received in these discussions, which is discussed in the "Compensation Discussion and Analysis" section above, is incorporated into our consideration of corporate strategy and the shared interests of all stockholders. Simple majority voting was not raised as an area of concern by any of our stockholders in these discussions.

***Effect of Proposal.*** It is important to note that stockholder approval of this proposal would not in itself remove the supermajority vote standards. Under the existing governance documents, to change the supermajority standards the Board must first authorize amendments to the Company's existing governance documents. Stockholders would then have to approve each of those amendments with an affirmative vote of not less than 66 2/3% of the outstanding shares entitled to vote generally.

***Board Recommendation***. After careful consideration of this proposal, the Board has determined that retention of the supermajority voting requirements remains in the best interests of the Company and its stockholders. The Board believes that the substantial benefits of the Company's supermajority voting requirements do not come at the expense of prudent corporate governance. To the contrary, the voting requirements serve to protect the interests of all stockholders.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "AGAINST" THE STOCKHOLDER PROPOSAL REGARDING SIMPLE MAJORITY VOTING.**

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and any persons who directly or indirectly hold more than 10% of our Common Stock ("Reporting Persons") to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received and written representations from certain Reporting Persons that no such forms were required, the Company believes that during fiscal 2015, all Reporting Persons complied with the applicable filing requirements on a timely basis, except that (i) Ronald Congemi, a director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, and on September 2, 2015, with respect to a purchase of shares of the Company's Common Stock, (ii) David Lucchese, an executive officer, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (iii) Juliet A. Lim, an executive officer, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (iv) Randy L. Taylor, an executive officer, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (v) Edward A. Peters, an executive officer, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (vi) Ram Chary, former President and Chief Executive Offer and former director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (vii) Geoffrey P. Judge, a director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (viii) Fred Enlow, a director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (ix) E. Miles Kilburn, a director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (x) Michael D. Rumbolz, a director, filed a late Form 4 on April 28, 2015 with respect to an option grant to purchase shares of the Company's Common Stock, (xi) David Lucchese, an executive officer, filed a late Form 4 on June 8, 2015 with respect to the withholding of shares of the Company's Common Stock in connection with the payment of a tax liability, (xi) Randy L. Taylor, an executive officer, filed a late Form 4 on June 8, 2015 with respect to the withholding of shares of the Company's Common Stock in connection with the payment of a tax liability, and (xii) Mast Capital Management, LLC ("Mast"), a beneficial owner of more than ten% of the Company's Common Stock, filed a late Form 4 on October 7, 2015 with respect to the purchase of shares of the Company's Common Stock.

## OTHER MATTERS

As of the date of this Proxy Statement, the Company knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that proxies in the enclosed form will be voted in respect thereof in accordance with the judgments of the person voting the proxies.

## ANNUAL REPORT ON FORM 10-K AND ANNUAL REPORT TO STOCKHOLDERS

**UPON WRITTEN REQUEST TO THE CORPORATE SECRETARY, EVERI HOLDINGS INC., 7250 SOUTH TENAYA WAY, SUITE 100, LAS VEGAS, NEVADA, 89113, THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED A COPY OF THE FISCAL 2015 REPORT, INCLUDING FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES FILED THEREWITH.**

By Order of the Board of Directors,

/s/ Michael D. Rumbolz

Michael D. Rumbolz
*Interim President and Chief Executive Officer*

Las Vegas, Nevada
April 22, 2016

## RECONCILIATION OF NON-GAAP MEASURES

The following table presents a reconciliation of our non-GAAP financial measure of Adjusted EBITDA included in this Proxy Statement to the most comparable GAAP financial measure of GAAP Operating Income:

| | Reconciliation of Operating Loss to EBITDA and Adjusted EBITDA (in thousands) |
|---|---|
| Operating loss | $ (9,730) |
| Plus: depreciation and amortization | 131,024 |
| **EBITDA** | $ 121,294 |
| Non-cash stock compensation expense | 8,284 |
| Goodwill impairment | 75,008 |
| Accretion of contract rights | 7,614 |
| Acquisition and other costs related to mergers and purchase accounting adjustments | 2,679 |
| Legal settlement proceeds | (14,440) |
| **Adjusted EBITDA** | $ 200,439 |

(1) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, loss on extinguishment of debt, non-cash stock compensation expense, accretion of contract rights, goodwill and other asset impairment charges, acquisition expenses, other merger related costs and purchase accounting adjustments less a benefit from one-time legal settlement proceeds.

We present Adjusted EBITDA as we use this information to manage our business and consider this measure to be supplemental to our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA; and our credit facility, senior secured notes and senior unsecured notes require us to comply with a consolidated secured leverage ratio that include performance metrics substantially similar to Adjusted EBITDA. Adjusted EBITDA is not a measure of financial performance under GAAP. Accordingly, Adjusted EBITDA should not be considered in isolation or as a substitute for, and should be read in conjunction with, our operating income data prepared in accordance with GAAP.

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

# FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 001-32622**

# EVERI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

| **Delaware** | **20-0723270** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada** | **89113** |
| (Address of principal executive offices) | (Zip Code) |

**(800) 833-7110**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $0.001 par value per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☒ | Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $513.5 million.

There were 66,031,424 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2016

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders (which is expected to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's 2015 fiscal year) are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.

**EVERI HOLDINGS INC.**

**ANNUAL REPORT ON FORM 10-K**
**FOR FISCAL YEAR ENDED DECEMBER 31, 2015**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Everi Holdings Inc. (formerly known as Global Cash Access Holdings, Inc.) (“Everi Holdings,” “Holdings” or “Everi”) is a holding company, the assets of which are the issued and outstanding shares of capital stock of each of (a) Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.) (“Everi Games Holding”), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (formerly known as Multimedia Games, Inc.) (“Everi Games” or “Games”), and (b) Everi Payments Inc. (formerly known as Global Cash Access, Inc.) (“Everi Payments” or “Payments”). Unless otherwise indicated, the terms the “Company,” “we,” “us” and “our” refer to Holdings together with its consolidated subsidiaries.

Our disclosure and analysis in this Annual Report on Form 10-K, including all documents incorporated by reference, and in our 2015 Annual Report to Stockholders contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “project,” “may,” “should,” “will,” “likely,” “will likely result,” “will continue,” “future,” “plan,” “target,” “forecast,” “goal,” “observe,” “seek,” “strategy” and other words and terms of similar meaning. The forward-looking statements in this Annual Report on Form 10-K reflect the Company’s current views with respect to future events and financial performance.

Forward-looking statements include, but are not limited to, statements regarding the following matters: trends in gaming establishment and patron usage of our products; benefits of the acquisition of Everi Games, including potential synergies; benefits realized by using our products and services; product development, including the unveiling of new themes on our *Platinum MPX* and *The Texan HDX* cabinets, changes to our *TournEvent* solution and whether those changes will improve slot tournaments, and the release of new game features and additional game and system releases in 2016, and regulatory approval; gaming regulatory, card association and statutory compliance; the implementation of new or amended card association and payment network rules; consumer collection activities; future competition; future tax liabilities; international expansion; resolution of litigation; dividend policy; new customer contracts and contract renewals; future results of operations (including revenue, expenses, margins, earnings, cash flow and capital expenditures); future interest rates and interest expense; future borrowings; and future equity incentive activity and compensation expense.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to certain risks and uncertainties, including, without limitation, the risk that our December 2014 acquisition of Everi Games will not produce the expected results we anticipate; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions (including Everi Games) consistent with our forecasts; expectations regarding our existing and future installed base and win per day; expectations regarding development and placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers’ preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with computer chips; our ability to introduce new products and services, including third party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; employee turnover; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; business prospects; unanticipated expenses or capital needs; technological obsolescence; and those other risks and uncertainties discussed herein, that could cause actual results to differ materially from historical results or those anticipated. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report on Form 10-K will in fact transpire or prove to be accurate. Readers are cautioned to consider the specific risk factors described herein and in “Item 1A. Risk Factors” of this Annual Report on Form 10-K, and not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof.

The Company undertakes no obligation to update or publicly revise any forward-looking statement whether as a result of new information, future developments or otherwise. All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. You are advised, however, to consult any further disclosures we make on related subjects in our reports and other filings with the Securities and Exchange Commission (the “SEC”). Also note that we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business under “Item 1A. Risk Factors” of this Annual Report on Form 10-K. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand it is not possible to predict or identify all such factors.

## PART I

### Item 1. Business.

### Overview

Everi is dedicated to providing video and mechanical reel gaming content and technology solutions, integrated gaming payments solutions and compliance and efficiency software. Everi Games provides: (a) comprehensive content, electronic gaming units and systems for Native American and commercial casinos, including the award winning TournEvent® slot tournament solution; and (b) the central determinant system for the video lottery terminals ("VLTs") installed at racetracks in the State of New York. Everi Payments provides: (a) access to cash at gaming facilities via Automated Teller Machine ("ATM") cash withdrawals, credit card cash access transactions, point of sale ("POS") debit card transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

On December 19, 2014, Holdings completed the acquisition of Everi Games Holding. Pursuant to the terms of the Agreement and Plan of Merger, dated as of September 8, 2014 (the "Merger Agreement"), by and among Holdings, Movie Merger Sub, Inc., a wholly owned subsidiary of Holdings ("Merger Sub"), and Everi Games, Merger Sub merged with and into Everi Games Holding, with Everi Games Holding continuing as the surviving corporation (the "Merger"). In the Merger, Everi Games Holding became a wholly owned subsidiary of Holdings. Also, as a result of the Merger, each outstanding share of common stock, par value $0.01 per share, of Everi Games Holding, other than shares held by Holdings, Everi Games Holding, Merger Sub or their respective subsidiaries, was cancelled and converted into the right to receive $36.50 in cash, without interest. We refer to the consideration paid for the shares of Everi Holdings common stock, together with the consideration paid in connection with the acceleration and full vesting of certain Everi Games Holding equity awards, as the "Total Merger Consideration".

Holdings was formed as a Delaware limited liability company on February 4, 2004 and was converted to a Delaware corporation on May 14, 2004. Our principal executive offices are located at 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada 89113. Our telephone number is (800) 833-7110. Our website address is www.everi.com. The information on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

### Our Business Segments

Our operating segments were previously organized and managed under five business segments: (a) Cash Advance, (b) ATM, (c) Check Services, (d) Games, and (e) Other. During the first quarter of 2015, we changed our organizational structure as part of our transformation to a Games and Payments company providing solutions to the gaming industry. Accordingly, since the first quarter of 2015, we have reported our financial performance, and organized and managed our operations, across the following two business segments: (a) Games, and (b) Payments. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting. We have presented prior period amounts to conform to the way we now internally manage and monitor segment performance beginning in 2015. This change in segment reporting had no impact on our consolidated financial statements.

A summary of our segment financial information is contained in "Note 19. Segment Information" of our notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Prior to the Merger, Everi Games operated in a single segment.

### Our Products and Services

#### *Games Products and Services*

Our Games products and services include commercial products, such as Class III products, Native American Class II products, and other bingo products, lottery systems, and back office systems. In our Games business, we generally retain ownership of the leased gaming equipment installed at customer facilities and receive recurring revenue based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. We also make direct sales of player terminals, licenses, back office systems and other related equipment to customers. The majority of these direct sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

With respect to our Games business, we have expanded our licensing into new jurisdictions, increased investment in research and development, and introduced premium game products (which typically include high definition ("HD") dual-screens, liquid crystal display ("LCD") panels, and red green blue ("RGB") top box lighting). From its historical focus on placement of standard games into the Oklahoma and Washington tribal markets, Everi Games has diversified its installed base in recent years with entry into new commercial and tribal markets as well as the development and placement of premium products. Everi Games has grown premium game installations with approximately 1,750 units installed (representing more than 13% of our installed base) since entering the category three years ago. Development of high-earning premium games has supported Everi Games' ability to enter new markets, expand its footprint, and provide broad and new content across its installed base.

Everi Games provides the New York Lottery with an accounting and central determinant system for the VLTs in operation at licensed State of New York racetracks. As of December 31, 2015, this central determinant system connected to approximately 18,000 VLTs and electronic table games ("ETGs") provided by third-party providers and has the ability to interface with, provide outcomes to, and manage the VLTs as well as interface with and manage the 1,750 ETGs. Pursuant to its agreement with the New York Lottery, Everi Games receives a portion of the network-wide net win (generally, cash-in less prizes paid) per day in exchange for provision and maintenance of the central determinant system. In February 2009, the New York Lottery awarded Everi Games a contract extension through December 2017 and provided Everi Games an opportunity to expand its network as the New York Lottery licenses additional race track gaming facilities or the expansion of existing facilities in the state. Everi Games also provides central determinant system technology to Native American tribes in the State of Washington for which it receives a portion of the revenue generated from the VLTs connected to the system.

Our Games products include:

*Classic Mechanical Reel Games*. Our full range of classic mechanical reel games provides players with a traditional, high denomination slot gaming experience. These games leverage our long-standing experience in building enduring brands, such as *Black Diamond*, *Crystal Jackpots, Smokin' 777, Double Eagle*, and *Jackpot Fire*, among others, and feature a unique take on traditional slot games with eye-catching features. The premium *Skyline* mechanical reel series was released with a vintage-inspired bezel showcasing RGB lighting and a 24-inch LCD display, with titles including *Double Jackpot Gems, Ultra Mega Meltdown* and *Canary Diamonds*.

*Video Reel Games*. We offer a growing range of video reel games that provides a uniquely entertaining slot gaming experience. These games leverage the *Player HD* cabinet to deliver eye-catching graphics and full, rich sound. High denomination, high multi-line themes have been introduced to the market, such as *Warrior Legacy, Starry Night-HD,* and *Smokin' Hot Gems*, along with a batch of gameplay features, such as the *Windfall Reels* on *Fire Lion* and *Mummy's Tomb*; the *Wild Pairs* feature on *Antony and Cleopatra* and *Bonnie and Clyde*; *Blazin' Streaks* on *Disco Fever*; *Variable Direction Paylines* on *Time Twister*; and *Multi-Stage "Battle Bonus"* on *Pirates vs. Ninjas*.

*Core HDX*. The *Core HDX* enhances the player gaming experience with its dual widescreen 23" monitors with 1080p HD capability, integrated touchscreens and premium 3-way sound system. Its eye-catching cabinet commands a presence on the casino floor with game-controlled lighting and a custom premium LCD topper. Select *Core HDX* games feature Everi Bet™, the bet configuration system that gives casino operators the power to optimize the casino floor for max returns. The vast majority of our standard video library on our MForce platform is designed to be playable on the *Core HDX*. Newly released games exclusive to the *Core HDX* cabinet include: *Peking Fantasy*, *Goddess of the Realm - Moon Stone*, *Goddess of the Realm - Flame Star*, *Jackpot Inferno*, and *Bonus Attack*.

*High Rise Games*. Our current premium participation slot game series features one of the industry's largest top boxes, a vertically oriented 37-inch LCD screen that eliminates overhead signage, creates new possibilities for gaming action, offers LED lights around the perimeter of the top box screen, as well as unique bonus features. Four themes are being unveiled on the *High Rise Games* series, including *Queen of Diamonds, Pirates Skull & Bones, The Money Man Big Cash Spin,* and *Smokin' Hot Diamonds*. *Queen of Diamonds* is a 9-Reel, 32-Line theme featuring our new *Jackpot Jump* feature. Once any jackpot trigger is hit, players pick from one of four cards to find a diamond-suited *Jackpot Jump* card or a Queen of Diamonds card, which will "jump" the progressive prize by one or two tiers, respectively.

*Platinum MPX and The Texan HDX*. The award-winning *Platinum MPX* represents a premium participation cabinet and game series that offers a 40-inch monitor, full 1080p HD graphics capabilities, a fully-customizable touchscreen button panel, game-controlled runway lighting and six custom speakers, including two speakers in the fully integrated interactive sound chair with *Earthquake Shakers* technology. The *Platinum MPX* debuted with two games in 2014, the award-winning *Thundering Herd* and *Invasion 2: The Return*, with new themes *Smokin' Hot Dice, Gargoyle, Her Majesty,* and *Myths & Legends*. *The Texan HDX* is an 8-foot tall cabinet with twin 42-inch video screens, featuring a two-person bench seat. The cabinet is designed to showcase the Everi Standard Video Library in oversized format, allowing the games to be prominently displayed on the casino floor.

*TournEvent*. Our award-winning slot tournament system is a proven solution that allows operators to switch from in-revenue gaming to out-of-revenue tournaments with the simple click of a mouse. The latest 4.3 version released in 2015 includes an updated user interface that give operators more flexibility in setting up different types of tournaments including a cumulative scoring option that gives casinos the ability to have the system automatically sum players' scores in multi-session tournaments. The player(s) with the highest accumulated scores from all sessions win or advance. The new version also adds additional tournament sounds, animations, and tournament game options. With the wireless tablet option, casino operators will be able to sign up players for tournaments remotely, allowing for a more efficient tournament registration and an overall better tournament experience for the casinos and players alike. We believe that the out-of-revenue games, *Cash Boom Bang* with *4 Reel Frenzy* and *Crown Jewels* with *4 Reel Frenzy*, will improve slot tournaments, as tournament screens will explode into four sets of reels once a bomb appears. *Jump to First* and *Pop-n-Win* features may occur during this time as well. Additional game and system releases are planned for 2016, giving casino operators what we believe will be even more exciting game titles to select from and additional efficiency in the planning and operation of slot tournaments. *TournEvent* also is available with multiple sign options, consisting of a rotating 55-inch monitor, lighted accent dividers, and the ability to be featured on new bank configurations.

***Payments Products and Services***

Our Payments products and services include solutions that we provide directly to gaming establishments to offer their patrons cash access related services and products including: access to cash at gaming facilities via Automated Teller Machine ("ATM") cash withdrawals, credit card cash access transactions and POS debit card transactions; check-related services; fully integrated kiosks and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

The following is a description of the markets we address with our principal Payments products and services:

*ATM Cash Withdrawals*. ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollar and transaction volume. In an ATM cash withdrawal, a patron directly accesses funds from a device enabled with our ATM service by either using an ATM or debit card to withdraw funds from the patron's demand deposit account, or using a credit card to access the patron's line of credit. In either event, the patron must use the Personal Identification Number ("PIN") associated with such card. Our processor then routes the transaction request through an electronic funds transfer ("EFT") network to the patron's bank or issuer. Depending upon a number of factors, including the patron's account balance or credit limit and daily withdrawal limit (which limits are set by the bank or issuer), the bank or issuer will either authorize or decline the transaction. If the transaction is authorized, then the ATM-enabled device dispenses the cash to the patron. For a transaction using an ATM or debit card, the patron's bank account is debited by the amount of cash disbursed plus a service fee that we assess the patron for the use of the ATM service. For a transaction using a credit card with a PIN, the patron's credit card account is charged by the amount of the cash disbursed plus a service fee that we assess the patron for the use of the ATM service. In both cases, the service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee, which we refer to as a reverse interchange fee, from the patron's card-issuing bank for accommodating the bank's customer. In most circumstances, we pay a percentage of the service fee that we receive from the patron and, in some circumstances, a portion of the reverse interchange fees we receive, as a commission to our gaming establishment customers for the right to operate on their premises.

*Credit Card Cash Access Transactions and POS Debit card Transactions*. Patrons can perform credit card cash access transactions and POS debit card transactions using many of our enabled devices. A patron's credit card cash access limit is usually a sub-limit of the total credit line and is set by the card-issuing bank, not Everi. These limits vary significantly and can be larger or smaller than the POS debit limit. A credit card cash access transaction obligates the patron to repay the issuing bank over time on terms that are preset by the cardholder agreement. A patron's POS debit card allows the patron to make cash withdrawals at the point of sale in an amount equal to the lesser of the amount of funds in the account, or a daily limit that is generally five to ten times as large as the patron's daily ATM limit.

When a patron requests a credit card cash access or POS debit card transaction, our processor routes the transaction request through one of the card associations, or EFT networks to the issuing bank. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the issuing bank. If authorized, the patron's bank account is debited or the patron's credit card balance is increased, in both cases, by an amount equal to the funds requested plus our service fee. The service fee is a fixed dollar amount, a percentage of the transaction size or a combination of a fixed dollar amount and percentage of the transaction size. If the transaction is authorized, the device informs the patron that the transaction has been approved. The device then further instructs the patron to proceed to the gaming establishment's cashier, or Company-operated booth, to complete the transaction because credit card cash access and POS debit card transactions must, in most circumstances, be completed in face-to-face environments and a unique signature must be received in order to comply with rules of the card associations. Once at the cashier booth, the patron acknowledges acceptance of the fee. We reimburse the gaming establishment for the amount of cash that it provided to the patron by either issuing a negotiable instrument to the gaming establishment or paying the gaming establishment via wire transfer or other similar form of electronic payment. In addition, we generally pay the gaming establishment a portion of the service fee as a commission for the right to operate on its premises, although this payment as a percentage of the fee is generally smaller for credit card cash access and POS debit card transactions than for ATM withdrawals. In addition, we are obligated to pay interchange fees to the issuing bank and processing costs related to the electronic payment transaction to card associations.

*Check-Related Services*. Patrons are able to cash checks at certain gaming establishments. When a patron presents a check to the cashier, the gaming establishment can accept or deny the transaction based on its own customer information and at its own risk, obtain third-party verification information about the check writer, the bank account number and other information relating to the check to manage its risk, or obtain a warranty on payment of the check, which entitles the gaming establishment to reimbursement of the full face amount of the check if it is dishonored.

If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider, asking whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own.

For those gaming establishments that seek to manage their own risk, we provide a subscription check verification service via a database operated by our subsidiary, Central Credit, which is used by gaming establishments to make credit issuing decisions. Central Credit maintains information on the check cashing and credit history of many gaming establishment patrons. For those gaming establishments that prefer to obtain a warranty, we currently provide check warranty services through a third-party check warranty service provider. We pay this third-party provider to assist with the warranty decision, check processing, billing and collection activities. On our behalf, this third-party provider charges our gaming establishment customers a fee for the check warranty services, which is typically a percentage of the face amount of the check being warranted. In such circumstances, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty expenses are defined as any amounts paid by the third-party provider to gaming establishments to purchase dishonored checks that will not be collectible from patrons and any expenses related to the collection on these amounts. We also pay certain fees and operating expenses to our third-party provider related to the provision of these services.

Our principal Payments products and services consist of the following:

*Casino Cash Plus 3-in-1 ATMs* are unmanned, cash-dispensing machines that enable ATM cash withdrawals, POS debit card transactions, and credit card cash access transactions directly, or using our patented 3-in-1 Rollover functionality. Most financial institutions that issue debit cards impose daily ATM withdrawal limits, and, in many instances, aggregate and count Friday, Saturday and Sunday as a single day in calculating such limits. If a patron has reached his or her daily ATM limit, our patented 3-in-1 Rollover functionality automatically enables the patron to obtain funds via a POS debit card transaction or a credit card cash access transaction instead.

*Check verification and warranty services* allow gaming establishments to manage and reduce risk on patron checks that they cash. A gaming establishment can query our Central Credit database to review the check cashing history of a gaming establishment patron before deciding whether to cash the patron's check. If the gaming establishment desires additional protection against loss, it can seek a warranty on payment of the check. We have an exclusive relationship with a third-party check warranty service provider to market check warranty services to gaming establishments.

*Fully Integrated Kiosks* are multi-function terminals that combine our cash access 3-in-1 Rollover functionality with slot machine ticket redemption and bill breaking service capabilities. The availability of our cash access services on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are closer to the slot machines than traditional cash access devices that are typically located on the periphery of the gaming area within the gaming establishment and also provides gaming patrons with more opportunities to access their cash with less cashier involvement, thereby creating labor cost savings for gaming establishments.

*Jackpot kiosks* are multi-function employee kiosks that allow casino personnel to immediately process and dispense taxable jackpots in the form of cash, tickets or a combination of both. Jackpots that exceed established local or federal dollar limits are taxable and require a casino employee to complete the transaction in order to issue the patron a W-2G or 1042-S. The jackpot kiosk, which may also offer our other cash access services, automates and streamlines this process.

*Central Credit* is our gaming patron credit bureau service which, on a subscription basis, allows gaming establishments to improve their credit-granting decisions by obtaining access to a database containing credit information and transaction data on millions of gaming patrons. Our gaming credit reports are comprised of information recorded from patron credit histories at hundreds of gaming establishments. We provide such information to gaming establishments that subscribe to the service. These establishments then use that data, among other things, to determine how much credit, if any, they will grant to a gaming patron. We typically charge our customers for access to gaming patron credit reports on a monthly basis and our fees are generally comprised of a fixed minimum fee plus per-transaction charges for certain requests.

*Everi Compliance* is our suite of compliance software offerings for gaming operators. These compliance solutions help our gaming establishment customers comply with financial services and gaming regulations. These compliance solutions include software to assist with anti-money laundering regulations, such as filing currency transaction reports ("CTRs") and suspicious activity reports ("SARs"). Additionally, these compliance solutions also assist casinos in filing required tax forms in connection with the payout of jackpot winnings to patrons and assist casinos with auditing cash on the floor and in casino cages.

We also offer:

- Stand alone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card transactions.

- Database services that allow gaming establishments access to information from our proprietary patron transaction database for purposes of player acquisition, direct marketing, market share analysis, and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process. Patrons may "opt out" of having their names included in marketing mailing lists.

- An online payment processing solution for gaming operators in states that offer intra-state, Internet-based gaming and lottery activities.

## Manufacturing

We utilize contract manufacturers to produce the cabinets that make up our electronic gaming machines ("EGMs") and our kiosk products, as well as other sub-assemblies. We have assembly facilities in Austin, Texas and Las Vegas, Nevada, where we assemble the EGMs and our kiosk products, which include the cabinets, computer assemblies, LCD screens, printers, bill validators and acceptors, and other wiring and harnesses. We believe that our sources of supply of component parts and raw materials for our products are generally adequate and we have few sole-sourced parts.

## Research and Development

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release.

## Customers

As of December 31, 2015, we served over 1,000 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean, Central America and Asia. In certain limited circumstances, we provide our products and services to non-gaming establishments, such as gas stations and other retail businesses associated with gaming establishment customers, however the revenue generated from these operations is not material to our operations and we do not actively market or target non-gaming establishment customers.

## Sales and Marketing

We sell and market our products and services to gaming establishments primarily through the use of a direct sales force, which targets gaming establishments in the United States and in international markets. With respect to our gaming products, we participate in the Class III and Class II gaming machine markets, as well as the central determinant system market in North America, through participation, or revenue share, and fixed fee arrangements and the sale of proprietary EGMs and systems. For the years ended December 31, 2015, 2014, and 2013, our revenues from our operations outside the United States were 2.9%, 2.7%, and 2.4% of our total revenue, respectively. All of our long-lived assets outside of the United States were immaterial for each of fiscal 2015, 2014, and 2013.

Our sales and marketing efforts are directed by a team of customer service executives, each of whom has business development responsibility for gaming establishments in specified geographic regions. These customer service executives direct their efforts at all levels of gaming establishment personnel, including senior executives, finance professionals, marketing staff, slot directors, and cashiers, and seek to educate them on the benefits of our products and services. In some cases, our customer service executives are supported by field account managers, who provide on-site customer service to most of our customers. In other cases our sales executives directly maintain the customer relationships. These customer service executives and field account managers generally reside in the vicinity of the specific gaming establishments that they support to ensure that they respond to the customer service needs of those gaming establishments. We also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our products and services to gaming establishments through channels other than our direct sales force.

## Competition

In our Games business, we compete across different gaming markets with a variety of gaming equipment suppliers. Competition is generally based upon the: (a) amount of revenue our products generate for our customers relative to the amount of revenue generated by our competitors' products, (b) prices and/or fees we and our competitors charge for products and services offered, and (c) appeal of our competitors' products to gaming patrons, which has a direct effect on the volume of play generated by a product and, accordingly, the revenues generated for our customers. To drive customer demand and improve product attractiveness to end users, we are continually working to develop new game themes, gaming engines, hardware platforms and systems that appeal to gaming patrons, all while working to release these new products to the marketplace in a timely manner.

In our Payments business, we compete with other providers of cash access services to the gaming industry, as well as with financial institutions and other regional and local banks that operate ATMs on the premises of gaming establishments. Some of these other providers and financial institutions have established cooperative relationships with each other to expand their service offerings. Although almost all gaming establishments outsource their cash access service to third-party providers because providing these services is not a core competency of gaming establishment operators, and because gaming establishment operators are unable to achieve the same scale that can be obtained by third-party providers that deploy cash access services across multiple gaming establishments, we on occasion do face competition from gaming establishments that may choose to operate their own in-house cash access systems. In recent years, we have also faced increased competition from independent sales organizations, which provide basic services and aggressive pricing, from gaming equipment manufacturers and system providers that manufacture kiosks that directly, or through affiliates with third parties, which offer ATM and other cash access products and services, and from traditional transaction processors that have entered the gaming patron cash access services market. This increased competition amongst these various providers of cash access services has resulted in pricing pressure and margin erosion with respect to our core cash access products and services.

**Proprietary Rights**

We believe the ability to introduce and respond to technological innovation in the gaming industry will be an increasingly important qualification for the future success of any provider of cash access and gaming-related products and services. Our continued competitiveness will depend on: (a) the pace of our new product development, (b) our patent, copyright, trademark and trade secret protection, and (c) our relationships with customers. Our business development personnel work with gaming establishments, our technology and other strategic partners, and the suppliers of the financial services upon which our cash access services rely, to design and develop innovative products and services that appeal to gaming patrons.

We rely on a combination of patents, trademarks, copyrights, trade secrets and contractual restrictions to protect our intellectual property. In our business, we have over 220 patents issued related to games and systems and processes, and have more than 60 patent applications pending world-wide. The expiration dates of these patents vary and are based on their filing and issuances dates. We intend to continue to actively file for patent protection, when such filings are commercially reasonable, within and outside the United States. We also seek trademark protection for our names and products and have registered hundreds of trademarks in the United States and various foreign countries. Under permission or license agreements with third parties, we also sell gaming products covered by independently filed copyrights, trademarks and/or patents. Typically, these contracts require us to pay royalties to the licensing party. Royalty expenses are included in cost of gaming and systems in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. In addition to our patents, trademarks, and copyrights, we also rely on a broader scope of intellectual property including trade secrets, in-house know-how and innovation.

**Employees**

As of December 31, 2015, we had approximately 900 employees. We believe that our relations with our employees are good. We have never experienced a work stoppage and none of our employees are subject to a collective bargaining agreement.

### Available Information

Our website address is www.everi.com. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our earnings conference calls are web cast live via our website. In addition to visiting our website, you may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F. Street NE, Washington, D.C. 20549 or at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room.

## REGULATION

### Gaming Regulation

The gaming industry is highly regulated under legal systems that frequently evolve and change based on governmental public policies. Various aspects of our business are subject to comprehensive laws, regulations and ordinances applicable to the ownership, management and operation of gambling establishments as well as certain financial services conducted at such establishments. These gaming laws, regulations and ordinances require us to be licensed, registered, found suitable, qualified or otherwise approved by various city, county, state, provincial, federal, tribal and foreign government agencies (collectively "Gaming Authorities") in the jurisdictions where we conduct business. We must maintain those licenses, registrations, or other approvals in good standing to continue our business, which generally imposes certain (i) financial and operational reporting, and oversight requirements, and (ii) character and fitness suitability requirements, in each case administered by the Gaming Authorities, upon us and our affiliated or subsidiary organizations, as well as the officers, directors, key personnel and, in certain instances, holders of our debt and/or equity securities in each of those organizations, and our material business associates. Gaming Authorities have broad discretion in determining whether to grant a license, registration or other approval. Subject to complying with certain procedural requirements, Gaming Authorities may deny any application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability, qualification or other approval for any cause deemed reasonable to them.

In general, the licensure, qualification and approval requirements and the regulations imposed on non-gaming suppliers and vendors are less stringent than those requirements and regulations imposed on gaming operators, gaming-related manufacturers and suppliers. However, some jurisdictions do not distinguish between non-gaming and gaming suppliers and vendors while other jurisdictions classify all of our products and services as gaming-related. In those jurisdictions which classify our products and services as gaming-related, we are subject to the more stringent licensing and regulatory framework. The stated policies and other purposes behind such laws, regulations, and ordinances are generally to: (i) ensure the public's trust and confidence in legalized gambling through a system of mandated regulation, internal controls, accounting practices, and operating procedures, and (ii) promote economic activity for the state, county and local governments through revenue opportunities emanating from taxes, licensing fees, and other economic benefits arising out of gambling and related activities.

Moreover, our gaming devices and certain other products and technologies must be certified or approved by Gaming Authorities in many jurisdictions where we conduct business. These Gaming Authorities test the gaming devices, systems, and related equipment directly or through an independent testing laboratory and may also require a field trial under the regulator's technical standards before allowing us to sell the product. Although we collaborate closely with the Gaming Authorities and independent testing laboratories, we cannot control whether our products will be approved or the length of time taken to review our products for sale to third parties.

We believe that we are in substantial compliance with all material gaming and financial institution laws applicable to our business. We can give no assurance, however, that our business activities or the activities of our customers in the gaming industry will not be subject to any regulatory or legal enforcement proceedings in the future and a violation of applicable gaming laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects and results of operations. Depending on the nature of any noncompliance, our failure to comply with such laws, regulations, and ordinances may result in the suspension or revocation of any license, registration, or other approval, a partial or complete cessation of our business, seizure of our assets, as well as the imposition of civil fines and criminal penalties.

A description of the material regulations to which we are subject is set forth below.

***Federal Regulation***. At the federal level, we are subject to two key pieces of legislation. Our Native American customers are regulated by the National Indian Gaming Commission ("NIGC"), which was established by the Indian Gaming Regulatory Act of 1988 (the "IGRA"). The NIGC has regulatory authority over certain aspects of Native American gaming and defines the boundaries of our dealings with the Native American marketplace and the level of regulatory authority to which these games are subject. IGRA establishes three classes of gaming, each with a different regulatory framework:

| Class | Type of Games | Regulatory Oversight |
|---|---|---|
| I | Social gaming for minimal prizes and traditional Indian gaming. | Exclusive regulation and oversight by tribal governments. |
| II | Bingo (both in traditional and electronic form). | Regulation by tribal governments with NIGC oversight. |
| III | Casino style games (including slot machines, blackjack, craps and roulette). | Must be permitted by the state in which the tribe is located. The state and the tribe must have negotiated a compact approved by NIGC, and the tribe must have adopted a gaming ordinance approved by the NIGC. |

We sell our gaming devices and systems in both Class II and Class III markets.

The Johnson Act, as amended by the Federal Gambling Devices Act of 1962 (the "Johnson Act"), requires that we register annually with the Criminal Division of the United States Department of Justice and requires a wide variety of record keeping and equipment identification efforts on our part. Registration is required in order for us to sell, distribute, manufacture, transport, and/or receive gaming equipment, machines or components across state lines. If we fail to comply with the requirements set forth under the Johnson Act, we could become subject to a variety of penalties, including, but not limited to, the seizure and forfeiture of equipment.

***State and Tribal Gaming Commissions***. We are regulated by gaming commissions or similar authorities at the state or tribal level as either a (i) manufacturer of gaming devices, in those jurisdictions where we manufacture gaming devices and systems, (ii) supplier of "associated equipment," in those jurisdictions where we sell and service fully integrated kiosks and jackpot kiosks, and/or (ii) non-gaming supplier or vendor, in those jurisdictions where we provide cash access and Central Credit services only.

The process of obtaining necessary licenses, registrations, or other approvals often involves substantial disclosure of confidential or proprietary information about us and our officers, directors, key personnel and, in certain instances, beneficial owners of our debt and/or equity securities, and requires a determination by the regulators as to our suitability as a manufacturer, supplier, or vendor to gaming establishments. Such suitability examinations may also generally include the following:

- requiring the licensure or finding of suitability of any of our officers, directors, key employees, or beneficial owners of our debt and/or equity securities as well as our key third-party vendors, suppliers, customers, and other companies with whom we conduct business;
- the termination or disassociation with such officer, director, key employee, or beneficial owner of our securities that fails to file an application or to obtain a license or finding of suitability and prohibiting unapproved payments and distributions to such persons;
- the submission of detailed financial and operating reports;
- the submission of reports of material loans, leases, sales of securities, and financings; and
- the regulatory approval of certain material transactions, such as the merger with or acquisition of other companies, the transfer or pledge of our stock or other equity interests or restrictions on transfer of such interests, or similar financing transactions.

These regulatory obligations are imposed upon gaming-related manufacturers, suppliers, or vendors on an ongoing basis, and there are no guaranties that we will be successful in obtaining and maintaining all necessary licenses, permits, and approvals and to continue to hold other necessary gaming licenses, permits, and approvals to conduct our businesses as currently being conducted by us. The expansion of our businesses, the introduction of new games, systems, products or services, or changes to applicable rules and regulations may result in additional regulatory or licensing requirements being imposed upon us. Many Gaming Authorities will require us to submit software and other key technology components of our gaming devices and systems, as well as our fully integrated kiosks and jackpot kiosks, to government or third-party gaming laboratories for testing and certification prior to deploying such games, systems, and devices in a particular gaming jurisdiction.

Gaming regulatory authorities have broad discretion and may require any beneficial holder of our securities, regardless of the number of shares of common stock and/or amount of debt securities owned, to file an application, make personal or confidential disclosures, be investigated, and be subject to a determination of suitability. Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage of voting securities of a gaming company and, in some jurisdictions, non-voting securities, typically 5%, to report the acquisition to Gaming Authorities, and Gaming Authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. If a beneficial holder of our securities is a corporation, partnership, or trust, such entity must submit detailed business and financial information, which may include information regarding its officers, directors, partners, key personnel, and beneficial owners. Further disclosure by those officers, directors, partners, key personnel, and beneficial owners may also be required. Under some circumstances and in some jurisdictions, an institutional investor, as defined in the applicable gaming regulations, that acquires and holds a specified amount of our securities in the ordinary course of its business may apply to the regulatory authority for a waiver of these licensure, qualification, or finding of suitability requirements, provided that the institutional investor holds the voting securities for investment purposes only, meets certain thresholds relating to the number of securities held, and certifies as to its intentions not to directly or indirectly exert control or influence over the management, policies, and operations of the licensed entity or to change its corporate governance documents.

***Tribal-State Compacts and Tribal Regulation***. Native American gaming is subject to the review of the NIGC and other applicable laws. Native American tribes must adopt and submit for NIGC approval the ordinances that regulate their gaming activities. Pursuant to the requirements of IGRA, our tribal customers require the tribe to have the sole proprietary interest in their gaming activities. Because federally recognized Native American tribes are independent governments with sovereign rights, Native American tribes can enact their own laws and regulate gaming operations and contracts, and, with some exceptions, generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States.

Class III gaming on Native American tribal lands is subject to the negotiation of a compact between the tribe and the state in which they plan to operate a gaming facility. These tribal-state compacts typically include provisions entitling the state to receive a portion of the tribe's gaming revenues. While tribal-state compacts are intended to document the agreement between the state and a tribe, these tribal-state compacts can be subject to disputes relative to permitted Class III gaming operations. Currently, we operate in three states where compacts materially affect our business: Oklahoma, Washington and, California.

- ***Oklahoma***. In 2004, the Oklahoma Legislature authorized certain forms of gaming at racetracks and gaming at tribal facilities pursuant to tribal-state compacts. While the racetrack facilities can operate a limited number of instant and bonanza-style bingo games and electronic amusement games, the compacts between the Native American tribes and the state allow tribal facilities to include an unlimited number of electronic instant and bonanza-style bingo games, electronic amusement games and non-house-banked tournament card games. Vendors placing games at any of these facilities are required to gain state licensing approval as well as licensing approval from each individual tribe. Furthermore, all electronic games must receive certification from independent testing laboratories and are subject to technical specifications maintained by the Oklahoma Horse Racing Commission and the individual tribal gaming authorities.

- ***Washington***. Our activities in the State of Washington are governed pursuant to compacts between the state government and Native American tribes located in Washington. We offer a range of Class II and Class III player terminals to our customers in Washington that are operated in conjunction with local central determinant systems as described above. Compacts between the state and tribes are recognized by IGRA to permit Class III gaming.

- ***California***. Our activities in the State of California are governed pursuant to compacts between the state government and Native American tribes located in California. These compacts are recognized by IGRA and permit the tribes to offer both Class II and Class III gaming machines within their gaming facilities. We offer a range of Class II linked interactive electronic games as well as Class III gaming machines to our customers in California.

***Charity Regulation***. We have historically supplied bingo games and systems to nonprofit organizations that operate these games for charitable, educational and other lawful purposes. Bingo for charity is not subject to a nationwide regulatory system, such as the system created by IGRA to regulate Native American gaming, and, as a result, regulation for this market is generally on a state-by-state basis, although in some cases it is regulated by county commissions or other local government authorities.

***Lottery Commissions.*** Most States and the District of Columbia have lotteries. The operation of lotteries is subject to extensive regulation. Many aspects of lottery operations are determined by state or local legislation, but lottery regulatory authorities exercise significant discretion to ensure the integrity of contract awards and lottery operations, including in the process of selecting suppliers of equipment, technology and services and retailers of lottery products. Lottery regulatory commissions typically require detailed background disclosure by and investigations of vendors and their subsidiaries, affiliates, principal stockholders, officers, directors, and employees who will be directly responsible for the operation of lottery systems. These regulators may have authority to order removal of employees who they deem to be unsuitable or whose presence they believe may adversely affect the operational security or integrity of the lottery. Some lottery commissions mandate extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage (typically 5% or more) of a vendor's securities. The failure of such beneficial owners of our securities to cooperate with the regulators could result in penalties, jeopardize the award of a lottery contract to us, or provide grounds for termination of an existing lottery contract.

***Internet and Online Gaming Regulation***. Several states have passed implementing legislation and/or regulations to allow certain intra-state, wager-based, online casino and/or lottery games, such as online poker, lottery ticket purchases, or lottery ticket subscriptions. This is due, in part, to (a) a rule of construction contained within the Unlawful Internet gaming Enforcement Act (“UIGEA”) that limits and prevents UIGEA application from altering, limiting or extending any federal, state or tribal laws regulating gambling, (b) a definition within UIGEA that excludes certain intra-state, intra-tribal and interstate horseracing transactions from the phrase “unlawful Internet gambling,” provided certain threshold requirements are met, and (c) a memorandum dated September 20, 2011 and published by the United States Department of Justice, Criminal Division, in which the Department concludes, among other things, that the Federal Wire Act of 1961 (the “Wire Act”) does not apply to interstate transmissions of wire communications that do not relate to a sporting event or contest. To date, states such as Delaware, Georgia, Illinois, Michigan, Minnesota, Nevada, New Jersey, North Carolina and North Dakota have some form of internet or online gaming or lottery activities.

However, the legislative and regulatory environment surrounding online, wager-based games in the United States remains uncertain and complex, and it is unclear how the legislative and regulatory framework governing these activities will evolve in the future. Many states have yet to introduce or finalize regulations regarding the licensing and operational requirements regarding online, wager-based activity, including the licensing and technological requirements relating to the funding and processing of payments relating to online, wager-based casino and lottery games. In addition, the funding of online casino gaming activity is subject to the requirement of the UIGEA, which may prohibit or significantly impede the funding of online, wager-based gaming activity. There is also a possibility that the Wire Act may be amended in the future to prevent or prohibit the use of Internet or mobile-based platforms regardless of the involvement of a sporting event or contest.

**Financial Services Regulation**

Our Payments business is also subject to a number of financial services regulations:

***Durbin Amendment***. On June 29, 2011, the Federal Reserve Board issued a final rule establishing standards for debit card interchange fees, among other things, which took effect on October 1, 2011. This rule, Regulation II (Debit Card Interchange Fees and Routing) was promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as modified by the Durbin Amendment (the "Durbin Amendment") and establishes, among other things, standards for assessing whether debit card interchange fees received by certain debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each debit transaction.

***Anti-Money Laundering***. The USA PATRIOT Act of 2001 and its implementing federal regulations require us to establish and maintain an anti-money laundering program. Our anti-money laundering program includes: internal policies, procedures and controls designed to identify and report money laundering, a designated compliance officer, an ongoing employee training program, and an independent audit function to test the program. In addition, the cash access services that we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers are required to file a SAR with the U.S. Treasury Department's Financial Crimes Enforcement Network to report any suspicious transactions relevant to a possible violation of law or regulation. We are also required to file a SAR where we provide our cash access services directly to patrons through satellite cages ("booths") that we staff and operate. To be reportable, such a transaction must meet criteria that are designed to identify the hiding or disguising of funds derived from illegal activities. Our gaming establishment customers, in situations where our cash access services are provided through gaming establishment cashier personnel, and we, in situations where we provide our cash access services through a booth location, are required to file a CTR of each deposit, withdrawal, exchange of currency or other payment or transfer by, through or to us which involves a transaction in currency of more than $10,000 in a single day. Our QCP Web product can assist in identifying transactions that give rise to reporting obligations. When we issue or sell drafts for currency in amounts between $3,000 and $10,000, we maintain a record of information about the purchaser, such as the purchaser's address and date of birth.

***Fund Transfers***. Our POS debit card transactions and ATM services are subject to the Electronic Fund Transfer Act, which provides cardholders with rights with respect to electronic fund transfers, including the right to dispute unauthorized charges, charges that list the wrong date or amount, charges for goods and services that are not accepted or delivered as agreed, math errors and charges for which a cardholder asks for an explanation or written proof of transaction along with a claimed error or request for clarification. We believe the necessary policies and procedures have been implemented throughout our organization in order to comply with the regulatory requirements for fund transfers.

***State Money Transmission Laws***. Most states in which we issue the negotiable instruments that are used to complete credit card cash access and POS debit card transactions or offer our online payment processing solution require us to have a money transmitter license.

***Credit Reporting***. Our Central Credit gaming patron credit bureau services and check verification and warranty services are subject to the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act of 2003 and their implementing rules, which require consumer credit bureaus, such as Central Credit, to provide credit report information to businesses only for certain purposes and to otherwise safeguard credit report information, to disclose to consumers their credit report on request, and to permit consumers to dispute and correct inaccurate or incomplete information in their credit report. These laws and rules also govern the information that may be contained in a consumer credit report. We continue to implement policies and procedures as well as adapt our business practices in order to comply with these laws and regulations. In addition to federal regulations, our Central Credit gaming patron credit bureau services are subject to the state credit reporting regulations that impose similar requirements to the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act of 2003.

***Debt Collection***. We currently outsource most of our debt collection efforts to third parties. However, we do engage in debt collection to collect on chargebacks on our cash access products and unpaid balances for services performed for our check services, Central Credit services, receivables relating to the sale and service of our fully integrated kiosks and jackpot kiosks, and other amounts owing to us in connection with performing various services for our customers. All such collection practices may be subject to the Fair Debt Collection Practices Act, which prohibits unfair, deceptive or abusive debt collection practices, as well as consumer-debt-collection laws and regulations adopted by the various states.

***Privacy Regulations***. Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers and transaction information. The Gramm-Leach-Bliley Act requires us to safeguard and protect the privacy of such non-public personal information and also requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. We are also subject to state privacy regulations which, in some cases, may be even stricter than federal law. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations.

***ATM Operations***. The Electronic Fund Transfer Act requires us to disclose certain notices regarding the fees that we charge for performing an ATM transaction as well as to incorporate such notices on the ATM screens to notify patrons of such fees prior to completing an ATM transaction. Our ATM services are also subject to applicable state banking regulations in each jurisdiction in which we operate ATMs which require, among other things, that we register with the state banking regulators as an operator of ATMs, that we provide gaming patrons with notices of the transaction fees assessed upon use of our ATMs, that our transaction fees do not exceed designated maximums, that we offer gaming patrons a means of resolving disputes with us, and that we comply with prescribed safety and security requirements. In addition, the ATMs that we operate are subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons.

***Check Cashing***. In jurisdictions in which we serve as a check casher, we are required to be licensed by the applicable state banking regulator to operate as a check casher. Some states also impose restrictions on this activity, such as limits on the amounts of service fees that may be imposed on the cashing of certain types of checks, requirements as to records that must be kept with respect to dishonored checks and requirements as to the contents of receipts that must be delivered to gaming patrons at the time a check is cashed.

***Network and Card Association Regulations***. In addition to the governmental regulation described above, some of our services are also subject to rules promulgated by various payment networks, EFT networks and card associations. For example, we must comply with the Payment Card Industry ("PCI") Data Security Standard. We have been designated as a compliant service provider under the PCI Data Security Standard. We must be certified to maintain our status as a compliant service provider on an annual basis.

In addition, Europay, MasterCard and Visa jointly developed new card security features ("EMV"), designed to deter fraudulent card transactions related to identity theft, counterfeit cards and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip-based smart-card payments. The U.S. payments industry has until recently continued to rely on magnetic stripe cards instead of EMV-compliant chip-based cards. However, U.S. card issuers are beginning to offer EMV-capable chip-based smart-cards, and, beginning in October 2015, the network and card associations will begin shifting liability for fraudulent POS transactions generated through EMV-capable cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. The liability shift for ATM transactions onto merchants began in October 2015. This shifts the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant. As a merchant in connection with our cash access transactions processed through MasterCard and Visa, we must upgrade or replace our existing fleet of U.S.-based devices to accept the EMV standard. This requires us to upgrade the software on a significant portion of our currently deployed fleet of U.S.-based POS, kiosk and ATM devices. Additionally, we may have to replace a portion of our devices with newer devices equipped with the minimum hardware requirements to support EMV.

**International Regulation**

We are also subject to a variety of gaming and financial services regulations and other laws, including the Foreign Corrupt Practices Act, in the international markets in which we operate. We expect to become subject to additional gaming and financial services regulations and other laws in the jurisdictions into which we expand our operations. Our expansion into new markets is dependent upon our ability to comply with the regulatory regimes adopted by such jurisdictions. Difficulties in obtaining approvals, licenses or waivers from the gaming and monetary authorities, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in other international jurisdictions into which we wish to enter.

## Item 1A. Risk Factors.

*The following section describes material risks and uncertainties that we believe may adversely affect our business, financial condition, results of operations or the market price of our stock. This section should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements and "Item7. Management's Discussion and Analysis of Financial Condition and Results of Operations "included elsewhere in this Annual Report on Form 10-K.*

**Risks Related to Our Business**

***We may not remain profitable.***

We had net loss of $105.0 million and net income of $12.1 million for the years ended December 31, 2015 and 2014, respectively. As a result of the interest payments on the indebtedness incurred in connection with the Merger, amortization of intangible assets associated with the Merger and other acquisitions, other related acquisition and financing costs, asset impairment charges and depreciation and other amortization, we may not be able to remain profitable in the future. We expect to continue to incur charges in the future in connection with the Merger and future acquisitions and we cannot assure you that we will generate net profits from operations in 2016 or subsequent years. Our ability to generate net profits in the future will depend, in part, on our ability to:

- continue to successfully integrate our Games and Payments businesses;
- establish strategic business relationships with new and existing customers;
- sell our products and services into new markets and to new customers in existing markets and retain our existing customers;
- develop new games or license third party content in our Games business and develop new products and services in our Payments business;
- effectively manage a larger and more diversified workforce and business;
- react to changes, including technological and regulatory changes, in the markets we target or operate in;
- respond to competitive developments and challenges;
- comply with the Europay, MasterCard and Visa global standard for cards equipped with computer chips; and
- attract and retain experienced and talented personnel.

We may not be able to do any of these successfully, and our failure to do so could have a material adverse effect on our business, financial condition, operations or cash flows, which could, among other things, affect our ability to make payments under our Credit Facilities (defined herein) or the Notes (defined herein).

***Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in our industry or the economy, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations with respect to our indebtedness.***

As of December 31, 2015, our total indebtedness was approximately $1.2 billion, which included the Credit Facilities and the Notes, and contains restrictive covenants. Our high degree of leverage could have significant adverse effects on our business, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;

- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes and the agreements governing such other indebtedness;

- increasing our vulnerability to adverse economic, industry or competitive developments;

- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and

- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged or may have more resources than us and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting.

***We may not be able to generate sufficient cash to service all of our indebtedness, including the Credit Facilities and the Notes, and fund our working capital and capital expenditures, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on our indebtedness, including the Credit Facilities and the Notes, will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including those under the Credit Facilities, will be available to us in an amount sufficient to pay our indebtedness or to fund other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional equity capital, or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The Credit Facilities and the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes restrict our ability to dispose of assets and use the proceeds from any such disposition.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, the holders of the Notes could declare all outstanding principal and interest to be due and payable, the lenders under the Credit Facilities could declare all outstanding amounts under such facilities due and payable and terminate their commitments to loan money, and, in each case, foreclose against the assets securing the borrowings under the Credit Facilities, and we could be forced into bankruptcy or liquidation.

If our indebtedness is accelerated, we may need to refinance all or a portion of our indebtedness before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

***The agreements and instruments governing our debt impose restrictions that may limit our operating and financial flexibility.***

The Credit Facilities and the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes contain a number of significant restrictions and covenants that limit our ability to:

- incur additional indebtedness;
- sell assets or consolidate or merge with or into other companies;
- pay dividends or repurchase or redeem capital stock;
- make certain investments;
- issue capital stock of our subsidiaries;
- incur liens;
- prepay, redeem or repurchase subordinated debt; and
- enter into certain types of transactions with our affiliates.

These covenants could have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the Credit Facilities require us to comply with a financial maintenance covenant under certain circumstances. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in the Credit Facilities, if applicable. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the Credit Facilities would be in default and could be accelerated by our lenders. Based on cross-default provisions in the agreements and instruments governing our indebtedness, a default under one agreement or instrument could result in a default under, and the acceleration of, our other indebtedness. In addition, the lenders under the Credit Facilities could proceed against the collateral securing that indebtedness.

If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

***Our net operating loss and other tax credit carry forwards are subject to limitations that could potentially reduce these tax assets.***

As of December 31, 2015, we had tax-effected federal and state net operating loss ("NOL") carry forwards of approximately $76.6 million and $9.4 million, respectively, a federal research and development credit carry forward of approximately $4.3 million, and a federal alternative minimum tax credit carry forward of approximately $1.6 million. The net operating losses will expire starting in 2016. The federal research and development credits are limited to a 20 year carry forward period and will begin to expire in varying amounts in 2033 if not utilized. Based on the weight of positive and negative evidence, we believe that it is more likely than not that we will be able to utilize these NOL and other tax credit carry-forwards, with the exception of certain state NOL carry forwards that already have a valuation allowance. However, our ability to utilize these NOL and other tax credit carry forwards to reduce taxable income in future years may be limited for various reasons, including the possibility that projected future taxable income is insufficient to realize the full benefit of these NOL carry forwards prior to their expiration. Additionally, our ability to fully use these tax assets could be adversely affected by the limitations of Sections 382, 383 and 384 of the Internal Revenue Code.

***The gaming industry is intensely competitive, and if we are unable to compete effectively, our business could be negatively impacted.***

The market for gaming devices, cash access products, and related services is highly competitive, and we expect competition to increase and intensify in the future. In both our Games business and Payments business, some of our competitors and potential competitors have significant advantages over us, including greater name recognition, longer operating histories, pre-existing relationships with current or potential customers with respect to other financial services, greater financial, research, design, development, marketing, technological and other resources, and more ready access to capital resources, which allow them to respond more quickly to new or changing opportunities, be in a better position to compete as well as, in respect of our cash access business, to pay higher commissions or other incentives to gaming establishments in order to gain new customers. In our Payments business, we compete with other established providers of cash access products and services, including third-party transaction processors, financial institutions and other regional and local banks that operate ATMs on the premises of gaming establishments, as well as from gaming establishments that operate their own proprietary cash access systems. To the extent that we lose customers to these competitors, or competitive pressures force us to offer incentives or less favorable pricing terms to us to establish or maintain relationships with gaming establishments, our business, financial condition, operations or cash flows could be materially and adversely affected.

***Our business is dependent upon consumer demand for gaming and overall economic trends specific to the gaming industry. Economic downturns or a decline in the popularity of gaming could reduce the number of patrons that use our products and services or the amounts of cash that they access using our services.***

We provide our gaming-related and cash access products and services almost exclusively to gaming establishments. As a result, our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, participation in which has in the past and may in the future decline during (i) periods of economic growth, due to changes in consumers' spending habits, (ii) periods of economic downturns, due to decreases in our customers' disposable income or general tourism activities, and (iii) periods of declining consumer confidence, due to general economic conditions, geopolitical concerns or other factors. Gaming competes with other leisure activities as a form of consumer entertainment and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments (to which we sell our products and services) competes with Internet-based gaming. The popularity and acceptance of gaming is also influenced by the prevailing social mores and changes in social mores, including changes driven by social responsibility organizations that are dedicated to addressing problem gaming, which could result in reduced acceptance of gaming as a leisure activity or litigation or lobbying efforts focused on limiting gaming activities. To the extent that the popularity or availability of gaming in traditional gaming establishments declines as a result of any of these factors, the demand for our cash access and gaming-related products and services, or the willingness of our customers to spend new capital on acquiring gaming equipment or utilize revenue share agreements, may decline and our business may be harmed.

***Most of our gaming device contracts with our customers are on a month-to-month basis, and if we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition, operations or cash flows may suffer a material adverse effect.***

Most of our gaming device contracts with our customers are generally on a month-to-month basis, except for customers with whom we have entered into development and placement fee agreements. We do not rely upon the stated term of our gaming device contracts to retain the business of our customers. We rely instead upon providing competitive player terminals, games and systems to give our customers the incentive to continue doing business with us. At any point in time, a significant portion of our gaming device business is subject to nonrenewal, which may materially and adversely affect our earnings, financial condition and cash flows. To renew or extend any of our customer contracts generally, we may be required to accept financial and other terms that are less favorable to us than the terms of the expired contracts. In addition, we may not succeed in renewing customer contracts when they expire. If we are required to agree to other less favorable terms to retain our customers or we are not able to renew our relationships with our customers upon the expiration of our contracts, our business, financial condition, operations or cash flows could suffer a material adverse effect.

***Consolidation among our customers could have a material adverse effect on our revenues and profitability.***

We often execute contracts with customers pursuant to which we provide products and services at multiple gaming establishments. Accordingly, the expiration or termination of a single key contract can mean the loss of multiple gaming facilities at which our products and services are used. In addition, consolidation among operators of gaming establishments may also result in the loss of customers if one of our customers is acquired by a business that utilizes one of our competitors.

***We derive a significant portion of our revenue from Native American tribal customers, and our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.***

We derive a significant percentage of our revenue from the provision of cash access and gaming-related products and services to gaming facilities operated on Native American lands.

Native American tribes are independent governments with sovereign powers and, in the absence of a specific grant of authority by Congress to a state or a specific compact or agreement between a tribal entity and a state that would allow the state to regulate activities taking place on Native American lands, they can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States. Accordingly, before we can seek to enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, we must obtain from the Native American tribe a waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Even if the waiver of sovereign immunity by a Native American tribe is deemed effective, there could be an issue as to the forum in which a lawsuit may be brought against the Native American tribe. Federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to Native American tribes, and we may be unable to enforce any arbitration decision effectively. Although we attempt to agree upon governing law and venue provisions in our contracts with Native American tribal customers, these provisions vary widely and may not be enforceable.

Certain of our agreements with Native American tribes are subject to review by regulatory authorities. For example, our development agreements are subject to review by the NIGC, and any such review could require substantial modifications to our agreements or result in the determination that we have a proprietary interest in a Native American tribe's gaming activity, which could materially and adversely affect the terms on which we conduct our business. The NIGC has previously expressed the view that some of our development agreements could be in violation of the requirements of the IGRA and Native American tribal gaming regulations, which state that the Native American tribes must hold "sole proprietary interest" in the Native American tribes' gaming operations, which presents additional risk for our business. The NIGC may also reinterpret applicable laws and regulations, which could affect our agreements with Native American tribes. We could also be affected by alternative interpretations of the Johnson Act as the Native American tribes, who are the customers for our Class II games, could be subject to significant fines and penalties if it is ultimately determined they are offering an illegal game, and an adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for our business, financial condition, operations, cash flows or prospects.

Government enforcement, regulatory action, judicial decisions and proposed legislative action have in the past, and will likely continue to affect our business, financial condition, operations, cash flows and prospects in Native American tribal lands. The legal and regulatory uncertainties surrounding our Native American tribal agreements could result in a significant and immediate material adverse effect on our business, financial condition, operations or cash flows. Additionally, such uncertainties could increase our cost of doing business and could take management's attention away from operations. Regulatory action against our customers or equipment in these or other markets could result in machine seizures and significant revenue disruptions, among other adverse consequences. Moreover, Native American tribal policies and procedures, as well as tribal selection of gaming vendors, are subject to the political and governance environment within each Native American tribe. Changes in tribal leadership or tribal political pressure can affect our business relationships within Native American markets.

Certain Native American tribes require us to contract with entities that are owned, controlled or managed by tribal members to provide a portion of our services. In some instances, these entities are subcontractors of ours in connection with providing our services, while in other instances we are a subcontractor to these entities who contract with the applicable tribal gaming casino or tribe directly to provide cash access services. Our ability to provide our services is dependent upon our relationship with these third parties and their ability to provide services in accordance with the terms of our contractual arrangement with these third parties and, in some instances, the third parties' relationship or contractual arrangement with the applicable tribal gaming casino or tribe.

***Our business depends on our ability to introduce new, commercially viable games, products and services in a timely manner.***

Our success is dependent on our ability to develop and sell new games, products and services that are attractive not only to our customers but also to their customers, the gaming patrons. If our games, products, and services do not appeal to gaming operators and patrons, or do not meet or sustain revenue and profitability of contractual obligations and expectations, we may lose business to our competitors. Additionally, we may be unable to enhance existing games, products and services in a timely manner in response to changing regulatory, legal or market conditions or customer requirements, or new games, products and services may not achieve market acceptance in new or existing markets. Delay in regulatory approvals of new gaming devices and equipment may adversely impact new product deployment. Furthermore, as we attempt to generate new streams of revenue by selling our games, products and services to new customers in new jurisdictions, we will face licensing and approval requirements of Gaming Authorities influencing the timing of our market entry and we may have difficulty implementing an effective sales strategy for these new jurisdictions. If we are unable to keep pace with rapid innovations in new technologies or product design and deployment or if we are unable to quickly adapt our development, manufacturing or sales processes to compete, our business, financial condition, operations or cash flows could suffer a material adverse effect.

***We may not successfully enter new markets and potential new markets may not develop quickly or at all.***

If and as new and developing domestic markets develop, competition among providers of gaming-related and cash access products and services will intensify. We will face a number of hurdles in our attempts to enter these markets, including the need to expand our sales and marketing presence, compete against pre-existing relationships that our target customers may have with our competitors, the uncertainty of compliance with new or developing regulatory regimes (including regulatory regimes relating to Internet gaming) with which we are not currently familiar, and oversight by regulators that are not familiar with us or our businesses. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

In addition, as we attempt to sell our gaming-related and cash access products and services into international markets in which we have not previously operated, we may become exposed to political, economic, tax, legal and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business are less certain. Our international operations are subject to a variety of risks, including different regulatory requirements and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, compliance with anti-corruption and export control laws, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability and potentially adverse tax consequences. Difficulties in obtaining approvals, licenses or waivers from the monetary and gaming authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of, among other things, financial services and telecommunications facilities that may not be sufficient to support our business needs, such as the authorization and settlement services that are required to implement electronic payment transactions and the telecommunications facilities that would enable us to reliably connect our networks to our products at gaming establishments in these new markets. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and adversely affect our business, financial condition and operations. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural or business practice differences, our ability to penetrate these new international markets could suffer.

We are subject to the risk that the domestic or international markets we attempt to enter or expand into may not develop as quickly as anticipated, or at all. The development of new gaming markets is subject to political, social, regulatory and economic forces beyond our control. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support and sponsorship of local government. Changes in government leadership, failure to obtain requisite voter support in referendums, failure of legislators to enact enabling legislation and limitations on the volume of gaming activity that is permitted in particular markets may inhibit the development of new markets. Further, our estimates of the potential future opportunities in new markets are based on a variety of assumptions that may prove to be inaccurate. To the extent that we overestimate the potential of a new market, incorrectly gauge the timing of the development of a new market or fail to anticipate the differences between a new market and our existing markets, we may fail in our strategy of growing our business by expanding into new markets. Moreover, if we are unable to meet the needs of our existing customers as they enter markets that we do not currently serve, our relationships with these customers could be harmed.

***We may not realize satisfactory returns on money loaned or otherwise funded to new and existing customers to develop or expand gaming facilities.***

In our gaming business, we enter into development and placement fee agreements to provide financing for construction, expansion or remodeling of gaming facilities. Under our development and placement fee agreements, we typically secure a long-term revenue share percentage and a fixed number of player terminal placements in the facility in exchange for funding the development and construction of the gaming facility. The success of these ventures is dependent upon the timely completion of the gaming facility, the placement of our player terminals and a favorable regulatory environment. Our development and placement efforts and financing activities may result in operating difficulties, financial and regulatory risks, or required expenditures that could materially and adversely affect our liquidity. In connection with one or more of these transactions, and to obtain the necessary development and placement fee funds, we may need to extend secured and unsecured credit to potential or existing customers that may not be repaid, incur debt on terms unfavorable to us, incur difficulties in perfecting security interests in collateral on Indian lands, or that we are unable to repay, or incur other contingent liabilities. While we believe the increased level of receivables from counterparties to development agreements has allowed us to grow our business, it has also required direct, additional focus of and involvement by management. The failure to maintain controls and processes related to our collection efforts or the deterioration of regulatory or financial condition of our customers could negatively impact our business.

***We typically rely on a single third-party processor to process substantially all of our cash access transactions that are processed through various card associations and payment networks, and the failure of our third-party processor to adequately provide such processing services could have a material adverse effect on our business, financial condition, operations or cash flows.***

We typically rely on a single third party to provide processing services for the substantial majority of our cash access transactions by obtaining authorizations for ATM cash withdrawal, POS debit card and credit card cash access transactions and to provide settlement transaction files to card associations and payment networks for some of these transactions. If our third-party processor fails to adequately provide these services, it could result in our systems being unable to process our cash access transactions intermittently or for extended periods of time, which could have a material adverse effect on our business, financial condition, operations or cash flows.

***We depend on third-party transaction processors, telecommunication networks and other third-party technology providers to provide our cash access and related services, and if we, or any of these third parties, experience system or service failures, the products and services we provide could be delayed or interrupted, which could harm our business and reputation.***

Our ability to provide uninterrupted and high levels of services depends upon the performance of the third-party processors, telecommunication networks and other third-party technology providers that we use. Any significant interruptions in or degradation of the quality of the services that these third parties provide to us could severely harm our business and reputation and lead to the loss of customers and revenue. Our third-party providers and their systems are potentially vulnerable to computer viruses, physical or electronic security breaches, natural disasters and similar disruptions, which could lead to interruptions or outages of our services, delays, loss of data or public release of confidential data, all of which could have a material adverse effect on our business, financial condition, operations or cash flows. In some instances, such failures could cause us to fail to meet contractual deadlines or specifications and force us to renegotiate contracts on less favorable terms, pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We are parties to certain agreements that could require us to pay damages resulting from loss of revenues if our systems are not properly functioning or as a result of a system malfunction. For example, our agreement with the New York Lottery permits termination of the contract at any time for failure by us or our system to perform properly, and any such unforeseen downtime could subject us to liquidated damages. In addition, if we fail to meet the terms specified in our contracts, we may not realize their full benefits. Failure to perform under any contract could result in substantial monetary damages, as well as contract termination. Our results of operations are dependent on our ability to maximize our earnings from our contracts.

***An unexpectedly high level of chargebacks, as the result of fraud or otherwise, including in connection with new technology standards being implemented in the United States regarding chip-based cards, could materially and adversely affect our cash access business.***

In 1994, Europay, MasterCard and Visa jointly developed EMV, designed to deter fraudulent card transactions related to identity theft, counterfeit cards and the misuse of lost or stolen cards via enhanced card authentication, transaction authorization and cardholder verification using chip-based smart-cards. EMV has been adopted in many regions of the world as the global standard for fraud deterrence in chip based smart-card payments. Historically, the U.S. payments industry has relied on magnetic stripe cards instead of EMV compliant chip-based cards. Recently, however, U.S. card issuers have begun to offer EMV-capable chip-based smart-cards, and as of October 1, 2015, the U.S. payment card industry shifted the liability for fraudulent transactions generated through EMV-enabled cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. This shifted the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant. We bear the risk and are subject to trailing chargeback risk for fraudulent transactions generated through EMV-enabled cards from October 1, 2015 until such time that our customer base is fully converted to the EMV standards.

When patrons use our cash access services, we either dispense cash or produce a negotiable instrument that can be exchanged for cash. If a completed cash access transaction is subsequently disputed, and if we are unsuccessful in establishing the validity of the transaction, we may not be able to collect payment for such transaction and such transaction becomes a chargeback. In the event that we incur chargebacks in excess of specified levels, we could lose our sponsorship into the card associations or be censured by the card associations by way of fines or otherwise. Our failure to adequately manage our chargebacks could have a material adverse effect on our business, financial condition, operations or cash flows.

***Changes in consumer willingness to pay a fee to access their funds could reduce the demand for our cash access products and services.***

Our cash access business depends upon the willingness of patrons to pay a service fee to access their own funds on the premises of a gaming establishment. In most retail environments, consumers typically do not pay an additional fee for using non-cash payment methods such as credit cards, POS debit cards or checks. Gaming patrons could bring more cash with them to gaming establishments or access cash outside of gaming establishments without paying a fee for the convenience of not having to leave the gaming establishment. To the extent that gaming patrons become unwilling to pay these fees for convenience or lower cost cash access alternatives become available, the demand for cash access services within gaming establishments will decline and our business could suffer.

***If we are unable to protect our intellectual property adequately or obtain intellectual property rights and agreements, we may lose valuable competitive advantages, be forced to incur costly litigation to protect our rights, or be restricted in our ability to provide various products in our markets***

Our success depends, in part, on developing and protecting our intellectual property. We rely on copyright, patent, trademark and trade secret laws to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners and customers to establish and protect our intellectual property and similar proprietary rights. While we expect these agreements and arrangements to be honored, we cannot assure you that they will be and, despite our efforts, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors. Any litigation relating to the defense of our intellectual property, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

In addition, we may face claims of infringement that could interfere with our ability to use technology or other intellectual property rights that are material to our business operations. In the event a claim of infringement against us is successful, we may be required to pay royalties to use technology or other intellectual property rights that we had been using, or we may be required to enter into a license agreement and pay license fees, or we may be required to stop using the technology or other intellectual property rights that we had been using. We may be unable to obtain necessary licenses from third parties at a reasonable cost or within a reasonable amount of time. Any litigation of this type, whether successful or unsuccessful, could result in substantial costs to us and potentially cause a diversion of our resources.

***We rely on hardware, software and games licensed from third parties, and on technology provided by third-party vendors, the loss of which could materially and adversely affect our business, increase our costs and delay deployment or suspend development of our gaming systems and player terminals.***

We have entered into license agreements with third parties for the exclusive use of their technology and intellectual property rights in the gaming industry, such as our license to use portions of the software infrastructure upon which our cash access systems operate, and we also rely on third-party manufacturers to manufacture our gaming devices, fully integrated kiosks and jackpot kiosks. We rely on these other parties to maintain and protect this technology and the related intellectual property rights. If our licensors fail to protect their intellectual property rights in material that we license and we are unable to protect such intellectual property rights, the value of our licenses may diminish significantly and our business could be significantly harmed. In addition, if these agreements expire and we are unable to renew them, or if the manufacturers of this software or hardware, or functional equivalents of this software or hardware, were either no longer available to us or no longer offered to us on commercially reasonable terms, we may lose a valuable competitive advantage and our business could be harmed.

Acts of God, adverse weather and shipping difficulties, particularly with respect to international third-party suppliers of our components, could cause significant production delays. If we are unable to obtain these components from our established third-party vendors, we could be required to either redesign our product to function with alternate third-party products or to develop or manufacture these components ourselves, which would result in increased costs and could result in delays in the deployment of our gaming systems and player terminals. Furthermore, we might be forced to limit the features available in our current or future offerings.

We rely on intellectual property licenses from one or more third-party competitors, the loss of which could materially and adversely affect our business and the sale or placement of our products. Various third-party gaming manufacturers with which we compete are much larger than us and have substantially larger intellectual property assets. The gaming manufacturer industry is very competitive and litigious, and a lawsuit brought by one of our larger competitors, whether or not well-founded, may have a material adverse effect on our business, financial condition, operations or cash flows and our ability to sell or place our products.

***Our inability to identify business opportunities and future acquisitions, or successfully execute any of our identified business opportunities or future acquisitions could limit our future growth.***

From time to time, we pursue strategic acquisitions in support of our strategic goals. In connection with any such acquisitions, we could face significant challenges in timely securing required approvals of Gaming Authorities, or managing and integrating our expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

***We may not achieve the intended benefits of our recent acquisitions or future acquisitions, if any, nor may we be able to integrate those businesses successfully, and any such acquisitions may disrupt our current plans and operations.***

Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities. There can be no assurance that we will be able to successfully integrate the businesses we have acquired, including our acquisition of Everi Games Holding, or do so within the intended timeframes or otherwise realize the expected benefits of such acquisitions. The expected cost synergies associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows and financial condition. Our businesses may be negatively impacted if we are unable to effectively manage our expanded operations. The integration of these acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

The risks we commonly encounter in acquisitions include:

- if, in addition to our current indebtedness, we incur significant debt to finance a future acquisition and our combined business does not perform as expected, we may have difficulty complying with debt covenants;
- we may be unable to make a future acquisition which is in our best interest due to our current level of indebtedness;
- if we use our stock to make a future acquisition, it will dilute existing stockholders;
- we may have difficulty assimilating the operations and personnel of any acquired company;
- the challenge and additional investment involved with integrating new products and technologies into our sales and marketing process;
- we may have difficulty effectively integrating any acquired technologies or products with our current products and technologies, particularly where such products reside on different technology platforms or overlap with our products;

- our ongoing business may be disrupted by transition and integration issues;
- the costs and complexity of integrating the internal information technology infrastructure of each acquired business with ours may be greater than expected and may require additional capital investments;
- we may not be able to retain key technical and managerial personnel from an acquired business;
- we may be unable to achieve the financial and strategic goals for any acquired and combined businesses;
- we may have difficulty in maintaining controls, procedures and policies during the transition and integration period following a future acquisition;
- our relationships with partner companies or third-party providers of technology or products could be adversely affected;
- our relationships with employees and customers could be impaired;
- our due diligence process may fail to identify significant issues with product quality, product architecture, legal or tax contingencies, customer obligations and product development, among other things;
- as successor we may be subject to certain liabilities of our acquisition targets;
- we may face new intellectual property challenges; and
- we may be required to sustain significant exit or impairment charges if products acquired in business combinations are unsuccessful.

Our failure to effectively integrate any future acquisition would adversely affect the benefit of such transaction, including potential synergies or sales growth opportunities, in the time frame anticipated.

***We operate our business in regions subject to natural disasters. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations.***

In the event of a natural disaster, the operations of gaming establishments could be negatively impacted or consumer demand for gaming could decline, or both, and as a result, our business could be interrupted, which could materially and adversely affect our revenues and results of operations. Adverse weather conditions, particularly flooding, hurricanes, tornadoes, heavy snowfall and other extreme weather conditions often deter our customer’s end users from traveling or make it difficult for them to frequent the sites where our games are installed. If any of those sites experienced prolonged adverse weather conditions, or if the sites in the State of Oklahoma, where a significant number of our games are installed, simultaneously experienced adverse weather conditions, our results of business, financial condition and operations could be materially and adversely affected.

***Changes by M&C International and First Data Corporation to certain of their tax returns may have an impact on the value of a component of our deferred tax asset, which could require us to recalculate the starting balance of the deferred tax asset and the annual amortization thereof.***

In connection with a recapitalization and private equity restructuring that occurred in 2004 involving our former owners, First Data Corporation (“First Data”), M&C International (“M&C”) and entities affiliated with Bank of America, N.A., we recorded a deferred tax asset of $247.0 million. In connection with this deferred tax asset, we expect to pay a significantly lower amount in United States federal income taxes than we provide for in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Our calculation of the starting balance of the deferred tax asset is based upon information we received from First Data and M&C about the gains they recorded in the transaction. If First Data or M&C change their calculation of the gains and file amended tax returns, we may be required to recalculate the starting balance of the deferred tax asset and the annual amortization thereof. In addition, unanticipated changes in applicable income tax rates or laws or changes in our tax position or our ability to utilize our deferred tax asset, which may be affected by factors beyond our control, could have a material adverse effect on our future business, financial condition, operations or cash flows.

**Risks Related to Regulation of Our Industry**

***We may be subject to fines, penalties, liabilities and legal claims resulting from unauthorized disclosure of cardholder and patron data, whether through a security breach of our computer systems, our third-party processor's computer systems or otherwise, or through our unauthorized use or transmission of such data.***

We collect and store personally identifiable information about cardholders and patrons that perform certain cash access and Central Credit transactions, including names, addresses, social security numbers, driver's license numbers and account numbers, and we maintain a database of cardholder and patron data, including account numbers, in order to process our cash access and Central Credit transactions. We also rely on our third-party processor and certain other technology partners to process and store cardholder and patron data relating to our cash access and Central Credit transactions. As a result, we, as well as our third-party processor, certain of our other technology providers and some of our gaming establishment customers, are required to comply with various federal and state privacy statutes and regulations and the PCI Data Security Standard. Compliance with these regulations and requirements, which are subject to change at any time, is often difficult and costly, and our failure, or the failure of these other third parties, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our sponsor bank and termination of our agreements with our gaming establishment customers, each of which could have a material adverse effect on our business, financial condition, operations or cash flows. If our computer systems or those of our third-party processor or other technology providers suffer a security breach, we may be subject to liability, including claims for unauthorized transactions with misappropriated bank card information, impersonation or similar fraud claims, as well as for any failure to comply with laws governing required notifications of such a breach, and these claims could result in protracted and costly litigation, penalties or sanctions from the card associations and payment networks, and damage to our reputation, which could reduce and limit our ability to provide cash access and related services to our gaming establishment customers.

The personally identifiable information we collect also includes our patrons' transaction behavioral data and credit history data, which we may use to provide marketing and data intelligence services to gaming establishments. This information is increasingly subject to federal, state and card association laws and regulations as well as laws and regulations in numerous jurisdictions around the world. Governmental regulations are typically intended to protect the privacy and security of such data and information as well as to regulate the collection, storage, transmission, transfer, use and distribution of such data and information. We could be materially and adversely affected if domestic or international laws or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their laws or regulations in ways that negatively affect our business or even prohibit us from offering certain marketing and data intelligence or other services. Similarly, if we are required to allocate significant resources to modify our internal operating systems and procedures to enable enhanced protection of patron data that we transmit, store and use, our business results could be adversely affected. In addition, we may face requirements that pose compliance challenges in new international markets that we seek to enter as various foreign jurisdictions have different laws and regulations concerning the storage, transmission and use of gaming patron data. Such variation could subject us to costs, liabilities or negative publicity that could impair our ability to expand our operations into some countries and therefore limit our future growth.

***We are subject to extensive governmental gaming regulation, which may harm our business.***

Our operation of gaming activities, including the sale and manufacturing of gaming devices, fully integrated kiosks, the provision of cash access services at gaming establishments and the operation of central determinant systems, is subject to extensive regulation by the jurisdictions where we operate. The gaming laws, regulations and ordinances vary from jurisdiction to jurisdiction, but generally concern the antecedents, acumen, financial stability and character of our owners, officers and directors, as well as those persons financially interested or involved in our companies. Our violation of these gaming laws, regulations and ordinances could result in the imposition of substantial fines, or in the conditioning, limitation, suspension or revocation of a required license, registration or other approval, either of which could have a material adverse impact on our business depending on the specific circumstances. In addition, we are subject to the possible increase at any time by various state and federal legislatures and officials of gaming taxes or fees, which could adversely affect our results. For a summary of gaming regulations that could affect our business, see “Item 1. Business—Regulation.”

Our ability to conduct both our gaming and cash access businesses, expand operations, develop and distribute new games, products and systems, and expand into new gaming markets is also subject to significant federal, state, local, Native American and foreign regulations. In the United States and many other countries, gaming must be expressly authorized by law. Once authorized, such activities are subject to extensive and evolving governmental regulation. While we seek to comply with the standards and regulations set forth by each jurisdiction, a governmental agency or court could disagree with our interpretation of these standards and regulations or determine that the manufacturing and use of certain of our electronic player terminals, and perhaps other key components of our gaming systems that rely to some extent upon electronic equipment to run a game, is impermissible under applicable law. An adverse regulatory or judicial determination regarding the legal status of our products could have material adverse consequences for us in other jurisdictions, including with gaming regulators, and our business, operating results and prospects could suffer and we and our officers and directors could be subject to significant fines and penalties. Furthermore, the failure to become licensed, or the loss or conditioning of a license, in one market may have the adverse effect of preventing licensing in other markets or the revocation of licenses we already maintain.

As we expand into new markets, we expect to encounter business, legal, operational and regulatory uncertainties as well as additional responsibilities. As we enter new jurisdictions, we are subject to increasing legal, regulatory and reporting requirements that will require substantial additional resources, such as new licenses, permits and approvals, including third-party certifications that our games comply with a particular jurisdiction’s stated regulations, in order to meet our expectations for new market entry, and such licenses, permits or approvals may not be timely granted to us, or granted to us at all, which could have a material effect on our business in general and new market entry specifically. Obtaining and maintaining all required licenses, findings of suitability, registrations, permits or approvals is time consuming, expensive and potentially distracting to management. As we enter new jurisdictions, our reporting systems will need to be developed and/or updated, and we may fail to provide timely or adequate notifications or reporting requirements within these new jurisdictions, which could have adverse regulatory consequences for us in that, or in other, jurisdictions, which could affect our business. In addition, entry into new markets may require us to make changes to our gaming systems to ensure that they comply with applicable regulatory requirements. We may also encounter additional legal and regulatory challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If we are unable to effectively develop and operate within these new markets, then our business, operating results and financial condition would be impaired.

Generally, our placement of systems, games and technology into new market segments involves a number of business uncertainties, including whether:

- the technical platform on which our gaming units, systems and products are based will comply, or can be modified to comply, with the minimum technical requirements for each of the identified new gaming markets;

- we are able to successfully pass required field trials and comply with the initial game/system installation requirements for each new jurisdiction;

- our resources and expertise will enable us to effectively operate and grow in such new markets, including meeting regulatory requirements;

- our internal processes and controls will continue to function effectively within these new segments;

- we have enough experience to accurately predict revenues and expenses in these new markets;

- the diversion of management attention and resources from our traditional business, caused by entering into new market segments, will have harmful effects on our traditional business;

- we will be able to successfully compete against larger companies who dominate the markets that we are trying to enter; and
- we can timely perform under our agreements in these new markets because of other unforeseen obstacles.

In addition, the suspension, revocation, nonrenewal or limitation of any of our licenses could have a material adverse effect on our business operations, financial condition, and results of operations and our ability to maintain key employees. The gaming authorities may deny, limit, condition, suspend or revoke a gaming license or related approval for violations of applicable gaming laws and regulations and may impose substantial fines and take other actions, any one of which could have a significant adverse effect on our business, financial condition and results of operations.

Further, changes in existing gaming laws or regulations or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which could harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, could have a negative impact on our operations. Moreover, in addition to the risk of enforcement action, we are also at risk of loss of business reputation in the event of any potential legal or regulatory investigation, whether or not we are ultimately accused of or found to have committed any violation.

***Many of the financial services that we provide are subject to extensive rules and regulations, which may harm our business.***

Our Central Credit gaming patron credit bureau and check verification and warranty services are subject to the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act of 2003 and similar state laws. The collection practices that are used by our third-party providers and us may be subject to the Fair Debt Collection Practices Act and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, our ability to accept EBT card types, and the form and type of notices that must be disclosed regarding the provision of our ATM services. The cash access services we provide are subject to record keeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001. We are required to file SARs with respect to transactions completed at all gaming establishments at which our cash access services are provided. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher, we are subject to the applicable state licensing requirements and regulations governing check cashing activities. We are also subject to various state licensing requirements and regulations governing money transmitters.

We are subject to formal or informal audits, inquiries or reviews from time to time by the regulatory authorities that enforce these financial services rules and regulations. In the event that any regulatory authority determines that the manner in which we provide cash access, patron marketing or gaming patron credit bureau services is not in compliance with existing rules and regulations, or the regulatory authorities adopt new rules or regulations that prohibit or restrict the manner in which we provide cash access, patron marketing or gaming patron credit bureau services, then these regulatory authorities may force us to modify the manner in which we operate or force us to stop processing certain types of cash access transactions or providing patron marketing or gaming patron credit bureau services altogether. We may also be required to pay substantial penalties and fines if we fail to comply with applicable rules and regulations. For example, if we fail to file CTRs or SARs on a timely basis or if we are found to be noncompliant in any way with either the Bank Secrecy Act or the USA PATRIOT Act of 2001, we could be subject to substantial civil and criminal penalties. In addition, our failure to comply with applicable rules and regulations could subject us to private litigation.

***We are subject to extensive rules and regulations of card associations, including VISA, MasterCard and electronic payment networks that are always subject to change, which may harm our business.***

Our cash access business is subject to the extensive rules and regulations of the leading card associations, VISA and MasterCard. The rules and regulations do not expressly address some of the contexts and settings in which we process cash access transactions or do so in a manner subject to varying interpretations. As an example, we and certain of our providers must comply with the PCI Data Security Standard. The failure by any of such providers to comply with such standards could result in our being fined or being prohibited from processing transactions through VISA, MasterCard and other card and payment networks. We also process transactions involving the use of the proprietary credit cards such as those offered by Discover Card and American Express, as well as other regional cards issued in certain international markets. The rules and regulations of the proprietary credit card networks that service these cards present risks to us that are similar to those posed by the rules and regulations of VISA, MasterCard and other payment networks.

The card associations' and payment networks' rules and regulations are always subject to change, and the card associations or payment networks may modify their rules and regulations from time to time. Our inability to anticipate changes in rules and regulations, or the interpretation or application thereof, may result in substantial disruption to our business. In the event that the card associations, payment networks or our sponsoring banks determine that the manner in which we process certain types of card transactions is not in compliance with existing rules and regulations, or if the card associations or payment networks adopt new rules or regulations that prohibit or restrict the manner in which we process certain types of card transactions, we may be forced to pay a fine, modify the manner in which we operate our business or stop processing certain types of cash access transactions altogether, any of which could have a material adverse effect on our business, financial condition, operations or cash flows.

***Card associations and EFT networks may change interchange reimbursement rates or network operating fees or assess new fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations without our consent and such changes may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income and our business generally.***

We receive income from issuers of ATM, credit and debit cards for certain transactions performed on our ATMs related to cash dispensing or certain other non-financial transactions such as balance inquiries. The EFT networks may also charge certain fees related to the performance of these transactions. We refer to the net of this income and fees as reverse interchange. The amount of this reverse interchange income is determined by the card associations and EFT networks, and this income is subject to decrease at their discretion.

We pay interchange and other network fees for services to the credit card associations and EFT networks that they provide in settling transactions routed through their networks. Collectively we call these charges interchange fees. Subject to the limitations imposed by federal regulations such as the Durbin Amendment or other regulations that may be enacted, the amounts of these interchange fees are determined based upon the sole discretion of the card associations and EFT networks and are subject to increase at any time. Although certain of our contracts enable us to pass through increases in interchange or other network processing fees to our customers, competitive pressures might prevent us from passing all or some of these fees through to our customers in the future. To the extent that we are unable to pass through to our customers all or any portion of any increase in interchange or other network processing fees, our cost of revenues (exclusive of depreciation and amortization) would increase and our net income would decrease, assuming no change in transaction volumes. Any such decrease in net income could have a material adverse effect on our business, financial condition, operations or cash flows.

The card associations and EFT networks may also elect to impose new membership or other fees, or implement new rules and regulations with respect to processing transactions through their networks, and any such new fees, rules or regulations could have a material adverse effect on our business, financial condition, operations or cash flows.

***The provision of our credit card access, POS debit and ATM services are dependent upon our continued sponsorship into the VISA and MasterCard card associations, and the suspension or termination of our sponsorship would result in a material adverse effect on our business, financial condition, operations or cash flows.***

We process virtually all of our credit card cash access, POS debit and ATM service transactions through the VISA and MasterCard card associations, both domestically and internationally, and virtually all of the revenue that we derive from our credit card cash access, POS debit and ATM services is dependent upon our continued sponsorship into the VISA and MasterCard associations. We cannot provide these services without sponsorship into the VISA and MasterCard associations by a member financial institution. Our failure to maintain our current sponsorship arrangements or secure alternative sponsorship arrangements into the VISA and MasterCard associations could have a material adverse effect on our business, financial condition, operations or cash flows.

***Our ATM service business is subject to extensive rules and regulations, which may harm our business.***

Our ATM services are subject to the applicable federal, state and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs, our ability to accept EBT card types, and the form and type of notices that must be disclosed with respect to the fees we charge to patrons in connection with our ATM services. ATMs are also subject to requirements of the Americans with Disabilities Act, which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. These laws and regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all, and our business, financial condition, operations or cash flows could be materially adversely affected. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments. If federal, state, local or foreign authorities adopt new laws or regulations or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business, then our revenues and earnings may be negatively affected. If legislation or regulations are enacted in the future that adversely impact our ATM business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATMs at gaming establishments and our business, financial condition, operations or cash flows could suffer a material adverse effect.

***Consumer privacy laws may change, requiring us to change our business practices or expend significant amounts on compliance with such laws.***

Our patron marketing and database services depend on our ability to collect and use non-public personal information relating to patrons who use our products and services and the transactions they consummate using our services. We are required by federal and state privacy laws and rules to safeguard and protect the privacy of such information, to make disclosures to patrons regarding our privacy and information sharing policies and, in some cases, to provide patrons an opportunity to “opt out” of the use of their information for certain purposes. The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines. Regulators reviewing our policies and practices may require us to modify our practices in a material or immaterial manner or impose fines or other penalties if they believe that our policies and practices do not meet the necessary standard. To the extent that our patron marketing and database services have failed, are now failing or in the future fail to comply with applicable law, our privacy policies or the notices that we provide to patrons, we may become subject to actions by a regulatory authority or patrons which cause us to pay monetary penalties or require us to modify the manner in which we provide patron marketing and database services. To the extent that patrons exercise their right to “opt out,” our ability to leverage existing and future databases of information would be curtailed. Consumer and data privacy laws are evolving, and due to recent high profile thefts and losses of sensitive consumer information from protected databases, such laws may be broadened in their scope and application, impose additional requirements and restrictions on gathering, encrypting and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, or impose additional fines or potentially costly compliance requirements which will hamper the value of our patron marketing and database services.

**Risks Related to Our Stock**

***Our common stock has been publicly traded since September 2005 and we expect that the price of our common stock will fluctuate substantially.***

There has been a public market for our common stock since September 2005. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those described above under "—Risks Related to Our Business," "—Risks Related to Regulation of Our Industry" and the following:

- our failure to maintain our current customers, including because of consolidation in the gaming industry;
- increases in commissions paid to gaming establishments as a result of competition;
- increases in interchange rates, processing fees or other fees paid by us;
- decreases in reverse interchange rates paid to us;
- actual or anticipated fluctuations in our or our competitors' revenue, operating results or growth rate;
- our inability to adequately protect or enforce our intellectual property rights;
- any adverse results in litigation initiated by us or by others against us;
- our inability to make payments on our outstanding indebtedness as they become due or our inability to undertake actions that might otherwise benefit us based on the financial and other restrictive covenants contained in the Credit Facilities and the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes;
- the loss, or failure, of a significant supplier or strategic partner to provide the goods or services that we require from them;
- our inability to introduce successful, new products and services in a timely manner or the introduction of new products or services by our competitors that reduce the demand for our products and services;
- our failure to successfully enter new markets or the failure of new markets to develop in the time and manner that we anticipate;
- announcements by our competitors of significant new contracts or contract renewals or of new products or services;
- changes in general economic conditions, financial markets, the gaming industry or the payments processing industry;
- the trading volume of our common stock;
- sales of common stock or other actions by our current officers, directors and stockholders;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- future sales of our common stock or other securities;

- the failure of securities analysts to cover our common stock or changes in financial estimates or recommendations by analysts;
- our failure to meet the revenue, net income or earnings per share estimates of securities analysts or investors;
- additions or departures of key personnel;
- terrorist acts, theft, vandalism, fires, floods or other natural disasters; and
- rumors or speculation as to any of the above which we may be unable to confirm or deny due to disclosure restrictions imposed on us by law or which we otherwise deem imprudent to comment upon.

***Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent transactions that many stockholders may favor.***

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying, discouraging, or preventing a merger or acquisition that our stockholders may consider favorable or a change in our management or our Board of Directors. These provisions:

- divide our Board of Directors into three separate classes serving staggered three-year terms, which will have the effect of requiring at least two annual stockholder meetings instead of one, to replace a majority of our directors, which could have the effect of delaying or preventing a change in our control or management;
- provide that special meetings of stockholders can only be called by our Board of Directors, Chairman of the Board or Chief Executive Officer. In addition, the business permitted to be conducted at any special meeting of stockholders is limited to the business specified in the notice of such meeting to the stockholders;
- provide for an advance notice procedure with regard to business to be brought before a meeting of stockholders which may delay or preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in management;
- eliminate the right of stockholders to act by written consent so that all stockholder actions must be effected at a duly called meeting;
- provide that directors may only be removed for cause with the approval of stockholders holding a majority of our outstanding voting stock;
- provide that vacancies on our Board of Directors may be filled by a majority, although less than a quorum, of directors in office and that our Board of Directors may fix the number of directors by resolution;
- allow our Board of Directors to issue shares of preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights and the right to approve or not to approve an acquisition or other change in control, of the holders of common stock, without any further vote or action by the stockholders; and
- do not provide for cumulative voting for our directors, which may make it more difficult for stockholders owning less than a majority of our stock to elect any directors to our Board of Directors. In addition, we are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock.

These provisions may have the effect of entrenching our management team and may deprive our stockholders of the opportunity to sell shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a premium could reduce the price of our common stock.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our headquarters are located in a facility in Las Vegas, Nevada, consisting of approximately 59,000 square feet of office space, which is under a lease through April 2023. In connection with the Merger, we assumed certain lease obligations of Everi Games, including approximately 84,000 square feet of office space in Austin, Texas, which is under a lease through March 2021. We also lease several other properties that are used to support all our products and services.

We believe that these facilities are adequate for our business as presently conducted.

**Item 3. Legal Proceedings.**

***Everi Games Shareholder Litigation***

As discussed in "Note 13. Commitments and Contingencies" of our notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K, in connection with the Merger, certain actions were filed by putative shareholders of Everi Games Holding in the United States District Court for the Western District of Texas (the "Texas Federal Action") and the District Court of Travis County, Texas (the "Texas State Court Action") alleging that directors of Everi Games Holding directors breached their fiduciary duties in connection with the Merger. The complaints further alleged that Everi Holdings and its formerly wholly-owned merger subsidiary, Merger Sub, aided and abetted those purported breaches of fiduciary duty.

The parties agreed to settle all claims asserted in the Texas Federal Action. Everi Games Holding agreed to make certain additional disclosures in its proxy statement related to the Merger, and made those disclosures in a Current Report on Form 8-K filed on November 21, 2014. In addition, the defendants agreed not to oppose plaintiffs' application for an attorneys' fee award of up to $310,000. The court in the Texas Federal Action approved the settlement, awarded attorneys' fees of $310,000, and entered judgment. The deadline to file any appeal from the judgment has expired and no appeal has been filed.

The judgment in the Texas Federal Action includes a release of the claims asserted in the Texas State Court Action. The Texas State Court Action has been dismissed with prejudice.

***Alabama Litigation***

The Company is currently involved in one lawsuit related to Everi Games' former charity bingo operations in the State of Alabama, which we believe is not material from a damages perspective. The lawsuit is currently pending in federal court and includes claims related to the alleged illegality of electronic charity bingo in the State of Alabama.

Ozetta Hardy v. Whitehall Gaming Center, LLC, et al., a civil action, was filed against Whitehall Gaming Center, LLC (an entity that does not exist), Cornerstone Community Outreach, Inc., and Freedom Trail Ventures, Ltd., in the Circuit Court of Lowndes County, Alabama. On June 3, 2010, Everi Games Holding and other manufacturers were added as defendants. The plaintiffs, who claim to have been patrons of White Hall, allege that Everi Games Holding participated in gambling operations that violated Alabama state law by supplying to White Hall purportedly unlawful electronic bingo machines played by the plaintiffs, and the plaintiffs seek recovery of the monies lost on all electronic bingo games played by the plaintiffs in the six months prior to the filing of the complaint under Ala. Code, Sec 8-1-150(A). The plaintiffs requested that the court certify the action as a class action. On July 2, 2010, the defendants removed the case to the United States District Court for the Middle District of Alabama, Northern Division. The court has not ruled on the plaintiffs' motion for class certification. The Company continues to vigorously defend this matter. Given the inherent uncertainties in this litigation, however, the Company is unable to make any prediction as to the ultimate outcome.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed for trading on the New York Stock Exchange under the symbol "EVRI." On March 1, 2016, there were three holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

The following table sets forth for the indicated periods, the high and low sale prices per share of our common stock:

| | Price Range | |
|---|---|---|
| | **High** | **Low** |
| **2015** | | |
| First Quarter | $ 8.53 | $ 6.41 |
| Second Quarter | 8.50 | 7.16 |
| Third Quarter | 7.87 | 4.39 |
| Fourth Quarter | 5.35 | 3.27 |
| **2014** | | |
| First Quarter | $ 9.93 | $ 6.37 |
| Second Quarter | 9.29 | 6.38 |
| Third Quarter | 9.13 | 6.56 |
| Fourth Quarter | 7.75 | 6.04 |

On March 1, 2016, the closing sale price of our common stock on the New York Stock Exchange was $3.02.

**Dividend Policy**

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all our earnings for the repayment of our outstanding debt and to finance the growth and development of our business. Any future change in our dividend policy will be made at the discretion of our Board of Directors and will depend on contractual restrictions, our results of operations, earnings, capital requirements and other factors considered relevant by our Board of Directors. In addition, the Credit Facilities, the purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes limit our ability to declare and pay cash dividends.

**Sales of Unregistered Securities**

On April 15, 2015, in connection with the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement (defined below), Holdings issued to CPPIB Credit Investments III Inc. (the "Purchaser") a warrant to purchase 700,000 shares of Holdings' common stock, with an exercise price equal to $9.88 per share, representing a 30% premium to the volume-weighted average price of Holdings' common stock for the ten trading days prior to the issuance of the warrant (the "Warrant"). The Warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the Warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The Warrant was issued in a private placement under Section 4(a)(2) of the Securities Act.

**Common Stock Repurchases**

We did not have a share repurchase program in effect for the year ended December 31, 2015. Our most recent share repurchase program expired on December 31, 2014.

**Issuer Purchases and Withholding of Equity Securities**

We repurchased or withheld from restricted stock awards 32,617, 55,502, and 14,901 shares of our common stock at an aggregate purchase price of $0.2 million, $0.5 million, and $0.1 million to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards for the years ended December 31, 2015, 2014, and 2013, respectively. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2015:

| | Total Number of Shares Purchased or Withheld (000's) | Average Price per Share Purchased or Withheld |
|---|---|---|
| **Tax Withholdings** | | |
| 10/1/15 - 10/31/15 | 23.2 (1) | $ 4.69 (2) |
| 11/1/15 - 11/30/15 | 0.7 (1) | 4.45 (2) |
| 12/1/15 - 12/31/15 | 0.8 (1) | 3.42 (2) |
| **Sub-Total** | 24.7 (1) | 4.65 (2) |
| **Total** | 24.7 | $ 4.65 |

(1) Represents the shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. There are no limitations on the number of shares of common stock that may be withheld from restricted stock awards to satisfy the minimum tax withholding obligations incident to the vesting of restricted stock awards.

(2) Represents the average price per share of common stock withheld from restricted stock awards on the date of withholding.

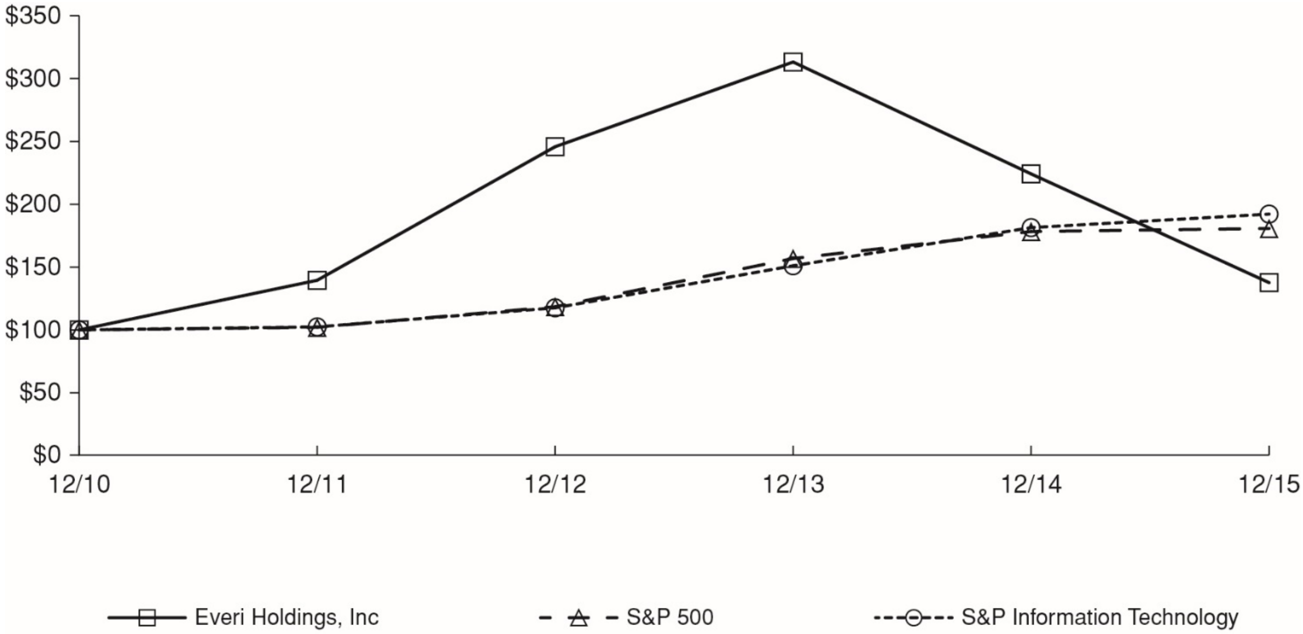
**Stock Performance Graph**

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P Information Technology Index during the five year period ended December 31, 2015.

The graph assumes that $100 was invested on December 31, 2010 in our common stock, in the S&P 500 Index and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data and the cumulative total stockholder returns for our common stock, the S&P 500 Index and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Everi Holdings, Inc, the S&P 500 Index,
and the S&P Information Technology Index




*$100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any filing by us under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

**Item 6. Selected Financial Data.**

The following selected historical financial data has been derived from, and should be read in conjunction with, the audited consolidated financial statements and the notes to consolidated financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. Our selected consolidated financial data may not be indicative of our future financial condition or results of operations (in thousands, except per share amounts).

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015(1) | 2014(2) | 2013 | 2012 | 2011 |
| **Income Statement Data** | | | | | |
| Revenues | $ 826,999 | $ 593,053 | $ 582,444 | $ 584,486 | $ 544,063 |
| Operating (loss) income | (9,730) | 33,782 | 49,150 | 55,982 | 38,296 |
| Net (loss) income | (104,972) | 12,140 | 24,398 | 25,689 | 9,129 |
| Basic (loss) earnings per share | | | | | |
| Net (loss) income | $ (1.59) | $ 0.18 | $ 0.37 | $ 0.39 | $ 0.14 |
| Diluted (loss) earnings per share | | | | | |
| Net (loss) income | $ (1.59) | $ 0.18 | $ 0.36 | $ 0.38 | $ 0.14 |
| Weighted average common shares outstanding | | | | | |
| Basic | 65,854 | 65,780 | 66,014 | 65,933 | 64,673 |
| Diluted | 65,854 | 66,863 | 67,205 | 67,337 | 64,859 |

| | At and For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015(1) | 2014(2) | 2013 | 2012 | 2011 |
| **Balance sheet data** | | | | | |
| Cash and cash equivalents | $ 102,030 | $ 89,095 | $ 114,254 | $ 153,020 | $ 55,535 |
| Working capital(3) | 2,452 | 12,550 | (1,682) | — | — |
| Total assets | 1,574,065 | 1,707,285 | 527,327 | 553,895 | 529,067 |
| Total borrowings | 1,163,579 | 1,188,787 | 103,000 | 121,500 | 174,000 |
| Stockholders' equity | 137,420 | 231,473 | 218,604 | 198,759 | 159,858 |
| **Cash flow data** | | | | | |
| Net cash provided by operating activities | $ 124,416 | $ 24,531 | $ 4,334 | $ 157,488 | $ 54,252 |
| Net cash used in investing activities | (85,045) | (1,085,847) | (13,990) | (12,531) | (18,183) |
| Net cash (used in) provided by financing activities | (24,884) | 1,037,423 | (29,183) | (46,783) | (41,227) |

(1) 2015 amounts include a full year of financial results for Everi Games. During 2015, the Games reporting unit had a goodwill impairment of $75.0 million.

(2) 2014 amounts affected by the Merger for which Total Merger Consideration of $1.1 billion on December 19, 2014 was paid and results of operations were recorded from the date of acquisition through December 31, 2014.

(3) As a result of the Merger on December 19, 2014, we now provide a classified balance sheet as a significant portion of our business relates to gaming manufacturing. Starting with the year of the Merger, a calculation of working capital has been included.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with "Item 6. Selected Financial Data" and the audited consolidated financial statements and notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K and the information included in our other filings with the SEC. This discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Cautionary Note Regarding Forward-Looking Statements" above.*

### Overview

Everi is dedicated to providing video and mechanical reel gaming content and technology solutions, integrated gaming payments solutions and compliance and efficiency software. Everi Games provides: (a) comprehensive content, electronic gaming units and systems for Native American and commercial casinos, including the award winning TournEvent® slot tournament solution; and (b) the central determinant system for the VLTs installed at racetracks in the State of New York. Everi Payments provides: (a) access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions, POS debit card transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

### Significant Trends and Developments Impacting Our Business

#### *Merger with Everi Games*

In December 2014, Holdings completed its acquisition of Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.) ("Everi Games Holding"). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Everi Games Holding, with Everi Games Holding continuing as the surviving corporation. In the Merger, Everi Games Holding became a wholly owned subsidiary of Holdings. Also, as a result of the Merger, each outstanding share of common stock, par value $0.01 per share, of Everi Games Holding, other than shares held by Holdings, Everi Games Holding, Merger Sub or their respective subsidiaries, was cancelled and converted into the right to receive $36.50 in cash, without interest, together with consideration paid in connection with the acceleration and full vesting of certain Everi Games Holding equity awards. We completed the Merger and paid the Total Merger Consideration of approximately $1.1 billion in cash. To fund the Merger, we entered into a credit facility consisting of a $500.0 million, six year senior secured term loan facility that matures in 2020 (the "Term Loan"), and a $50.0 million, five year senior secured revolving credit facility that matures in 2019 ("Revolving Credit Facility," and together with the Term Loan, the "Credit Facilities") and issued $350.0 million aggregate principal amount of 7.75% Senior Secured Notes due 2021 (the "Secured Notes"), and $350.0 million aggregate principal amount of 10.00% Senior Unsecured Notes due 2022 (the "Unsecured Notes," and, together with the Secured Notes or the Refinanced Secured Notes (defined below), as applicable, the "Notes"). The Secured Notes were subsequently refinanced, as discussed below. The Revolving Credit Facility remained undrawn at the closing of the Merger. In relation to the Merger, we incurred expenses of approximately $52.6 million associated with debt issuance costs and original issue discounts. These amounts were capitalized and are being amortized to interest expense based upon the related debt agreements using the straight-line method.

We expensed approximately $2.7 million and $10.7 million of costs incurred related to the acquisition of Everi Games Holding for financial advisory services, financing related fees, accounting and legal fees and other transaction-related expenses for the years ended December 31, 2015 and 2014, respectively. These expenses are included in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income within operating expenses. These expenses do not include any costs related to additional site consolidation or rationalization that we might consider in the future.

#### *Gain Contingency Settlement*

In January 2014, we filed a complaint against certain third party defendants alleging conspiracy in restraint of competition regarding interchange fees, monopolization by defendants in the relevant market, and attempted monopolization of the defendants in the relevant market. We demanded a trial by jury of all issues so triable. The defendants filed a motion to dismiss on March 13, 2014. A settlement agreement was made as of January 16, 2015, and, on January 22, 2015, the settlement agreement was executed and delivered in connection with respect to which we received $14.4 million in cash and recorded the settlement proceeds in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the year ended December 30, 2015. The Company utilized the proceeds along with cash on hand to make a $15.0 million principal reduction payment on the Secured Notes in the first quarter of 2015.

***Refinance of Secured Notes***

The terms of the Secured Notes purchase agreement stipulated that the Company was required to use commercially reasonable efforts to aid the initial purchasers in the resale of the Secured Notes. Alternatively, we had the ability to redeem the Secured Notes from the initial purchasers without penalty. On April 15, 2015, the Company entered into a note purchase agreement (the "Note Purchase Agreement"), among Everi Payments, CPPIB Credit Investments III Inc. (the "Purchaser") and Deutsche Bank Trust Company Americas, as collateral agent (the "Collateral Agent") and issued $335.0 million in aggregate principal amount of its 7.25% Senior Secured Notes due 2021 (the "Refinanced Secured Notes") in a private offering to the Purchaser. With the proceeds from the issuance of the Refinanced Secured Notes, we redeemed, in full, the Company's outstanding Secured Notes from the note holders thereof in accordance with the terms of the indenture governing the Secured Notes. In connection with this transaction during the second quarter of 2015, we expensed approximately $13.0 million of related debt issuance costs and fees to "Loss on extinguishment of debt" associated with the redeemed Senior Secured Notes that were outstanding prior to the refinance transaction.

In connection with the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement, the Company issued to the Purchaser a warrant to purchase 700,000 shares of Holdings' common stock, with an exercise price equal to $9.88 per share, representing a 30% premium to the volume-weighted average price of Holdings' common stock for the ten trading days prior to the issuance of the warrant. The warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The warrants were valued at $2.2 million using a modified Black-Scholes model and were accounted for as a debt discount.

***Unsecured Notes Syndication***

In connection with the terms of the Unsecured Notes purchase agreement for which we were required to use commercially reasonable efforts to aid the initial purchasers in the resale of the Unsecured Notes, the Company prepared an updated offering memorandum and participated in reasonable marketing efforts including road shows, to the extent required therein. The Unsecured Notes were resold by the initial purchasers to third parties in the second quarter of 2015.

***Unsecured Notes Registration***

In connection with the issuance of the Unsecured Notes, the Company entered into a registration rights agreement pursuant to which the Company agreed, for the benefit of the initial holders of the Unsecured Notes, to file with the SEC, and use its commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the Unsecured Notes for an issue of SEC-registered notes with terms identical to the Unsecured Notes. On October 23, 2015, we filed a registration statement on Form S-4 with the SEC in accordance with the registration rights agreement outlining our offer to exchange the Unsecured Notes for substantially identical notes without transfer restrictions. The registration statement was declared effective on November 3, 2015, and the exchange offer for the Unsecured Notes was completed on December 4, 2015 with 100% percent participation.

### *Other Trends and Developments*

Our strategic planning and forecasting processes include the consideration of economic and industry wide trends that may impact our Games and Payments businesses. We have identified the more material positive and negative trends affecting our business as the following:

- Casino gaming is dependent upon discretionary consumer spending, which is typically the first type of spending that is restrained by consumers when they are uncertain about their jobs and income. Economic uncertainty in North America, specifically in markets impacted by declining energy prices may have an impact casino gaming and ultimately the demand for new gaming equipment.

- The total North American installed slot base has remained relatively flat to the prior year. The volume of net unit replacements, increased only slightly in 2015. The North American gaming industry is expected to have a flat to moderate growth in the forward replacement cycle for EGMs.

- The volume of new casino openings and new market expansions (e.g., Ohio and Massachusetts) have slowed from previous years. The reduced demand as a result of fewer new market expansions will reduce the overall demand for slot machines.

- There continues to be a migration from the use of traditional paper checks and cash to electronic payments which may impact the type of cash access used by our customers.

- The Payments Card Industry has implemented significant changes in the card acceptance requirements, specifically implementing standards surrounding cash access equipment's ability to accept cards enabled with EMV compliant chips. The effective dates for certain of these requirements will continue for the next couple of years and will impact our ability to accept certain card based transactions in the future, our development efforts surrounding our core processing platform, and required capital expenditures to obtain equipment and technology to support EMV.

- We face continued competition from smaller competitors in the gaming cash access market and face additional competition from larger gaming equipment manufacturers and systems providers. This increased competition has resulted in pricing pressure for both our Games and Payments businesses.

- There is increasing governmental oversight related to the cost of transaction processing and related fees to the consumer. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact the Payments business in the future.

- Casino operators continue to try to broaden their appeal by focusing on investments in the addition of non-gaming amenities to their facilities, which could impact casino operator's capital allocation.

- The credit markets in the United States and around the world are volatile and unpredictable.

### Factors Affecting Comparability

Our consolidated financial statements included in this report that present our financial condition and results of operations reflect the following transactions and events:

- In October 2015, we conducted our annual impairment test for our reporting units during the fourth quarter of 2015. A portion of our goodwill was impaired by approximately $75.0 million for the year ended December 31, 2015 based upon the results of our testing.

- In August 2015, we acquired certain assets of Resort Advantage, LLC ("Resort Advantage"), a supplier of comprehensive and integrated solutions for complete Financial Crimes Enforcement Network ("FinCEN") and IRS regulatory compliance to the gaming industry. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition.

- In April 2015, we redeemed, in full, the Secured Notes and issued the Refinanced Secured Notes. The Refinanced Secured Notes will reduce the amount of interest expense paid by the Company by approximately $1.7 million per annum. As a result, we expensed $13.0 million of debt issuance costs and fees to "Loss on extinguishment of debt."

- In January 2015, a settlement agreement was made in connection with a lawsuit we participated in as plaintiffs for which we received and recorded the settlement proceeds in the first quarter of 2015. This settlement is included as a reduction of operating expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the year ended December 30, 2015.

- In December 2014, we acquired all of the outstanding capital stock of Everi Games. The results contributed by the Everi Games business from the date of consummation of the Merger are reflected in our Games segment and Consolidated Financial Statements. We incurred additional acquisition-related expenses, which are reflected in operating expenses for the years ended December 31, 2015 and 2014. In addition, depreciation amortization expenses increased due to the purchase price allocation, which included tangible fixed assets and definite-lived intangible assets with relatively short amortization periods and interest expense increased in connection with the debt incurred to fund the Merger.

- In December 2014, to effect the Merger, we entered into the Credit Facilities and issued the Notes and we used a portion of these proceeds to repay the outstanding amounts owed under prior credit facilities of $210.0 million and $35.0 million for Everi Payments and Everi Games, respectively (the "Prior Credit Facilities"). As a result, we expensed $2.7 million of related debt issuance costs and fees to "Loss on extinguishment of debt" associated with the Prior Credit Facilities of Everi Payments and Everi Games that were in effect prior to the consummation of the Merger.

- We recorded an asset impairment charge of approximately $3.1 million in the fourth quarter of 2014 related to certain definite-lived intangible assets.

- In April 2014, we acquired all of the outstanding capital stock of NEWave, Inc. ("NEWave"), a supplier of compliance, audit and data efficiency software to the gaming industry. The NEWave acquisition did not have a material impact on our results of operations and financial condition.

- In March 2014, our contract with Caesars Entertainment Corporation expired and was not renewed. As such, our Payments revenues and cost of revenues were impacted for the remainder of 2014 and the first quarter of 2015.

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by the consolidated financial statements may not be directly comparable.

**Operating Segments**

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group in deciding how to allocate resources and in assessing performance; our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. The operating segments are reviewed separately because each represents products that can be sold separately to our customers.

Since the most recent filing of our Annual Report on Form 10-K for the year ended December 31, 2014, and in connection with the Merger, our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games, and (b) Payments. Therefore, beginning in the first quarter of 2015, we are reporting our financial performance based on our new segments in both the current and prior periods. This change had no impact on our consolidated financial statements. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting.

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment related experiences including: leased gaming equipment; sales and maintenance related services of gaming equipment; gaming systems; and ancillary products and services.

- The Payments segment provides solutions directly to gaming establishments to offer their patrons cash access related services and products including: access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions and point of sale debit card transactions; check-related services; fully integrated kiosks and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we allocate depreciation and amortization expenses to the business segments.

Our business is predominantly domestic, with no specific regional concentrations and no significant assets in foreign locations.

**Results of Operations**

***Year ended December 31, 2015 compared to the year ended December 31, 2014***

The following table presents our consolidated results of operations (in thousands)*:

| | December 31, 2015 | | December 31, 2014 | | December 31, 2015 Vs 2014 | |
|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ Variance | % Variance |
| **Revenues** | | | | | | |
| Games | $ 214,424 | 26 % | $ 7,406 | 1 % | $ 207,018 | 2,795 % |
| Payments | 612,575 | 74 % | 585,647 | 99 % | 26,928 | 5 % |
| **Total revenues** | 826,999 | 100 % | 593,053 | 100 % | 233,946 | 39 % |
| **Costs and expenses** | | | | | | |
| Games cost of revenue (exclusive of depreciation and amortization) | 47,017 | 6 % | 1,753 | — % | 45,264 | 2,582 % |
| Payments cost of revenue (exclusive of depreciation and amortization) | 463,380 | 56 % | 438,318 | 74 % | 25,062 | 6 % |
| Operating expenses | 101,202 | 12 % | 95,452 | 16 % | 5,750 | 6 % |
| Research and development | 19,098 | 2 % | 804 | — % | 18,294 | 2,275 % |
| Goodwill impairment | 75,008 | 9 % | — | — % | 75,008 | — % |
| Depreciation | 45,551 | 6 % | 8,745 | 1 % | 36,806 | 421 % |
| Amortization | 85,473 | 10 % | 14,199 | 3 % | 71,274 | 502 % |
| **Total costs and expenses** | 836,729 | 101 % | 559,271 | 94 % | 277,458 | 50 % |
| **Operating (loss) income** | (9,730) | (1)% | 33,782 | 6 % | (43,512) | (129)% |
| **Other expenses** | | | | | | |
| Interest expense, net of interest income | 100,290 | 12 % | 10,756 | 2 % | 89,534 | 832 % |
| Loss on extinguishment of debt | 13,063 | 2 % | 2,725 | — % | 10,338 | 379 % |
| **Total other expenses** | 113,353 | 14 % | 13,481 | 2 % | 99,872 | 741 % |
| **(Loss) income from operations before tax** | (123,083) | (15)% | 20,301 | 4 % | (143,384) | (706)% |
| Income tax (benefit) provision | (18,111) | (2)% | 8,161 | 2 % | (26,272) | (322)% |
| **Net (loss) income** | $ (104,972) | (13)% | $ 12,140 | 2 % | $ (117,112) | (965)% |

* Rounding may cause variances.

**Total Revenues**

Total revenues increased by $233.9 million, or 39%, to $827.0 million for the year ended December 31, 2015, as compared to the same period in the prior year.

Games revenues increased to $207.0 million or 2,795%  to $214.4 million as a result of a full year of operations related to the acquired Games business in late 2014.

Payments revenues increased by $26.9 million, or 5%, to $612.6 million for the year ended December 31, 2015, as compared to the same period in the prior year. This was primarily due to higher dollar and transaction volumes and sales of compliance related solutions.

**Costs and Expenses**

Games cost of revenues (exclusive of depreciation and amortization) increased by $45.3 million, or 2,582%, to $47.0 million for the year ended December 31, 2015, as compared to the prior year. This was primarily due to the cost of revenues associated with a full year of operations related to the acquired Games business.

Payments cost of revenues (exclusive of depreciation and amortization) increased by $25.1 million, or 6%, to $463.4 million for the year ended December 31, 2015, as compared to the prior year. This was primarily due to variable costs related to additional revenues from the Payments business.

Operating expenses increased by $5.8 million, or 6%, to $101.2 million for the year ended December 31, 2015, as compared to the prior year. This was primarily due to the operating costs from the acquired Games business offset by $14.4 million of legal settlement proceeds.

Research and development costs increased by $18.3 million, or 2,275%, to $19.1 million for the year ended December 31, 2015, as compared to the prior year.  The increase in research and development is associated with the acquired Games business.

Goodwill impairment was $75.0 million for the year ended December 31, 2015. This non-cash charge was a result of our October 1, 2015 annual goodwill assessment and attributable to our Games reporting unit.

Depreciation increased by $36.8 million, or 421%, to $45.6 million for the year ended December 31, 2015, as compared to the prior year. This was primarily related to tangible assets from the acquired Games business. In connection with our fourth quarter 2015 annual impairment review, we concluded that certain of our gaming fixed assets either: (a) had economic lives that were no longer supportable and such lives were shortened, which resulted in an accelerated depreciation charge of approximately $2.6 million in the current period; or (b) were fully impaired, which resulted in an accelerated depreciation charge of approximately $1.0 million in the current period.

Amortization increased by $71.3 million, or 502%, to $85.5 million for the year ended December 31, 2015, as compared to the prior year. This was primarily related to the definite-lived intangible assets from the acquired Games business.

Primarily as a result of the factors described above, operating income decreased by $43.5 million, or 129%, to an operating loss of $9.7 million for the year ended December 31, 2015, as compared to the prior year. The operating (loss) income margin decreased to (1%) for the year ended December 31, 2015, as compared to 6% for the prior year.  Excluding the 2015 goodwill impairment, the 2015 operating margin would have been approximately 8%.

Interest expense, net of interest income, increased by $89.5 million, or 832%, to $100.3 million for the year ended December 31, 2015, as compared to the prior year. This was associated with the additional indebtedness incurred to fund the acquisition of the Games business.

Loss on extinguishment of debt increased by $10.3 million, or 379%, to $13.1 million for the year ended December 31, 2015, as compared to the prior year. This was related to the loss on extinguishment on the refinancing of our Senior Secured

Notes in the current year compared to extinguishment of unamortized deferred loan fees associated with the Prior Credit Facilities that were paid in full in connection with the Merger in the prior year.

Income tax expense decreased by $26.3 million, or 322%, to a benefit of $18.1 million for the year ended December 31, 2015, as compared to the prior year. This was primarily due to the decrease in income from operations before income tax expense of $143.4 million, excluding the goodwill impairment for which no tax benefit is provided. The provision for income tax reflected an effective income tax rate of 14.7% for the year ended December 31, 2015, which was less than the statutory federal rate of 35.0% primarily due to the impairment of goodwill for which no tax benefit is provided for book purposes. The provision for income tax reflected an effective income tax rate of 40.2% for the prior year, which was greater than the statutory federal rate of 35.0% primarily due to non-deductible acquisition related costs associated with the Merger and partially offset by the lower tax rate on foreign earnings.

Primarily as a result of the foregoing, net income decreased by $117.1 million, or 965%, to $105.0 million for the year ended December 31, 2015, as compared to the prior year.

***Year ended December 31, 2014 compared to year ended December 31, 2013***

The following table presents our consolidated results of operations (in thousands)*:

| | December 31, 2014 | | December 31, 2013 | | December 31, 2014 Vs 2013 | |
|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ Variance | % Variance |
| **Revenues** | | | | | | |
| Games | $ 7,406 | 1 % | $ — | — % | $ 7,406 | — % |
| Payments | 585,647 | 99 % | 582,444 | 100 % | 3,203 | 1 % |
| **Total revenues** | 593,053 | 100 % | 582,444 | 100 % | 10,609 | 2 % |
| **Costs and expenses** | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | 440,071 | 74 % | 439,794 | 76 % | 277 | — |
| Operating expenses | 95,452 | 16 % | 76,562 | 13 % | 18,890 | 25 % |
| Research and development | 804 | — % | — | — % | 804 | — % |
| Depreciation | 8,745 | 1 % | 7,350 | 1 % | 1,395 | 19 % |
| Amortization | 14,199 | 3 % | 9,588 | 2 % | 4,611 | 48 % |
| **Total costs and expenses** | 559,271 | 94 % | 533,294 | 92 % | 25,977 | 5 % |
| **Operating income** | 33,782 | 6 % | 49,150 | 8 % | (15,368) | (31)% |
| **Other expenses** | | | | | | |
| Interest expense, net of interest income | 10,756 | 2 % | 10,265 | 2 % | 491 | 5 % |
| Loss on extinguishment of debt | 2,725 | — % | — | — % | 2,725 | — % |
| **Total other expenses** | 13,481 | 2 % | 10,265 | 2 % | 3,216 | 31 % |
| **Income from operations before tax** | 20,301 | 4 % | 38,885 | 6 % | (18,584) | (48)% |
| Income tax provision | 8,161 | 2 % | 14,487 | 2 % | (6,326) | (44)% |
| **Net income** | $ 12,140 | 2 % | $ 24,398 | 4 % | $ (12,258) | (50)% |

* Rounding may cause variances.

**Total Revenues**

Total revenues increased by $10.6 million, or 2%, to $593.1 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to the revenues generated as a result of the Merger as well as, within our Payments segment, higher Cash Advance and Other revenues, partially offset by lower ATM and Check Services revenues.

Payments revenues increased by $3.2 million, or 1%, to $585.6 million for the year ended December 31, 2014, as compared to the prior year. This was due to due to higher international and domestic cash advance revenues; combined with a greater dollar volume processed per transaction, and as a result of our compliance, audit, and data services offerings, partially offset by lost business and lower transaction volume from ATM cash withdrawals and check services transactions.

Games revenues of $7.4 million were generated as a result of the Merger.

**Costs and Expenses**

Cost of revenues (exclusive of depreciation and amortization) increased by $0.3 million, to $440.1 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to increased warranty expenses in our check services operations as well as the variable costs related to higher revenues in the Games and Payments segments, offset by a reduction in costs in the ATM cash withdrawal operations due to lost business and lower transaction volume.

Operating expenses increased by $18.9 million, or 25%, to $95.5 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to the acquisition-related costs and operating expenses incurred following the consummation of the Merger, an asset impairment charge and increases in non-cash stock compensation expense.

Depreciation increased by $1.4 million, or 19%, to $8.7 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to depreciation expense post-Merger.

Amortization increased by $4.6 million, or 48%, to $14.2 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to other intangible assets associated with the NEWave acquisition and the Merger.

Primarily as a result of the factors described above, operating income decreased by $15.4 million, or 31%, to $33.8 million for the year ended December 31, 2014, as compared to the prior year. Operating margin decreased to 6% for the year ended December 31, 2014 from 8% for the prior year. Exclusive of acquisition-related costs and asset impairment charges, the operating margin for 2014 would have been 8%.

Interest expense, net of interest income, increased by $0.5 million, or 5%, to $10.8 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to a $3.4 million increase in interest charges and amortization of debt issuance costs associated with the Merger; partially offset by a $2.1 million reduction in interest charges due to the lower outstanding debt balance and lower weighted average interest rate on the Prior Credit Facilities in 2014 that were paid in full in connection with the Merger and $0.8 million increase in interest income primarily related to the refund of a goods and services tax due to a favorable ruling from the Canadian Court of Appeals holding that commissions paid to Canadian casinos were not subject to such tax.

Loss on early extinguishment of debt was $2.7 million for the year ended December 31, 2014. This was due to the extinguishment of unamortized deferred loan fees associated with the Prior Credit Facilities that were paid in full in connection with the Merger.

Income tax expense decreased by $6.3 million, or 44%, to $8.2 million for the year ended December 31, 2014, as compared to the prior year. This was primarily due to the decrease in income from operations before income tax expense of $18.6 million. The provision for income tax reflected an effective income tax rate of 40.2% for the year ended December 31, 2014, which was greater than the statutory federal rate of 35.0% due primarily to non-deductible acquisition related costs associated with the Merger and partially offset by the lower tax rate on foreign earnings. The provision for income tax reflected an effective income tax rate of 37.3% for the prior year, which was greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to stock options.

Primarily as a result of the foregoing, net income decreased by $12.3 million, or 50%, to $12.1 million for the year ended December 31, 2014, as compared to the prior year.

### Games Revenues and Participation Units

The following table includes the revenues from our Games segment and the related participation units (amounts in thousands):

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | | |
| | Total EGMs | Revenue | % of Total Games Revenue |
| **Games revenues and participation units** | | | |
| Contractual agreement | 5,528 | $ 42,230 | 20 % |
| Participation revenue | 7,812 | 96,777 | 45 % |
| Sales | — | 51,142 | 24 % |
| NY Lottery | — | 17,510 | 8 % |
| Other | — | 6,765 | 3 % |
| **Total** | 13,340 | $ 214,424 | 100 % |

As the Merger occurred on December 19, 2014, Games revenue for the year ended December 31, 2014 was not material to our financial statements and there was no Games revenue for the year ended December 31, 2013. No comparative financial information was provided for years ended December 31, 2014 and 2013.

### Critical Accounting Policies

The preparation of our financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our consolidated financial statements. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make the most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. Based on this definition, we have identified our critical accounting policies as those addressed below. We also have other key accounting policies that involve the use of estimates, judgments and assumptions. You should review the notes to our consolidated financial statements for a summary of these policies. We believe that our estimates and assumptions are reasonable, based upon information presently available; however, actual results may differ from these estimates under different assumptions or conditions.

***Segment Reporting.*** We apply the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 280, "Segment Reporting", in accounting for our business segments. This defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In addition, ACS 280-10-50-34, as well as Rule 3-03(e) of Regulation S-X, requires us to recast financial information from prior years for segments if we change our internal organization in a way that effects the compositions of our reportable segments. Our operating segments were previously organized and managed under five business segments: (a) Cash Advance, (b) ATM, (c) Check Services, (d) Games, and (e) Other. During the first quarter of 2015, we changed our organizational structure as part of our transformation to a Games and Payments company providing solutions to the gaming industry. Accordingly, since the first quarter of 2015, we have reported our financial performance, and organized and managed our operations, across the following two business segments: (a) Games, and (b) Payments. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting. We have presented prior period amounts to conform to the way we now internally manage and monitor segment performance beginning in 2015. This change in segment reporting had no impact on our consolidated financial statements

***Business Combinations.*** We apply the provisions of the ASC 805, *Business Combinations* in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

***Acquisition-related Costs.*** We recognize a liability for acquisition-related costs when the expense is incurred. Acquisition-related costs include, but are not limited to: financial advisory, legal and debt fees; accounting, consulting, and professional fees associated with due diligence, valuation and integration; severance; and other related costs and adjustments.

***Property, Equipment and Leased Assets.*** We have approximately $106.3 million in net property, equipment and leased assets on our Consolidated Balance Sheets at December 31, 2015. Property, equipment and leased assets are stated at cost, less accumulated depreciation, and computed using the straight-line method over the lesser of the estimated life of the related assets, generally three to five years, or the related lease term. Player terminals and related components and equipment are included in our rental pool. The rental pool can be further delineated as "rental pool – deployed," which consists of assets deployed at customer sites under participation arrangements, and "rental pool – undeployed," which consists of assets held by us that are available for customer use. Rental pool – undeployed consists of both new units awaiting deployment to a customer site and previously deployed units currently back with us to be refurbished awaiting re-deployment. Routine maintenance of property, equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Property, equipment and leased assets are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when undiscounted future cash flows do not exceed the asset's carrying value.

***Goodwill.*** We had approximately $789.8 million of goodwill on our Consolidated Balance Sheets at December 31, 2015 resulting from acquisitions of other businesses. All of our goodwill was subject to our annual goodwill impairment testing. We test for impairment annually on a reporting unit basis, as of October 1, or more often under certain circumstances. The annual impairment test is completed using either: a qualitative Step 0 assessment based on reviewing relevant events and circumstances; or a quantitative Step 1 assessment using an income approach that discounts future cash flows based on the estimated future results of the reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we use the Step 2 assessment to determine the impairment. Our most recent annual assessment was performed as of October 1, 2015, following which it was determined that a portion of our goodwill was impaired related to our Games reporting unit and an impairment charge in the amount of approximately $75.0 million was recorded. The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. Our reporting units are identified as operating segments or one level below an operating segment. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our chief operating decision makers to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2015, our reporting units included: Everi Games, Cash Advance, ATM, Check Services, Kiosk Sales and Service, Central Credit, and Everi Compliance. The use of different assumptions, estimates or judgments in either step of the goodwill impairment testing process, such as the estimated future cash flows of our reporting units, the discount rate used to discount such cash flows, or the estimated fair value of the reporting units' tangible and intangible assets and liabilities, could significantly increase or decrease the estimated fair value of a reporting unit or its net assets, and therefore, impact the related impairment charge, if any. At the annual impairment test date, the above-noted conclusion that an indication of goodwill impairment existed at the test date would not have changed had the test been conducted assuming: 1) a 100 basis point increase in the discount rate used to discount the aggregate estimated cash flows of our reporting units to their net present value in determining their estimated fair values (without any change in the aggregate estimated cash flows of our reporting units), or 2) a 100 basis point decrease in the estimated sales growth rate or terminal period growth rate without a change in the discount rate of each reporting unit.

***Other Intangible Assets.*** We have approximately $382.5 million in net unamortized other intangible assets on our Consolidated Balance Sheets at December 31, 2015. Other intangible assets are stated at cost, less accumulated amortization, computed primarily using the straight-line method. Our other intangible assets consist primarily of customer contracts (rights to provide Games and Payments services to gaming establishment customers) acquired through business combinations, capitalized software development costs, trade names, trademarks and the acquisition cost of our patent related to the 3-in-1 Rollover technology acquired in 2005, which expires in 2018. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

***Income Taxes.*** We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. We account for income taxes in accordance with accounting guidance whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based upon differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. We also follow accounting guidance to account for uncertainty in income taxes as recognized in our consolidated financial statements. The effect on the income tax provision and deferred tax assets and liabilities for a change in rates is recognized in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income in the period that includes the enactment date. We believe that it is more likely than not that we will be able to utilize our deferred tax assets. Therefore, we have not provided material valuation allowances against our recorded deferred tax assets.

***Revenue Recognition.*** We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

*Games Revenues*

Games revenues are primarily generated by our gaming operations under development, placement, and participation arrangements in which we provide our customers with player terminals, player terminal-content licenses and back- office equipment, collectively referred to herein as leased gaming equipment. Under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities, and we receive revenue based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenue from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Games revenues generated by player terminals deployed at sites under development or placement fee agreements is reduced by the accretion of contract rights acquired as part of those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under "Development and Placement Fee

Agreements.” The related amortization expense, or accretion of contract rights, is netted against our respective revenue category in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

We also generate games revenues from back-office fees with certain customers. Back-office fees cover the service and maintenance costs for back-office servers installed in each gaming facility to run our gaming equipment, as well as the cost of related software updates. Back-office fees are considered both realizable and earned at the end of each gaming day.

*Payments Revenues*

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card transactions and are recognized at the time the transactions are authorized. Such fees are based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card transaction amount.

ATM revenues are comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons’ issuing banks. Cardholder surcharges are recognized as revenue when a transaction is initiated and reverse interchange is recognized as revenue on a monthly basis based on the total transactions occurring during the month. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

Other revenues include amounts derived from the sale of cash access devices, such as the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale, installation and maintenance of those devices. In addition, other revenues consist of Central Credit revenues that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated. Also included in other revenues are revenues generated from ancillary marketing, database and Internet gaming activities.

*Equipment and Systems Revenues*

We sell gaming equipment, fully integrated kiosks and gaming systems directly to our customers under independent sales contracts through normal credit terms, or may grant extended credit terms under contracts secured by the related equipment.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, “Revenue Recognition - Multiple-Element Arrangements.” In addition, we apply the guidance from ASC 985-605, “Software – Revenue Recognition” which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product’s essential functionality.

In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence (“VSOE”) of selling price, third party evidence (“TPE”) or estimate of selling price (“ESP”) for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

***Stock-Based Compensation.*** Stock-based compensation expense for all awards is based on the grant date fair value estimated. We estimate the weighted- average fair value of options granted for our time-based and cliff vesting time-based options using the Black-Scholes Option Pricing Model. We estimate the weighted-average fair value of options granted for our market-based options using a lattice-based option valuation model. Each model is based on assumptions regarding expected volatility, dividend yield, risk-free interest rates, the expected term of the option and the expected forfeiture rate. Each of these assumptions, while reasonable, requires a certain degree of judgment and the fair value estimates could vary if the actual results are materially different than those initially applied.

**Recent Accounting Guidance**

*Recently Adopted Accounting Guidance*

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17 Balance Sheet Classification of Deferred Taxes, which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent in the balance sheet. ASU No. 2015-17 is effective for the interim and annual periods beginning after December 15, 2016. Early adoption is permitted. During the fourth quarter of 2015, we elected to prospectively adopt this standard. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

In September 2015, the FASB issued ASU No. 2015-16, which provides guidance on business combinations. The ASU requires an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We implemented this guidance during the current period as it impacted the final purchase price allocation adjustments associated with our acquisition of Multimedia Games Holdings Inc.

*Recent Accounting Guidance Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the accounting treatment of leases. The ASU establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, which provides guidance on the measurement of inventory value. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The pronouncement is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, which provides guidance to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The pronouncement is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years, and early adoption is permitted for financial statements that have not been previously issued. This guidance was further clarified in ASU No. 2015-15 which addressed the treatment of debt issuance costs related to line-of credit arrangements. It noted that as ASU No. 2015-03 did not provide guidance on debt issuance costs related to line-of credit arrangements, the SEC would not object to an entity deferring and presenting these specific debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We expect to adopt the guidance in ASU No. 2015-03 and 2015-15 to reclassify all debt issuance costs not associated with line-of-credit arrangements from other assets, non-current to contra-liabilities to long-term debt on our Consolidated Balance Sheets and related notes for the year ending December 31, 2016.

In January 2015, the FASB issued ASU No. 2015-01, which eliminates the requirement that an entity separately classify, present and disclose extraordinary events and transactions. The pronouncement is effective for annual periods ending after December 15, 2015. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We expect to implement this guidance for the year ended December 31, 2016 and do not anticipate the ASU to have a material impact on our results of operations or financial condition.

In August 2014, the FASB issued ASU No. 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The pronouncement is effective for annual periods ending after December 15, 2016, and interim periods thereafter, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In June 2014, the FASB issued ASU No. 2014-12, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We expect to implement this guidance for the year ended December 31, 2016 and do not anticipate the ASU to have a material impact on our results of operations or financial condition.

In May 2014, the FASB issued ASU No. 2014-09, which created ASC Topic 606, "Revenue from Contracts with Customers" and supersedes ASC Topic 605, "Revenue Recognition". The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016; however, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within our Notes to the Consolidated Financial Statement.

**Liquidity and Capital Resources**

**Overview**

The following table presents selected information about our financial position (in thousands):

| | At December 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Balance sheet data** | | |
| Total assets | $ 1,574,065 | $ 1,707,285 |
| Total borrowings | 1,163,579 | 1,188,787 |
| Stockholders' equity | 137,420 | 231,473 |
| **Net available cash*** | | |
| Cash and cash equivalents | 102,030 | 89,095 |
| Add: Settlement receivables | 44,933 | 43,288 |
| Less: Settlement liabilities | (139,819) | (119,157) |
| **Total net available cash** | $ 7,144 | $ 13,226 |

* Non-GAAP measure

**Cash Resources**

Our cash balance, cash flows and Credit Facilities are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at December 31, 2015 included cash in non-U.S. jurisdictions of approximately $11.1 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but are subject to taxation in the U.S. upon repatriation.

We provide cash settlement services to our customers. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day that we remit over the next few business days and classify as settlement liabilities. As of December 31, 2015, we had $44.9 million in settlement receivables for which we received payment in January 2016. As of December 31, 2015, we had $139.8 million in settlement liabilities due to our customers for these settlement services that were paid in January 2016. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year. As of December 31, 2015 and 2014, the net cash available after considering settlement amounts was $7.1 million and $13.2 million, respectively.

**Cash Flows**

The following table summarizes our cash flows for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | Year Ended December 31, | | | Increase/(Decrease) | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 Vs 2014 | 2014 Vs 2013 |
| **Cash flow activities** | | | | | |
| Net cash provided by operating activities | $ 124,587 | $ 24,531 | $ 4,334 | $ 100,056 | $ 20,197 |
| Net cash used in investing activities | (85,549) | (1,085,847) | (13,990) | 1,000,298 | (1,071,857) |
| Net cash (used in)/provided by financing activities | (24,551) | 1,037,423 | (29,183) | (1,061,974) | 1,066,606 |
| Effect of exchange rates on cash | (1,552) | (1,266) | 73 | (286) | (1,339) |
| **Cash and cash equivalents** | | | | | |
| Net increase/(decrease) for the period | 12,935 | (25,159) | (38,766) | 38,094 | 13,607 |
| Balance, beginning of the period | 89,095 | 114,254 | 153,020 | (25,159) | (38,766) |
| **Balance, end of the period** | $ 102,030 | $ 89,095 | $ 114,254 | $ 12,935 | $ (25,159) |

Cash flows provided by operating activities were $124.6 million, $24.5 million, and $4.3 million, for the years ended December 31, 2015, 2014 and 2013, respectively. Cash flows provided by operating activities increased by $100.1 million for the year ended December 31, 2015 as compared to the prior year. This was primarily due to increased operations from the acquisition of our Games segment in December 2014. Cash flows provided by operating activities increased by $20.2 million for the year ended December 31, 2014 as compared to the prior year. This was primarily due to an increase in non-cash adjustments and the timing of our settlement receivables and settlement liabilities based on the number of business days outstanding prior to the settlement of our cash access transactions at the end of each period for the year ended December 31, 2014 as compared to the prior year, partially offset by a decrease in net income

Cash flows used in investing activities were $85.5 million, $1.1 billion, and $14.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cash flows used in investing activities decreased by $1.0 billion for the year ended December 31, 2015 as compared to the prior year. This was primarily due to the use of proceeds raised to fund the Merger in 2014, partially offset by an increase in capital expenditures in 2015. Cash flows used in investing activities increased by $1.1 billion for the year ended December 31, 2014 as compared to the prior year. This was primarily due to the use of proceeds raised to fund the Merger.

Cash flows used in financing activities were $24.6 million and $29.2 million for the years ended December 31, 2015 and 2013, respectively. Cash flows provided by financing activities were $1.0 billion for the year ended December 31, 2014. Cash flows used in financing activities increased by $1.1 billion for the year ended December 31, 2015 as compared to the prior year. This was primarily due to the Company not acquiring additional funds from debt issuances in 2015 as well as reductions in debt issuance costs incurred and treasury stock acquired for the year ended December 31, 2015. Cash flows provided by financing activities increased by $1.1 billion for the year ended December 31, 2014 as compared to the prior year. This was primarily due to the proceeds raised to fund the Merger offset by repayments on debt on the Prior Credit Facilities, debt issuance costs and purchase of treasury stock.

***Long-Term Debt***

The following table summarizes our indebtedness at December 31, 2015 (in thousands):

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **Long-term debt** | | |
| Senior secured term loan | $ 490,000 | $ 500,000 |
| Senior secured notes | 335,000 | 350,000 |
| Senior unsecured notes | 350,000 | 350,000 |
| **Total debt** | 1,175,000 | 1,200,000 |
| Less: debt issuance costs and warrant discount | (11,421) | (11,213) |
| **Total debt after discount** | 1,163,579 | 1,188,787 |
| Less: current portion of long-term debt | (10,000) | (10,000) |
| **Long-term debt, less current portion** | $ 1,153,579 | $ 1,178,787 |

In connection with the Merger, we refinanced all of our indebtedness outstanding under the Prior Credit Facilities with proceeds from the Credit Facilities and the Notes.

**Credit Facilities**

In December 2014, Everi Payments, as borrower, and Holdings entered into a credit agreement among Everi Payments, Holdings, Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities, Inc. as joint lead arrangers and joint book managers, which governs the Credit Facilities (the "Credit Agreement"). The Credit Facilities consist of the $500.0 million Term Loan that matures in 2020 and the $50.0 million Revolving Credit Facility that matures in 2019. The fees associated with the Credit Facilities included discounts of approximately $7.5 million and debt issuance costs of approximately $13.9 million. All borrowings under the Credit Facilities are subject to the satisfaction of customary conditions, including the absence of a default and compliance with representations and warranties.

We are required to repay the Term Loan in an amount equal to 0.50% per quarter of the initial aggregate principal with the final principal repayment installment on the maturity date. Interest is due in arrears each March, June, September and December and at the maturity date; however, interest may be remitted within one to three months of such dates.

The Term Loan had an applicable interest rate of 6.25% as of December 31, 2015 and December 31, 2014.

The interest rate per annum applicable to the Revolving Credit Facility is, at our option, the base rate or London Interbank Offered Rate ("LIBOR") plus, in each case, an applicable margin. The interest rate per annum applicable to the Term Loan is also, at our option, the base rate or LIBOR plus, in each case, an applicable margin. LIBOR will be reset at the beginning of each selected interest period based on the LIBOR rate then in effect; provided that, with respect to the Revolving Credit Facility, if LIBOR is below zero, then such rate will be equal to zero plus the applicable margin, and, with respect to the Term Loan, if LIBOR is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of (a) the prime lending rate announced by the administrative agent, (b) the federal funds effective rate from time to time plus 0.50%, and (c) LIBOR (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins of 4.75% and 5.25% for the Revolving Credit Facility and Term Loan, respectively, are subject to adjustment based on our consolidated secured leverage ratio.

Voluntary prepayments of the Term Loan and the Revolving Credit Facility and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the Credit Agreement, with prior notice but without premium or penalty.

Subject to certain exceptions, the obligations under the Credit Facilities are secured by substantially all of the present and after acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors (the "Collateral") including: (a) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (b) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors and Everi Games and its material domestic subsidiaries.

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio as well as an annual excess cash flow requirement.

Events of default under the Credit Agreement include customary events such as a cross-default provision with respect to other material debt (which includes the Refinanced Secured Notes and the Unsecured Notes). In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis), or where a majority of the board of directors of Everi Payments ceases to consist of persons who are directors of Holdings on the closing date of the Credit Facilities or other directors whose nomination for election to the board of directors of Holdings was recommended by a majority of the then continuing directors.

At December 31, 2015, we had approximately $490.0 million of borrowings outstanding under the Term Loan and $50.0 million of additional borrowing availability under the Revolving Credit Facility, based upon borrowing base calculations as of such date. We were in compliance with the terms of the Credit Facilities as of December 31, 2015.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under our Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

**Senior Secured Notes and Refinance of Senior Secured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 7.75% Secured Notes due 2021. The fees associated with the Secured Notes included debt issuance costs of approximately $13.6 million. The Secured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Secured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. Alternatively, we had the ability to redeem the Secured Notes from the initial purchasers without penalty. On April 15, 2015, the Company entered into the Note Purchase Agreement, among Everi Payments, the Purchaser, and the Collateral Agent, and issued $335.0 million in aggregate principal amount of the 7.25% Refinanced Secured Notes due 2021 to the Purchaser in a private offering. With the proceeds from the issuance of the Refinanced Secured Notes, we redeemed, in full, the Company's then outstanding Secured Notes from the initial purchasers in accordance with the terms of the indenture governing the Secured Notes. In connection with the issuance of the Refinanced Secured Notes during the second quarter of 2015, we expensed $13.0 million of related debt issuance costs and fees to "Loss on extinguishment of debt" associated with the redeemed Senior Secured Notes that were outstanding prior to the refinance transaction.

In connection with the issuance of the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement, the Company issued the Warrant to the Purchaser. The Warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the Warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The Warrant was valued at $2.2 million using a modified Black-Scholes model and was accounted for as a debt discount.

Interest is due quarterly in arrears each January, April, July and October.

We were in compliance with the terms of the Refinanced Secured Notes as of December 31, 2015.

**Senior Unsecured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Unsecured Notes due 2022. The fees associated with the Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million.

Interest is due semi-annually in arrears each January and July.

The Unsecured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one-year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Unsecured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. The Unsecured Notes were resold by the initial purchasers to third parties in the second quarter of 2015.

In connection with the issuance of the Unsecured Notes, the Company entered into a registration rights agreement pursuant to which the Company agreed, for the benefit of the initial holders of the Unsecured Notes, to file with the SEC, and use its commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the Unsecured Notes for an issue of SEC-registered notes with terms identical to the Unsecured Notes. On October 23, 2015, we filed a registration statement on Form S-4 with the SEC in accordance with the registration rights agreement outlining our offer to exchange the Unsecured Notes for identical notes without transfer restrictions. The registration statement was declared effective on November 3, 2015, and the exchange offer for the Unsecured Notes was completed on December 4, 2015 with 100% percent participation.

We were in compliance with the terms of the Unsecured Notes as of December 31, 2015.

***Contractual Obligations***

The following summarizes our contractual cash obligations as of December 31, 2015 (in thousands):

| | At December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | **2016** | **2017** | **2018** | **2019** | **2020** | **Thereafter** |
| **Contractual obligations** | | | | | | | |
| Debt obligations[(1)] | $ 1,175,000 | $ 10,000 | $ 10,000 | $ 10,000 | $ 10,000 | $ 450,000 | $ 685,000 |
| Estimated interest obligations[(2)] | 484,675 | 90,184 | 89,465 | 88,831 | 88,198 | 86,643 | 41,354 |
| Operating lease obligations | 26,534 | 4,410 | 4,171 | 4,064 | 4,064 | 3,925 | 5,900 |
| Purchase obligations[(3)] | 56,457 | 45,364 | 4,782 | 6,311 | — | — | — |
| **Total contractual obligations** | $ 1,742,666 | $ 149,958 | $ 108,418 | $ 109,206 | $ 102,262 | $ 540,568 | $ 732,254 |

(1) We are required to make principal payments of 2% annually under the Term Loans and may also be required to make an excess cash flow payment that is based on full year end earnings and our leverage ratio in effect at that time. The above table does not reflect any amounts related to excess cash flow payments.

(2) Estimated interest payments were computed using the interest rate in effect at December 31, 2015 multiplied by the principal balance outstanding after scheduled principal amortization payments. For the Credit Facilities, the weighted average rate assumed was approximately 7.70% until 2021 when the weighted average rate would increase to approximately 9.51%.

(3) Included in purchase obligations are minimum transaction processing services from various third-party processors used by us as well as open gaming purchase orders.

***Deferred Tax Asset***

The Company recognized a deferred tax asset upon its conversion from a limited liability company to a corporation on May 14, 2004. Prior to that time, all tax attributes flowed through to the members of the limited liability company. The principal component of the deferred tax asset is a difference between our assets for financial accounting purposes and tax purposes. This difference results from a significant balance of acquired goodwill of approximately $687.4 million that was generated as part of the conversion to a corporation plus approximately $97.6 million in preexisting goodwill carried over from periods prior to the conversion. Both of these assets are recorded for tax purposes but not for accounting purposes. This asset is amortized over 15 years for tax purposes, resulting in annual pretax income being $52.3 million lower for tax purposes than for financial accounting purposes. At an estimated blended domestic statutory tax rate of 37.2%, this results in tax payments being approximately $19.5 million less than the annual provision for income taxes shown on the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of $64.9 million in cash savings over the remaining life of the portion of the deferred tax asset related to the conversion. This deferred tax asset may be subject to certain limitations. We believe that it is more likely than not that it will be able to utilize the deferred tax asset. However, the utilization of this tax asset is subject to many factors including our earnings, a change of control of the Company and future earnings.

**Other Liquidity Needs and Resources**

We need cash to support our foreign operations. For some foreign jurisdictions, such as the United Kingdom, applicable law and cross-border treaties allow us to transfer funds between our domestic and foreign operations efficiently. For other foreign jurisdictions, we must rely on the cash generated by our operations in those foreign jurisdictions, and the cost of repatriation is prohibitive. For example, Global Cash Access (Canada), Inc. ("GCA Canada"), the subsidiary through which we operate in Canada, generates cash that is sufficient to support its operations. If we expand our Payments business into new foreign jurisdictions, we must rely on treaty-favored cross-border transfers of funds, the cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

**Off-Balance Sheet Arrangements**

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. ("Wells Fargo") allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were $2.3 million, $2.3 million and $2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Consolidated Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were $364.5 million, $396.3 million and $427.1 million as of December 31, 2015, 2014 and 2013, respectively.

In November 2014, we amended the Contract Cash Solutions Agreement to extend the term one year until November 30, 2015.

In June 2015, we amended the Contract Cash Solutions Agreement to decrease the maximum amount of cash to be provided to us from $500.0 million to $425.0 million and to extend the term of the agreement from November 30, 2015 to June 30, 2018.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2015 and 2014.

## Effects of Inflation

Our monetary assets, consisting primarily of cash, receivables, inventory and our non-monetary assets, consisting primarily of the deferred tax asset, goodwill and other intangible assets, are not significantly affected by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our operating expenses, such as those for salaries and benefits, armored carrier expenses, telecommunications expenses and equipment repair and maintenance services, which may not be readily recoverable in the financial terms under which we provide our Games and Payments products and services to gaming establishments and their patrons.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial position. At present, we do not hedge this risk, but continue to evaluate such foreign currency translation risk exposure.

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. As of December 31, 2015, the currency supplied by Wells Fargo was $364.5 million. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a $3.6 million impact on income before taxes over a 12-month period. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

The Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the Credit Facilities paid based on a base rate or based on LIBOR and we have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities. The weighted average interest rate on the Credit Facilities was approximately 7.69% for the year ended December 31, 2015. Based upon the outstanding balance on the Credit Facilities of $490 million as of December 31, 2015, each 1% increase in the applicable LIBOR would have a $4.9 million impact on interest expense over a 12-month period. The interest rates on the notes are fixed and therefore an increase in LIBOR does not impact the interest expense associated with the notes.

**Item 8. Financial Statements and Supplementary Data.**

## Index to Consolidated Financial Statements

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Everi Holdings Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheet of Everi Holdings Inc. and subsidiaries (the "Company") as of December 31, 2015 and the related consolidated statements of loss and comprehensive loss, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Everi Holdings Inc. and subsidiaries at December 31, 2015, and the results of their operations and their cash flows for the year then ended**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 15, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 15, 2016

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Everi Holdings Inc.
Las Vegas, NV

We have audited the accompanying consolidated balance sheet of Global Cash Access Holdings, Inc. (now known as Everi Holdings Inc.) and subsidiaries (the "Company") as of December 31, 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Global Cash Access Holdings, Inc. and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, NV
March 16, 2015 (October 23, 2015 as to Notes 19 and 21 and March 15, 2016 as to the reclassifications to the 2014 consolidated financial statements discussed in Note 2)

## EVERI HOLDINGS INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
**(In thousands, except earnings per share amounts)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Revenues** | | | |
| Games | $ 214,424 | $ 7,406 | $ — |
| Payments | 612,575 | 585,647 | 582,444 |
| **Total revenues** | 826,999 | 593,053 | 582,444 |
| **Costs and expenses** | | | |
| Games cost of revenue (exclusive of depreciation and amortization) | 47,017 | 1,753 | — |
| Payments cost of revenue (exclusive of depreciation and amortization) | 463,380 | 438,318 | 439,794 |
| Operating expenses | 101,202 | 95,452 | 76,562 |
| Research and development | 19,098 | 804 | — |
| Goodwill impairment | 75,008 | — | — |
| Depreciation | 45,551 | 8,745 | 7,350 |
| Amortization | 85,473 | 14,199 | 9,588 |
| **Total costs and expenses** | 836,729 | 559,271 | 533,294 |
| **Operating (loss) income** | (9,730) | 33,782 | 49,150 |
| **Other expenses** | | | |
| Interest expense, net of interest income | 100,290 | 10,756 | 10,265 |
| Loss on extinguishment of debt | 13,063 | 2,725 | — |
| **Total other expenses** | 113,353 | 13,481 | 10,265 |
| **(Loss) income from operations before tax** | (123,083) | 20,301 | 38,885 |
| Income tax (benefit) provision | (18,111) | 8,161 | 14,487 |
| **Net (loss) income** | (104,972) | 12,140 | 24,398 |
| Foreign currency translation | (1,251) | (1,258) | 269 |
| **Comprehensive (loss) income** | $ (106,223) | $ 10,882 | $ 24,667 |
| **(Loss) earnings per share** | | | |
| **Basic** | $ (1.59) | $ 0.18 | $ 0.37 |
| **Diluted** | $ (1.59) | $ 0.18 | $ 0.36 |
| **Weighted average common shares outstanding** | | | |
| **Basic** | 65,854 | 65,780 | 66,014 |
| **Diluted** | 65,854 | 66,863 | 67,205 |

See notes to consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands, except par value amounts)**

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 102,030 | $ 89,095 |
| Settlement receivables | 44,933 | 43,288 |
| Trade receivables, net of allowances for doubtful accounts of $3.9 million and $2.8 million at December 31, 2015 and December 31, 2014 respectively | 52,382 | 37,697 |
| Other receivables | 4,928 | 20,553 |
| Inventory | 28,738 | 27,163 |
| Prepaid expenses and other assets | 20,772 | 18,988 |
| Deferred tax asset | — | 9,591 |
| **Total current assets** | 253,783 | 246,375 |
| **Non-current assets** | | |
| Property, equipment and leased assets, net | 106,308 | 106,085 |
| Goodwill | 789,803 | 857,913 |
| Other intangible assets, net | 382,462 | 436,785 |
| Other receivables, non-current | 6,655 | 9,184 |
| Other assets, non-current | 35,054 | 50,943 |
| **Total non-current assets** | 1,320,282 | 1,460,910 |
| **Total assets** | $ 1,574,065 | $ 1,707,285 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Settlement liabilities | $ 139,819 | $ 119,157 |
| Accounts payable and accrued expenses | 101,512 | 104,668 |
| Current portion of long-term debt | 10,000 | 10,000 |
| **Total current liabilities** | 251,331 | 233,825 |
| **Non-current liabilities** | | |
| Deferred tax liability, non-current | 27,644 | 57,333 |
| Long-term debt, less current portion | 1,153,579 | 1,178,787 |
| Other accrued expenses and liabilities | 4,091 | 5,867 |
| **Total non-current liabilities** | 1,185,314 | 1,241,987 |
| **Total liabilities** | 1,436,645 | 1,475,812 |
| **Commitments and Contingencies (Note 13)** | | |
| **Stockholders' Equity** | | |
| Common stock, $0.001 par value, 500,000 shares authorized and 90,877 and 90,405 shares issued at December 31, 2015 and December 31, 2014, respectively | 91 | 90 |
| Convertible preferred stock, $0.001 par value, 50,000 shares authorized and 0 shares outstanding at December 31, 2015 and December 31, 2014, respectively | — | — |
| Additional paid-in capital | 258,020 | 245,682 |
| Retained earnings | 55,180 | 160,152 |
| Accumulated other comprehensive income | 318 | 1,569 |
| Treasury stock, at cost, 24,849 and 24,816 shares at December 31, 2015 and December 31, 2014, respectively | (176,189) | (176,020) |
| **Total stockholders' equity** | 137,420 | 231,473 |
| **Total liabilities and stockholders' equity** | $ 1,574,065 | $ 1,707,285 |

See notes to consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Cash flows from operating activities** | | | |
| Net (loss) income | $ (104,972) | $ 12,140 | $ 24,398 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | |
| Depreciation and amortization | 131,024 | 22,944 | 16,938 |
| Amortization of financing costs | 7,109 | 2,035 | 1,793 |
| (Gain) loss on sale or disposal of assets | (2,789) | 55 | 178 |
| Accretion of contract rights | 7,614 | 301 | — |
| Provision for bad debts | 10,135 | 8,991 | 7,874 |
| Reserve for obsolescence | 1,243 | 270 | 150 |
| Other asset impairment | — | 3,129 | — |
| Goodwill impairment | 75,008 | — | — |
| Loss on early extinguishment of debt | 13,063 | 2,725 | — |
| Stock-based compensation | 8,284 | 8,876 | 5,078 |
| Other non-cash items | (149) | (19) | — |
| Changes in operating assets and liabilities: | | | |
| Settlement receivables | (1,830) | (5,156) | (8,793) |
| Trade and other receivables | (5,070) | (12,256) | (13,335) |
| Inventory | (1,075) | (1,120) | (2,436) |
| Prepaid and other assets | (5,553) | 904 | (9,482) |
| Deferred income taxes | (19,878) | 6,613 | 13,643 |
| Settlement liabilities | 21,229 | (25,523) | (37,200) |
| Other liabilities | (8,806) | (378) | 5,528 |
| **Net cash provided by operating activities** | 124,587 | 24,531 | 4,334 |
| **Cash flows from investing activities** | | | |
| Acquisitions, net of cash acquired | (10,857) | (1,068,000) | — |
| Capital expenditures | (76,988) | (18,442) | (13,986) |
| Proceeds from sale of fixed assets | 2,102 | 421 | 86 |
| Repayments under development agreements | 3,104 | 276 | — |
| Advances under placement agreements | (2,813) | — | — |
| Changes in restricted cash and cash equivalents | (97) | (102) | (90) |
| **Net cash used in investing activities** | (85,549) | (1,085,847) | (13,990) |
| **Cash flows from financing activities** | | | |
| Repayments of prior credit facility | — | (103,000) | (18,500) |
| Repayments of credit facility | (10,000) | — | — |
| Repayments of secured notes | (350,000) | — | — |
| Proceeds from securing credit facility | — | 500,000 | — |
| Proceeds from issuance of secured notes | 335,000 | 350,000 | — |
| Proceeds from issuance of unsecured notes | — | 350,000 | — |
| Debt issuance costs | (1,221) | (52,735) | (764) |
| Proceeds from exercise of stock options | 1,839 | 5,338 | 8,431 |
| Purchase of treasury stock | (169) | (12,180) | (18,350) |
| **Net cash (used in) provided by financing activities** | (24,551) | 1,037,423 | (29,183) |
| Effect of exchange rates on cash | (1,552) | (1,266) | 73 |
| **Cash and cash equivalents** | | | |
| Net increase (decrease) for the period | 12,935 | (25,159) | (38,766) |
| Balance, beginning of the period | 89,095 | 114,254 | 153,020 |
| **Balance, end of the period** | $ 102,030 | $ 89,095 | $ 114,254 |

See notes to consolidated financial statements.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Supplemental cash disclosures** | | | |
| Cash paid for interest | $ 98,361 | $ 59,274 | $ 8,634 |
| Cash paid for income tax, net | $ 2,098 | $ 962 | $ 711 |
| Cash refunded for income taxes from acquisitions, net | $ 14,477 | $ — | $ — |
| **Supplemental non-cash disclosures** | | | |
| Non-cash tenant improvements paid by landlord | $ — | $ — | $ 2,930 |
| Accrued and unpaid capital expenditures | $ 5,578 | $ 731 | $ 1,073 |
| Accrued and unpaid contingent liability for acquisitions | $ 4,681 | $ 2,463 | $ — |
| Issuance of warrants | $ 2,246 | $ — | $ — |

See notes to consolidated financial statements.

# EVERI HOLDINGS INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
## (In thousands)

| | Common Stock— Series A | | Additional Paid-in Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income | Treasury Stock | Total Equity |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | | | | | |
| **Balance, December 31, 2012** | 87,545 | $ 87 | $ 217,990 | $ 123,614 | $ 2,558 | $ (145,490) | $ 198,759 |
| Net income | — | — | — | 24,398 | — | — | 24,398 |
| Foreign currency translation | — | — | — | — | 269 | — | 269 |
| Stock-based compensation expense | — | — | 5,078 | — | — | — | 5,078 |
| Exercise of options | 1,618 | 2 | 8,448 | — | — | — | 8,450 |
| Treasury share repurchases | — | — | — | — | — | (18,241) | (18,241) |
| Restricted share vesting withholdings | — | — | — | — | — | (109) | (109) |
| Restricted shares vested | 70 | — | — | — | — | — | — |
| **Balance, December 31, 2013** | 89,233 | $ 89 | $ 231,516 | $ 148,012 | $ 2,827 | $ (163,840) | $ 218,604 |
| Net income | — | — | — | 12,140 | — | — | 12,140 |
| Foreign currency translation | — | — | — | — | (1,258) | — | (1,258) |
| Stock-based compensation expense | — | — | 8,876 | — | — | — | 8,876 |
| Exercise of options | 971 | 1 | 5,290 | — | — | — | 5,291 |
| Treasury share repurchases | — | — | — | — | — | (11,721) | (11,721) |
| Restricted share vesting withholdings | — | — | — | — | — | (459) | (459) |
| Restricted shares vested | 201 | — | — | — | — | — | — |
| **Balance, December 31, 2014** | 90,405 | $ 90 | $ 245,682 | $ 160,152 | $ 1,569 | $ (176,020) | $ 231,473 |
| Net loss | — | — | — | (104,972) | — | — | (104,972) |
| Foreign currency translation | — | — | — | — | (1,251) | — | (1,251) |
| Stock-based compensation expense | — | — | 8,258 | — | — | — | 8,258 |
| Exercise of options | 343 | 1 | 1,834 | — | — | — | 1,835 |
| Restricted share vesting withholdings | — | — | — | — | — | (169) | (169) |
| Restricted shares vested | 129 | — | — | — | — | — | — |
| Issuance of warrants | — | — | 2,246 | — | — | — | 2,246 |
| **Balance, December 31, 2015** | 90,877 | $ 91 | $ 258,020 | $ 55,180 | $ 318 | $ (176,189) | $ 137,420 |

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. BUSINESS AND BASIS OF PRESENTATION

Everi Holdings Inc. (formerly known as Global Cash Access Holdings, Inc.) ("Everi Holdings," "Holdings" or "Everi") is a holding company, the assets of which are the issued and outstanding shares of capital stock of each of Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (formerly known as Multimedia Games, Inc.) ("Everi Games" or "Games") and Everi Payments Inc. (formerly known as Global Cash Access, Inc.) ("Everi Payments" or "Payments"). Unless otherwise indicated, the terms the "Company," "we," "us" and "our" refer to Holdings together with its consolidated subsidiaries.

Everi is dedicated to providing video and mechanical reel gaming content and technology solutions, integrated gaming payments solutions and compliance and efficiency software. Everi Games provides: (a) comprehensive content, electronic gaming units and systems for Native American and commercial casinos, including the award winning TournEvent® slot tournament solution; and (b) the central determinant system for the video lottery terminals installed at racetracks in the State of New York. Everi Payments provides: (a) access to cash at gaming facilities via Automated Teller Machine cash withdrawals, credit card cash access transactions, point of sale ("POS") debit card transactions, and check verification and warranty services; (b) fully integrated gaming industry kiosks that provide cash access and related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, Internet-based gaming and lottery activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

All intercompany transactions and balances have been eliminated in consolidation.

### Business Combinations

We apply the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, "Business Combinations", in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are preliminary and typically include the calculation of an appropriate discount rate and projection of the cash flows associated with each acquired asset over its estimated useful life. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill, in the period of identification, if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

**Acquisition-related Costs**

We recognize a liability for acquisition-related costs when the expense is incurred. Acquisition-related costs include financial advisory, legal and debt fees; accounting, consulting, and professional fees associated with due diligence, valuation and integration; severance; and other related costs and adjustments.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash and all balances on deposit in banks and financial institutions. We consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash and cash equivalents. Such balances generally exceed the federal insurance limits. However, we periodically evaluate the creditworthiness of these institutions to minimize risk.

**ATM Funding Agreements**

We obtain all of the cash required to operate our Automated Teller Machines ("ATM" or "ATMs") through various ATM Funding Agreements. Some gaming establishments provide the cash utilized within the ATM ("Site-Funded"). The Site-Funded receivables generated for the amount of cash dispensed from transactions performed at our ATMs are owned by us and we are liable to the gaming establishment for the face amount of the cash dispensed. In the Consolidated Balance Sheets, the amount of the receivable for transactions processed on these ATM transactions is included within settlement receivables and the amount due to the gaming establishment for the face amount of dispensing transactions is included within settlement liabilities.

For the Non-Site-Funded locations, our Contract Cash Solutions Agreement with Wells Fargo allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable. As the cash is never an asset of ours, supplied cash is not reflected on our balance sheet. We are charged a cash usage fee for the cash used in these ATMs, which is included as interest expense in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. We recognize the fees as interest expense due to the similar operational characteristics to a revolving line of credit, the fact that the fees are calculated on a financial index and the fees are paid for access to a capital resource.

**Allowance for Doubtful Accounts**

We maintain an allowance for doubtful accounts related to our trade and other receivables and notes receivable that have been deemed to have a high risk of uncollectibility. Management reviews its accounts and notes receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. Management analyzes historical collection trends and changes in our customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of our allowance for doubtful accounts. In our overall allowance for doubtful accounts we include any receivable balances for which uncertainty exists as to whether the account balance has become uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs may exceed the recorded allowance.

**Settlement Receivables and Settlement Liabilities**

In the credit card cash access and POS debit card cash access transactions provided by us, the gaming establishment is reimbursed for the cash disbursed to gaming patrons through the issuance of a negotiable instrument or through electronic settlement. We receive reimbursement from the patron's credit or debit card issuer for the transaction in an amount equal to the amount owing to the gaming establishment plus the fee charged to the patron. This reimbursement is included within the settlement receivables on the Consolidated Balance Sheets. The amounts owed to gaming establishments are included within settlement liabilities on the Consolidated Balance Sheets.

## Warranty Receivables

If a gaming establishment chooses to have a check warranted, it sends a request to our third party check warranty service provider, asking whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own. In our Central Credit Check Warranty product under our agreement with the third party service provider, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that cannot be collected from patrons issuing the items. Warranty receivables are defined as any amounts paid by the third party check warranty service provider to gaming establishments to purchase dishonored checks. Additionally, we pay a fee to the third party check warranty service provider for its services.

The warranty receivables amount is recorded in other receivables, net on our Consolidated Balance Sheets. On a monthly basis, the Company evaluates the collectability of the outstanding balances and establishes a reserve for the face amount of the expected losses on these receivables. The warranty expense associated with this reserve is included within cost of revenues (exclusive of depreciation and amortization) on our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

## Inventory

Our inventory primarily consists of component parts as well as finished goods and work-in-progress. The cost of inventory includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or market and accounted for using the first in, first out method.

## Property, Equipment and Leased Assets

Property, equipment and leased assets are stated at cost, less accumulated depreciation, computed using the straight-line method over the lesser of the estimated life of the related assets, generally three to five years, or the related lease term. Player terminals and related components and equipment are included in our rental pool. The rental pool can be further delineated as "rental pool – deployed," which consists of assets deployed at customer sites under participation arrangements, and "rental pool – undeployed," which consists of assets held by us that are available for customer use. Rental pool – undeployed consists of both new units awaiting deployment to a customer site and previously deployed units currently back with us to be refurbished awaiting re-deployment. Routine maintenance of property, equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Property, equipment and leased assets are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when undiscounted future cash flows do not exceed the asset's carrying value.

## Development and Placement Fee Agreements

We enter into development and placement fee agreements to provide financing for new gaming facilities or for the expansion of existing facilities. All or a portion of the funds provided under development agreements are reimbursed to us, while funds provided under placement fee agreements are not reimbursed. In return, the facility dedicates a percentage of its floor space to placement of our player terminals, and we receive a fixed percentage of those player terminals' hold per day over the term of the agreement which is generally for 12 to 83 months. Certain of the agreements contain player terminal performance standards that could allow the facility to reduce a portion of our guaranteed floor space. In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The agreements typically provide for a portion of the amounts retained by the gaming facility for their share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable.

### Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. The annual impairment test is completed using either: a qualitative Step 0 assessment based on reviewing relevant events and circumstances; or a quantitative Step 1 assessment, which determines the fair value of the reporting unit, using an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we use the Step 2 assessment to determine the impairment. Our reporting units are identified as operating segments or one level below. Reporting units must: (a) engage in business activities from which they earn revenues and incur expenses; (b) have operating results that are regularly reviewed by our chief operating decision makers to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. As of December 31, 2015, our reporting units included: Games, Cash Advance, ATM, Check Services, Kiosk Sales and Service, Central Credit, and Everi Compliance.

### Other Intangible Assets

Other intangible assets are stated at cost, less accumulated amortization, computed primarily using the straight-line method. Other intangible assets consist primarily of: (i) customer contracts (rights to provide Games and Payments services to gaming establishment customers), developed technology, trade names and trademarks and contract rights acquired through business combinations; (ii) capitalized software development costs; and (iii) the acquisition cost of our patent related to the 3-in-1 rollover technology acquired in 2005. Customer contracts require us to make renewal assumptions, which impact the estimated useful lives of such assets. Capitalized software development costs require us to make certain judgments as to the stages of development and costs eligible for capitalization. Capitalized software costs placed in service are amortized over their useful lives, generally not to exceed five years. The acquisition cost of the 3-in-1 Rollover patent is being amortized over the term of the patent, which expires in 2018. We review intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or market price of the asset, a significant adverse change in legal factors or business climate that could affect the value of an asset, or a current period operating or cash flow loss combined with a history of operating or cash flow losses. We group intangible assets for impairment analysis at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of intangible assets is measured by a comparison of the carrying amount of the asset to future, net cash flows expected to be generated by the asset, undiscounted and without interest. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

### Debt Issuance Costs

Debt issuance costs incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. Debt issuance costs related to line-of-credit arrangements are included in other assets, non-current, on the Consolidated Balance Sheets. All other debt issuance costs are included in long-term debt.

### Original Issue Discounts

Original issue discounts incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. These amounts are recorded as contra-liabilities and included in long-term debt on the Consolidated Balance Sheets.

**Deferred Revenue**

Deferred revenue represents amounts from the sale of fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment and systems that have been billed, or for which notes receivable have been executed, but which transaction has not met our revenue recognition criteria. The cost of the fully integrated kiosks and related service contracts, anti-money laundering and tax compliance software, and gaming equipment and systems is deferred and recorded at the time revenue is recognized. Amounts are classified between current and long-term liabilities, based upon the expected period in which the revenue will be recognized.

**Revenue Recognition**

*Overall*

We recognize revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition. Revenue is recognized as products are delivered and or services are performed.

*Games Revenues*

Games revenues are primarily generated by our gaming operations under development, placement, and participation arrangements in which we provides our customers with player terminals, player terminal-content licenses and back-office equipment, collectively referred to herein as leased gaming equipment. Under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities, and we receive revenue based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenue from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Games revenues generated by player terminals deployed at sites under development or placement fee agreements is reduced by the accretion of contract rights acquired as part of those agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from such agreements, described under "Development and Placement Fee Agreements." The related amortization expense, or accretion of contract rights, is netted against our respective revenue category in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

We also generate games revenues from back-office fees with certain customers. Back-office fees cover the service and maintenance costs for back-office servers installed in each gaming facility to run our gaming equipment, as well as the cost of related software updates. Back-office fees are considered both realizable and earned at the end of each gaming day.

*Payments Revenues*

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card transactions and are recognized at the time the transactions are authorized. Such fees are based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card transaction amount.

ATM revenues are comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. Cardholder surcharges are recognized as revenue when a transaction is initiated and reverse interchange is recognized as revenue on a monthly basis based on the total transactions occurring during the month. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

Other revenues include amounts derived from the sale of cash access devices, such as the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale, installation and maintenance of those devices. In addition, other revenues consist of Central Credit revenues that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated. Also included in other revenues are revenues generated from ancillary marketing, database and Internet gaming activities.

*Equipment and Systems Revenues*

We sell gaming equipment, fully integrated kiosks and gaming systems directly to our customers under independent sales contracts through normal credit terms, or may grant extended credit terms under contracts secured by the related equipment.

For sales arrangements with multiple deliverables, we apply the guidance from ASC 605-25, “Revenue Recognition - Multiple-Element Arrangements.” In addition, we apply the guidance from ASC 985-605, “Software – Revenue Recognition” which affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifies what guidance should be used in allocating and measuring revenue.

The majority of our multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees, ancillary equipment and maintenance.

Revenue related to systems arrangements that contain both software and non-software deliverables requires allocation of the arrangement fee to the separate deliverables using the relative selling price method. Revenue for software deliverables is recognized under software revenue recognition guidance. Revenue resulting from the sale of non-software deliverables, such as gaming devices and other hardware, are accounted for based on other applicable revenue recognition guidance as the devices are tangible products containing both software and non-software components that function together to deliver the product's essential functionality.

In allocating the arrangement fees to separate deliverables, we evaluate whether we have vendor-specific objective evidence (“VSOE”) of selling price, third party evidence (“TPE”) or estimate of selling price (“ESP”) for gaming devices, maintenance and product support fees and other revenue sources. We generally use ESP to determine the selling price used in the allocation of separate deliverables, as VSOE and TPE are generally not available. We determine the ESP on separate deliverables by estimating a margin typically received on such items and applying that margin to the product cost incurred.

Generally, player terminal sales include ancillary equipment, such as networking gear, bases, chairs, and occasionally signage, some of which may be necessary for the full functionality of the player terminals in a casino. This ancillary equipment comprises an install kit that is shipped simultaneously with the player terminals. Although our products are analyzed as multiple deliverable arrangements, revenue for the player terminal and ancillary equipment is not recognized until all elements essential for the functionality of the product have been shipped or delivered. This includes game theme software and essential ancillary equipment. If elements that are not essential to the functionality of the player terminals are shipped after the unit, such as signage, chairs, or bases, these items would be classified as deferred revenue until shipped or delivered.

**Cost of Revenues (exclusive of depreciation and amortization)**

The cost of revenues (exclusive of depreciation and amortization) represents the direct costs required to perform revenue generating transactions. The principal costs included within cost of revenues (exclusive of depreciation and amortization) are commissions paid to gaming establishments, interchange fees paid to credit and debit card networks, transaction processing fees to our transaction processor, inventory and related costs associated with the sale of our fully integrated kiosks, electronic gaming machines and system sales, check cashing warranties, field service and network operations personnel.

**Advertising, Marketing and Promotional Costs**

We expense advertising, marketing and promotional costs as incurred. Total advertising, marketing and promotional costs, included in operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were $0.9 million, $1.1 million and $0.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

**Research and Development Costs**

We conduct research and development activities primarily to develop gaming systems, gaming engines, casino data management systems, casino central monitoring systems, video lottery outcome determination systems, gaming platforms and gaming content, as well as to add enhancements to our existing product lines. We believe our ability to deliver differentiated, appealing products and services to the marketplace is based on our research and development investments, and we expect to continue to make such investments in the future. Research and development costs consist primarily of salaries and benefits, consulting fees and game lab testing fees. Once the technological feasibility of a project has been established, it is transferred from research to development and capitalization of development costs begins until the product is available for general release.

Research and development costs were $19.1 million and $0.8 million for the years ended December 31, 2015 and 2014, respectively. As research and development costs relate to our Games segment which was acquired in 2014, there were no material research and development costs for the year ended December 31, 2013.

**Income Taxes**

Income tax expense includes U.S. and international income taxes, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is management's practice and current intent to reinvest the earnings in the international operations of our foreign subsidiaries, U.S. federal income taxes have not been provided on the undistributed earnings of any foreign subsidiaries except for GCA Macau. Some items of income and expense are not reported in tax returns and the consolidated financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

**Employee Benefits Plan**

In connection with the acquisition of Everi Games Holding Inc., we merged the Everi Payments 401(k) Plan ("Merged 401(k) Plan") into the Everi Games Holding Inc. 401(k) Plan ("Surviving 401(k) Plan"), which was adopted for domestic employees of Everi Games and Everi Payments and their domestic subsidiaries. The Surving 401(k) Plan Participant investment elections were not mapped from the current provider as the Merged Plan assets were liquidated from their current investments and the proceeds were provided to the new provider. The Participant contributions were sent to the new provider into the Plan's default fund until such time that a Participant made investment elections. The Surviving 401(k) Plan structure is similar to the Merged 401(k) Plan and allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, we match a percentage of these employee contributions (as defined in the plan document). Expenses related to the matching portion of the contributions to the 401(k) Plan were $1.3 million, $0.5 million and $0.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

**Fair Values of Financial Instruments**

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument.

The carrying amount of cash and cash equivalents, settlement receivables, trade receivables, other receivables, settlement liabilities, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The fair value of our borrowings are estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets.

| | Year Ended December 31, 2015 | | |
|---|---|---|---|
| | Level of Hierarchy | Fair Value | Outstanding Balance |
| Term loan | 1 | $ 445,900 | $ 490,000 |
| Senior secured notes | 3 | $ 314,900 | $ 335,000 |
| Senior unsecured notes | 1 | $ 297,500 | $ 350,000 |

The senior secured notes were fair valued using a Level 3 input by evaluating the trading activities of similar debt instruments as there was no market activity as of December 31, 2015. The senior unsecured notes were syndicated in April 2015 and transitioned from level 3 to level 1 on the fair value hierarchy.

At December 31, 2014, the fair value of our long-term debt was considered to approximate the carrying amount as our acquisition of Everi Games occurred on December 19, 2014, for which our long-term debt was incurred.

**Foreign Currency Translation**

Foreign currency denominated assets and liabilities for those foreign entities for which the local currency is the functional currency are translated into U.S. dollars based on exchange rates prevailing at the end of each year. Revenues and expenses are translated at average exchange rates during the year. The effects of foreign exchange gains and losses arising from these translations are included as a component of other comprehensive income on the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of Accumulated Other Comprehensive Income on our Consolidated Balance Sheets.

**Use of Estimates**

We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. The actual results may differ from these estimates. These accounting estimates incorporated into the consolidated financial statements include, but are not limited to:

- the estimates and assumptions related to the preparation of the unaudited pro forma financial information contained herein;
- the estimates and assumptions related to the preliminary purchase price allocation based on the estimated fair values of the assets acquired and liabilities assumed related to any of our acquisitions;
- the estimated reserve for warranty expense associated with our check warranty receivables;
- the valuation and recognition of share based compensation;
- the valuation allowance on our deferred income tax assets;
- the estimated cash flows in assessing the recoverability of long lived assets;
- the estimates of future operating performance, weighted average cost of capital (“WACC”) and growth rates as well

as other factors used in our annual goodwill and assets impairment evaluations;

- the renewal assumptions used for customer contracts to estimate the useful lives of such assets; and
- the judgments used to determine the stages of development and costs eligible for capitalization as internally developed software.

**Earnings Applicable to Common Stock**

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock resulting from assumed stock option exercises and vesting of restricted stock unless it is antidilutive.

**Share-Based Compensation**

Share-based payment awards result in a cost that is measured at fair value on the award's grant date.

Our time-based stock options, including our cliff vesting time-based awards, expected to be exercised currently, and in future periods, were measured at fair value on the grant date using the Black Scholes model. Our restricted stock awards expected to be vested currently, and in future periods, were measured at fair value based on the stock price on the grant date. The compensation expense is recognized on a straight-line basis over the vesting period of the awards.

Our market-based stock options will vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four year period that commenced on the grant date of these options. If these target prices are not met during the four year period, the unvested shares underlying the options will terminate except if there is a change in control of the Company, as defined in the 2014 Equity Incentive Plan, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control transaction. The options were measured at fair value on the grant date using a lattice-based valuation model based on the median time horizon from the date of grant for these options to the vesting date for those paths that achieved the target threshold(s). The compensation expense is recognized on a straight-line basis over the median vesting periods calculated under such valuation model.

Forfeitures are estimated at the grant date for our time-based and market-based awards, with such estimates updated periodically; and with actual forfeitures recognized currently to the extent they differ from the estimates.

Unless otherwise provided by the administrator of our equity incentive plans, stock options granted under our plans generally expire ten years from the date of grant. In connection with our annual grant in 2015, certain market-based stock option awards were issued that expire seven years from the date of grant. The exercise price of stock options is generally the closing market price of our common stock on the date of the stock option grant.

**Reclassification of Prior Year Balances**

Reclassifications were made to the prior-period financial statements to conform to the current period presentation.

**Recent Accounting Guidance**

*Recently Adopted Accounting Guidance*

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17 Balance Sheet Classification of Deferred Taxes, which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent in the balance sheet. ASU No. 2015-17 is effective for the interim and annual periods beginning after December 15, 2016. Early adoption is permitted. During the fourth quarter of 2015, we elected to prospectively adopt this standard. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

In September 2015, the FASB issued ASU No. 2015-16, which provides guidance on business combinations. The ASU requires an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We implemented this guidance during the current period as it impacted the final purchase price allocation adjustments associated with our acquisition of Multimedia Games Holdings Inc.

*Recent Accounting Guidance Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance on the accounting treatment of leases. The ASU establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, which provides guidance on the measurement of inventory value. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The pronouncement is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, which provides guidance to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The pronouncement is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years, and early adoption is permitted for financial statements that have not been previously issued. This guidance was further clarified in ASU No. 2015-15 which addressed the treatment of debt issuance costs related to line-of credit arrangements. It noted that as ASU No. 2015-03 did not provide guidance on debt issuance costs related to line-of credit arrangements, the SEC would not object to an entity deferring and presenting these specific debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We expect to adopt the guidance in ASU No. 2015-03 and 2015-15 to reclassify all debt issuance costs not associated with line-of-credit arrangements from other assets, non-current to contra-liabilities to long-term debt on our Consolidated Balance Sheets and related notes for the year ending December 31, 2016.

In January 2015, the FASB issued ASU No. 2015-01, which eliminates the requirement that an entity separately classify, present and disclose extraordinary events and transactions. The pronouncement is effective for annual periods ending after December 15, 2015. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We expect to implement this guidance for the year ended December 31, 2016 and do not anticipate the ASU to have a material impact on our results of operations or financial condition.

In August 2014, the FASB issued ASU No. 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The pronouncement is effective for annual periods ending after December 15, 2016, and interim periods thereafter, and early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to the Consolidated Financial Statements.

In June 2014, the FASB issued ASU No. 2014-12, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. We expect to implement this guidance for the year ended December 31, 2016 and do not anticipate the ASU to have a material impact on our results of operations or financial condition.

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB ASC Topic 606, “Revenue from Contracts with Customers” and supersedes ASC Topic 605, “Revenue Recognition”. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016; however, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within our Notes to the Consolidated Financial Statements.

## 3. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date.

### NEWave, Inc.

In April 2014, we acquired all of the outstanding capital stock of NEWave, Inc. (“NEWave”) for an aggregate purchase price of approximately $14.9 million, of which we estimated that approximately $2.5 million would be paid in the second quarter of 2015. On June 30, 2015, a final payment of $2.3 million was remitted. NEWave is a supplier of anti-money laundering compliance, audit and data efficiency software to the gaming industry. The NEWave acquisition did not have a material impact on our results of operations or financial condition.

We have not provided the supplemental pro forma impact of the NEWave acquisition on the revenue and earnings of the combined entity as if the acquisition date had been January 1, 2014, and the amount of revenue and earnings derived from NEWave have not been presented on a supplemental basis as such amounts are not material for the twelve months ended December 31, 2015 and 2014, respectively.

### Everi Games Holding Inc.

On December 19, 2014, Holdings completed its acquisition of Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.) (“Everi Games Holding”). Pursuant to the terms of the Agreement and Plan of Merger, dated as of September 8, 2014 (the “Merger Agreement”), by and among Holdings, Movie Merger Sub, Inc., a wholly owned subsidiary of Holdings (“Merger Sub”), and Everi Games Holding, Merger Sub merged with and into Everi Games Holding, with Everi Games Holding continuing as the surviving corporation (the “Merger”). In the Merger, Everi Games

Holding became a wholly owned subsidiary of Holdings. Also, as a result of the Merger, each outstanding share of common stock, par value $0.01 per share, of Everi Games, other than shares held by Holdings, Everi Games Holding, Merger Sub or their respective subsidiaries, was cancelled and converted into the right to receive $36.50 in cash, without interest ("Merger Consideration"), together with the acceleration and full vesting of Everi Games Holding equity awards, (collectively, the "Total Merger Consideration").

Everi Games designs, manufactures and supplies gaming machines and systems to commercial and Native American casino operators as well as select lottery operators and commercial bingo facility operators. Everi Games' revenue is generated from the operation of gaming machines in revenue sharing or lease arrangements and from the sale of gaming machines and systems that feature proprietary game themes.

Our combination with Everi Games Holding creates a provider of Payments and Games solutions for our gaming establishment customers. The business combination provides us with: (a) growth opportunities, (b) enhanced scale, diversification and margins, and (c) the ability to increase profitability through cost synergies.

The total purchase consideration for Everi Games Holding was as follows (in thousands, except per share amounts):

| | Amount |
|---|---|
| **Purchase consideration** | |
| Total purchase price for Everi Games common stock (29,948 shares at $36.50 per share) | $ 1,093,105 |
| Payment in respect to Everi Games outstanding equity awards | 56,284 |
| **Total merger consideration** | 1,149,389 |
| Repayments of Everi Games debt and other obligations | 25,065 |
| Less: Everi Games outstanding cash at acquisition date | (118,299) |
| **Total purchase consideration** | $ 1,056,155 |

The Merger was accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. The excess of the purchase price over those fair values was recorded as goodwill, none of which was deductible for tax purposes. The goodwill recognized is attributable primarily to the income potential from Everi Games penetrating into the Class III commercial casino market, the assembled workforce of Everi Games and expected synergies.

The estimates and assumptions used include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future cash flows. The estimated fair values of Multimedia's assets acquired and liabilities assumed and resulting goodwill were subject to adjustment as the Company finalized its fair value analysis. The significant items for which a final fair value adjustment was applicable and included in the filing of this Annual Report on Form 10-K were most notably: accrued liabilities, the valuation and estimated useful lives of tangible and intangible assets and deferred income taxes. We completed our fair value determinations and recorded the final measurement period adjustments to goodwill during the fourth quarter of 2015 in accordance with the newly adopted guidance set forth in ASU No. 2015-16 with no material change in our fair value determinations; however, there were differences compared to those amounts at December 31, 2014. In accordance with this new guidance and the immaterial nature of the measurement period adjustments, the goodwill associated with the acquisition as shown in this Note 3 section did not change from the amounts disclosed in our 2014 Annual Report on Form 10-K.

We analyzed our inventory and fixed asset groups in conjunction with a review of our accrual amounts recorded in connection with the original purchase price allocation estimates. The nature of the identified inventory and undeployed fixed assets were gaming machines and related equipment with no future use that should not have been allocated any value in the original purchase price allocation. The final measurement period adjustments to goodwill were approximately $0.9 million, comprised of $1.1 million related to tangible assets and accrued liabilities and $0.2 million associated with deferred income taxes, partially offset by approximately $0.4 million associated with the tax effect of these measurement period adjustments. We determined the final measurement period adjustments to be immaterial on both a quantitative and a qualitative basis.

The information below reflects the purchase price allocation (in thousands):

| | Amount |
|---|---|
| **Purchase price allocation** | |
| Current assets | $ 68,548 |
| Property, equipment and leasehold improvements, net | 87,283 |
| Goodwill | 669,542 |
| Other intangible assets, net | 403,300 |
| Other receivables, non-current | 5,030 |
| Other assets, long-term | 3,392 |
| Deferred tax asset, non-current | 22,287 |
| **Total assets** | 1,259,382 |
| Current liabilities | 44,291 |
| Deferred tax liability, non-current | 158,418 |
| Other accrued expenses and liabilities | 518 |
| **Total liabilities** | 203,227 |
| **Net assets acquired** | $ 1,056,155 |

Trade receivables acquired of $24.7 million were considered to be collectible and therefore the carrying amounts were considered to approximate fair value. Inventory acquired of $16.5 million was fair valued based on model-based valuations for which inputs and value drivers were observable.

The following table summarizes acquired tangible assets (in thousands):

| | Useful Life (years) | Estimated Fair Value |
|---|---|---|
| **Property, equipment and leased assets** | | |
| Gaming equipment | 2 - 4 | $ 78,201 |
| Leasehold and building improvements | Lease Term | 2,105 |
| Machinery and equipment | 3 - 5 | 4,126 |
| Other | 2 - 7 | 2,851 |
| **Total property, equipment and leased assets** | | $ 87,283 |

The fair value of property, equipment and leased assets was determined using the cost approach as the primary approach for valuing the majority of the personal property. The market approach was used to estimate the value of vehicles. The income approach was used to quantify any economic obsolescence that may be present in the personal property. No economic obsolescence adjustments were made to the personal property, as the business enterprise valuation indicated sufficient cash flows to support the values established through the cost and market approaches.

The following table summarizes acquired intangible assets (in thousands):

| | Useful Life (years) | Estimated Fair Value |
|---|---|---|
| **Other intangible assets** | | |
| Tradenames and trademarks | 3 - 7 | $ 14,800 |
| Computer software | 3 - 5 | 3,755 |
| Developed technology | 2 - 6 | 139,645 |
| Customer relationships | 8 - 12 | 231,100 |
| Contract rights | 1 - 7 | 14,000 |
| **Total other intangible assets** | | $ 403,300 |

The fair values of trade names and trademarks and developed technology were determined by applying the income approach utilizing the relief from royalty methodology. The fair value of customer relationships was determined by applying the income approach utilizing the excess earnings methodology. The fair value of contract rights was considered to approximate the carrying amount based on contractual obligations associated with these other intangible assets. The discount rates utilized to estimate the fair value of these other intangible assets ranged from 10.0% to 11.0%.

Everi Payments and Everi Games Holding had different fiscal year ends. Accordingly, the unaudited pro forma combined statements of income for the year ended December 31, 2014 combined historical Everi Consolidated Statements of Income and Comprehensive Income for its year ended December 31, 2014 with historical Everi Games Holding Consolidated Statements of Operations for its year ended September 30, 2014, giving effect to the Merger as if it had occurred on January 1, 2013. The unaudited pro forma combined statements of income for the year ended December 31, 2013 combined historical Everi Consolidated Statements of Income and Comprehensive Income for its year ended December 31, 2013 with historical Everi Games Consolidated Statements of Operations for its year ended September 30, 2013, giving effect to the Merger as if it had occurred on January 1, 2013.

The unaudited pro forma combined financial information does not purport to represent the results of operations of Everi that would have actually resulted had the Merger been completed as of the dates indicated, nor should the information be taken as indicative of the future results of operations or financial position of the combined company. The unaudited pro forma combined financial statements do not reflect the impacts of any potential operational efficiencies, cost savings or economies of scale that Everi may achieve with respect to the combined operations of Everi and Everi Games Holding. The unaudited pro forma amounts include the historical operating results of the Company and Everi Games Holding prior to the Merger, with adjustments directly attributable to the Merger. The unaudited pro forma results include increases to depreciation and amortization expense based on the purchased intangible assets and the step-up in basis associated with tangible assets acquired and increases to interest expense, related to debt issued to fund the Merger. Also reflected in the year ended December 31, 2014 are adjustments for the impact of acquisition-related costs and other cost as a result of the Merger of $27.4 million. There were no acquisition-related costs incurred for the year ended December 31, 2013. All adjustments utilized an effective federal statutory tax rate of 35.0%.

The following table reflects selected financial data from the unaudited pro forma consolidated financial information assuming the Merger occurred as of January 1, 2013 (in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | **2014** | **2013** |
| **Unaudited pro forma results of operations (in thousands, except per share amounts)** | | |
| Revenues | $ 800,732 | $ 771,810 |
| Net (loss) | (5,083) | (7,003) |
| Basic loss per share | (0.08) | (0.11) |
| Diluted loss per share | (0.08) | (0.10) |

The financial results for Everi Games Holding included in our Consolidated Statements of Income and Comprehensive Income since the acquisition date of December 19, 2014 reflected revenues of approximately $7.4 million and net loss of approximately $3.0 million, including acquisition-related costs of $1.3 million.

During the years ended December 31, 2015 and 2014, we expensed approximately $2.7 and $10.7 million, respectively, of costs related to the acquisition of Everi Games for financial advisory services, financing related fees, accounting and legal fees and other transaction-related expenses and are included in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income within Operating Expenses. These costs do not include any costs related to additional site consolidation or rationalization that we might consider following the closing of the Merger.

**Resort Advantage, LLC**

In August 2015, we acquired certain assets of Resort Advantage, LLC (“Resort Advantage”) for an aggregate purchase price of approximately $14.0 million, of which we estimated that approximately $4.7 million would be paid under the provisions of the agreement over a period of 40 months. Resort Advantage is a supplier of comprehensive and integrated solutions for complete Financial Crimes Enforcement Network (“FinCEN”) and IRS regulatory compliance to the gaming industry. The Resort Advantage acquisition did not have a material impact on our results of operations or financial condition.

We have not provided the supplemental pro forma impact of the Resort Advantage acquisition on the revenue and earnings of the combined entity as if the acquisition date had been January 1, 2014, and the amount of revenue and earnings derived from Resort Advantage have not been presented on a supplemental basis as such amounts are not material for the twelve months ended December 31, 2015 and 2014, respectively.

## 4. ATM FUNDING AGREEMENTS

***Contract Cash Solutions Agreement***

Our Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. ("Wells Fargo") allows us to use funds owned by Wells Fargo to provide the currency needed for normal operating requirements for our ATMs. For the use of these funds, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, were $2.3 million, $2.3 million and $2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. We are exposed to interest rate risk to the extent that the applicable London Interbank Offered Rate ("LIBOR") increases.

Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo obtains an interest in the corresponding settlement receivable which is recorded on a net basis. As these funds are not our assets, supplied cash is not reflected on the Consolidated Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were $364.5 million and $396.3 million as of December 31, 2015 and 2014, respectively.

In November 2014, we amended the Contract Cash Solutions Agreement to extend the term one year until November 30, 2015.

In June 2015, we amended the Contract Cash Solutions Agreement to decrease the maximum amount of cash to be provided to us from $500.0 million to $425.0 million and to extend the term of the agreement from November 30, 2015 to June 30, 2018.

We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the years ended December 31, 2015 and 2014.

***Site-Funded ATMs***

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these Site-Funded ATMs. The Site-Funded ATM liability is included within "Settlement liabilities" in the accompanying Consolidated Balance Sheets and was $84.9 million and $69.3 million as of December 31, 2015 and 2014, respectively.

## 5. TRADE RECEIVABLES

Trade receivables represent short-term credit granted to customers for which collateral is generally not required. The balance of trade receivables consists of outstanding balances owed to us by gaming establishments and casino patrons. The balance of trade receivables consisted of the following (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Trade receivables, net** | | |
| Games trade receivables | $ 38,064 | $ 28,270 |
| Payments trade receivables | 14,318 | 9,427 |
| **Total trade receivables, net** | $ 52,382 | $ 37,697 |

A significant portion of the balance of the allowance for doubtful accounts for trade receivables is from warranty receivables. On a monthly basis, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on these receivables. The warranty expense associated with this reserve is included within cost of revenues (exclusive of depreciation and amortization) in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

A summary activity of the reserve for warranty losses is as follows (in thousands):

| | Amount |
|---|---|
| **Balance, December 31, 2012** | $ 6,908 |
| Warranty expense provision | 7,874 |
| Charge offs against reserve | (12,005) |
| **Balance, December 31, 2013** | $ 2,777 |
| Warranty expense provision | 9,029 |
| Charge offs against reserve | (9,022) |
| **Balance, December 31, 2014** | $ 2,784 |
| Warranty expense provision | 9,263 |
| Charge offs against reserve | (9,074) |
| **Balance, December 31, 2015** | $ 2,973 |

While the reserve for warranty losses comprises the majority of the Company's total allowance for trade receivables, the Company had bad debt expense of $0.9 million during the year ended December 31, 2015. The amount expensed for other charge-offs during the year ended December 31, 2014 was not material. As of December 31, 2015, the Company had $0.9 million reserves exclusive of the warranty reserve. The combined balance of other reserves was not material as of December 31, 2014.

## 6. OTHER RECEIVABLES

Other receivables include the balance of notes and loans receivable on our games and fully integrated kiosk products, development agreements, which are generated from reimbursable amounts advanced to tribal customers generally used by the customer to build, expand or renovate its facility, and an agreement with Bee Caves Games, Inc. ("Bee Caves Games") in July 2014, under which the Company agreed to make a loan pursuant to a secured promissory note in the amount of $4.5 million. In association with the promissory note, the Company received warrants to purchase Bee Caves Games common stock, and recorded a discount to the note for the fair value of the warrants received. The warrants are included in the balance of other assets, non-current. The note, which bears interest at 7%, requires interest only payments for the first 24 months followed by repayments of principal and interest in 48 equal monthly installments.

Other receivables also include income taxes receivable and other miscellaneous receivables. The balance of other receivables consisted of the following (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Other receivables** | | |
| Notes and loans receivable, net of discount of $699 and $853, respectively | $ 9,930 | $ 13,939 |
| Federal and state income tax receivable | 421 | 15,092 |
| Other | 1,232 | 706 |
| **Total other receivables** | 11,583 | 29,737 |
| Less: Notes and loans receivable, non-current | 6,655 | 9,184 |
| **Total other receivables, current portion** | $ 4,928 | $ 20,553 |

## 7. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs, restricted cash and other assets. The short-term portion of these assets is included in prepaid and other assets and the long-term portion is included in other assets, non-current.

The balance of prepaid and other assets, current consisted of the following (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Prepaid expenses and other assets** | | |
| Prepaid expenses | $ 8,255 | $ 7,163 |
| Deposits | 8,946 | 8,781 |
| Other | 3,571 | 3,044 |
| **Total prepaid expenses and other assets** | $ 20,772 | $ 18,988 |

The balance of other assets, non-current consisted of the following (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Other assets, non-current** | | |
| Debt issuance costs | $ 24,599 | $ 41,109 |
| Prepaid expenses and deposits, non-current | 4,521 | 3,956 |
| Other | 5,934 | 5,878 |
| **Total other assets, non-current** | $ 35,054 | $ 50,943 |

## 8. INVENTORY

Our inventory primarily consists of component parts as well as finished goods and work-in-progress. The cost of inventory includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or market and accounted for using the first in, first out method.

Inventory consisted of the following (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Inventory** | | |
| Raw materials and component parts, net of reserves of $912 and $22, respectively | $ 23,663 | $ 21,151 |
| Work in progress | 1,495 | 803 |
| Finished goods | 3,580 | 5,209 |
| **Total inventory** | $ 28,738 | $ 27,163 |

## 9. PROPERTY, EQUIPMENT AND LEASED ASSETS

Property, equipment and leased assets consist of the following (amounts in thousands):

| | Useful Life (Years) | At December 31, 2015 Cost | At December 31, 2015 Accumulated Depreciation | At December 31, 2015 Net Book Value | At December 31, 2014 Cost | At December 31, 2014 Accumulated Depreciation | At December 31, 2014 Net Book Value |
|---|---|---|---|---|---|---|---|
| **Property, equipment and leased assets** | | | | | | | |
| Rental pool - deployed | 2 - 4 | $ 91,743 | $ 29,993 | $ 61,750 | $ 70,295 | $ 876 | $ 69,419 |
| Rental pool - undeployed | 2 - 4 | 11,950 | 3,361 | 8,589 | 10,562 | 151 | 10,411 |
| ATM equipment | 5 | 20,601 | 12,885 | 7,716 | 23,572 | 16,544 | 7,028 |
| Leasehold and building improvements | Lease Term | 7,564 | 2,038 | 5,526 | 6,289 | 895 | 5,394 |
| Cash advance equipment | 3 | 7,662 | 2,711 | 4,951 | 3,372 | 1,873 | 1,499 |
| Machinery, office and other equipment | 2 - 5 | 32,313 | 14,537 | 17,776 | 21,405 | 9,071 | 12,334 |
| **Total** | | $ 171,833 | $ 65,525 | $ 106,308 | $ 135,495 | $ 29,410 | $ 106,085 |

Depreciation expense related to other property, equipment and leased assets totaled approximately $45.6 million, $8.7 million and $7.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. In connection with our fourth quarter 2015 annual financial statement review, we determined that certain of our gaming fixed assets either: (a) had economic lives that were no longer supportable and shortened given approximately one year of experience with the Games segment that resulted in an accelerated depreciation charge of approximately $2.6 million in the current period; or (b) were fully impaired as there was little to no movement in the portfolio with recent shipments having been returned and no future deployment anticipated that resulted in an accelerated depreciation charge of approximately $1.0 million in the current period. Our property, equipment and leased assets were not impaired for the years ended December 31, 2014 and 2013.

In connection with the sale of certain assets related to our PokerTek products during the year ended December 31, 2015 for a purchase price of $5.4 million, we recorded a gain of approximately $3.9 million, which was included in operating expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations.

In accordance with ASC 350, we test goodwill at the reporting unit level, which in certain cases may be a component of an operating segment, for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

*Goodwill Testing*

In performing the 2015 annual impairment test, we utilized the two-step approach prescribed under ASC 350. The first step required a comparison of the carrying value of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for Step 1, we used a combination of the income approach and the market approach. The income approach is based on a discounted cash flow ("DCF") analysis. This method involves estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value, using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including, but not limited to: appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The forecasted cash flows are based on our most recent annual budget and projected years beyond. Our budgets and forecasted cash flows are based on estimated future growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted average cost of capital ("WACC") of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before taxes, depreciation and amortization ("EBITDA").

If the carrying amount of a reporting unit exceeds its estimated fair value, we are required to perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill to its carrying amount. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its assets and liabilities. The residual amount from performing this allocation represents the implied fair value of goodwill. To the extent this implied fair value is below the carrying amount of goodwill, an impairment charge is recorded.

Key assumptions used in estimating fair value under the discounted cash flow approach included a discount rate of: (a) 11.0% for the Cash Advance, ATM, Check Services and Central Credit reporting units; (b) 10.0% for the Games reporting unit; (c) 12.5% for the Kiosk Sales and Services reporting unit; and (d) 16.0%, for the Compliance reporting unit. In addition, projected compound average revenue growth rates of approximately (3.3)% to 14.0% and terminal value growth rates of approximately (1.0)% to 3.1% were used in the analyses. The discounted cash flow analyses for our reporting units included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures.

Key assumptions used in estimating fair value under the market approach were based on observed market multiples of enterprise value to revenue and EBITDA for both comparable publicly traded companies and recent merger and acquisition transactions involving similar companies to estimate appropriate controlling basis multiples to apply to each of the reporting units. Based on the multiples implied by this market data, we selected multiples of revenue of approximately 0.9 to 10.6 times and multiples of EBITDA of 5.0 to 8.7 times.

The estimate of fair value requires significant judgment. We based our fair value estimates on assumptions that we believe to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for our reporting units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing, or earlier, if an indicator of an impairment is present prior to our next annual evaluation.

We conduct our annual impairment test for our reporting units during the fourth quarter of each reporting period.

In connection with our annual goodwill impairment testing process for 2015, we determined that our Games reporting unit did not pass the step one test and therefore we were required to conduct a step two analysis to determine the amount of impairment which was approximately $75 million for the year ended December 31, 2015. This conclusion was primarily based upon limited growth and capital expenditure constraints in the gaming industry, consolidation and increased competition in the gaming manufacturing space, stock market volatility, global and domestic economic uncertainty, and lower than expected operating profits and cash flows in 2015. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit, which resulted in a goodwill impairment charge.

Our goodwill was not impaired for the years ended December 31, 2014 and 2013 based upon the results of our testing.

The changes in the carrying amount of goodwill are as follows (in thousands):

| | Cash Advance | ATM | Check Services | Games | Other | Total |
|---|---|---|---|---|---|---|
| **Goodwill** | | | | | | |
| **Balance, December 31, 2013** | $ 100,880 | $ 33,051 | $ 23,281 | $ — | $ 22,872 | $ 180,084 |
| Goodwill acquired during the year | — | — | — | 669,452 | 8,439 | 677,891 |
| Foreign translation adjustment | (62) | — | — | — | — | (62) |
| **Balance, December 31, 2014** | $ 100,818 | $ 33,051 | $ 23,281 | $ 669,452 | $ 31,311 | $ 857,913 |
| Goodwill acquired during the year | — | — | — | — | 6,117 | 6,117 |
| Goodwill impairment | — | — | — | (75,008) | — | (75,008) |
| Foreign translation adjustment | (115) | — | — | — | — | (115) |
| Other* | — | — | — | 896 | — | 896 |
| **Balance, December 31, 2015** | $ 100,703 | $ 33,051 | $ 23,281 | $ 595,340 | $ 37,428 | $ 789,803 |

*Includes the final 2015 measurement period adjustments associated with the acquisition of our Games business in late 2014.

### Other Intangible Assets

Other intangible assets consist of the following (in thousands):

| | | At December 31, 2015 | | | At December 31, 2014 | | |
|---|---|---|---|---|---|---|---|
| | Useful Life (years) | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| **Other intangible assets** | | | | | | | |
| Contract rights under development and placement fee agreements | 1 - 7 | $ 16,453 | $ 7,612 | $ 8,841 | $ 14,000 | $ 301 | $ 13,699 |
| Customer contracts | 7 - 14 | 50,177 | 34,755 | 15,422 | 43,938 | 29,931 | 14,007 |
| Customer relationships | 8 - 12 | 231,100 | 21,723 | 209,377 | 231,100 | 733 | 230,367 |
| Developed technology and software | 1 - 6 | 197,658 | 63,591 | 134,067 | 174,417 | 14,604 | 159,813 |
| Patents, trademarks and other | 1 - 17 | 28,240 | 13,485 | 14,755 | 27,856 | 8,957 | 18,899 |
| **Total** | | $ 523,628 | $ 141,166 | $ 382,462 | $ 491,311 | $ 54,526 | $ 436,785 |

On a quarterly basis, we evaluate our other intangible assets for potential impairment as part of our quarterly review process. There was no material impairment identified for any of our other intangible assets for the years ended December 31, 2015 and 2013. For the year ended December 31, 2014, our online payment processing intangible assets were identified for further testing. We determined that these definite-lived intangible assets were potentially impaired primarily due to a combination of the following factors: (a) legislative constraints at the state and federal level; (b) significant changes in management; and (c) lower than anticipated operating results.

These definite-lived intangible assets were evaluated using an undiscounted cash flow approach to determine if an impairment existed. As impairment was indicated based on the undiscounted cash flow approach, we discounted the cash flows and applied probability factors to calculate the resulting fair values and compared to the existing carrying value to determine the amount of impairment. The amount of impairment was approximately $3.1 million leaving a revised cost basis of $1.6 million and a remaining life of three years at December 31, 2014. This amount was recorded in Operating Expenses in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. These assets have been valued using level 3 fair value inputs.

Amortization expense related to other intangible assets totaled approximately $85.5 million, $14.2 million and $9.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. We capitalized and placed into service $6.1 million, $8.2 million and $5.1 million of software development costs for the years ended December 31, 2015, 2014 and 2013, respectively.

The total net book value of amortizable intangible assets was approximately $382.5 million at December 31, 2015. The total net book value of amortizable intangible assets was approximately $436.8 million at December 31, 2014. The anticipated amortization expense related to other intangible assets, assuming no subsequent impairment of the underlying assets, is as follows (in thousands):

| | Amount |
|---|---|
| **Anticipated amortization expense**[1] | |
| 2016 | $ 95,077 |
| 2017 | 53,775 |
| 2018 | 40,479 |
| 2019 | 37,923 |
| 2020 | 35,748 |
| Thereafter | 110,119 |
| **Total** | $ 373,121 |

(1) For the year ended December 31, 2015, the Company had $9.3 million in other intangible assets which had not yet been placed into service.

We enter into development and placement fee agreements to provide financing for new gaming facilities or for the expansion or improvement of existing facilities. All or a portion of the funds provided under development agreements are reimbursed to us, while funding under placement fee agreements is not reimbursed. In return for the fees under these agreements, each facility dedicates a percentage of its floor space, or an agreed upon unit count, for the placement of our EGMs over the term of the agreement, generally 12 to 83 months, and we receive a fixed percentage or flat fee of those machines' hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

In addition, certain development agreements allow the facilities to buy out floor space after advances that are subject to repayment have been repaid. The development agreements typically provide for a portion of the amounts retained by each facility for its share of the operating profits of the facility to be used to repay some or all of the advances recorded as notes receivable which are included as part of other receivables current and non-current in the Consolidated Balance Sheets. Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space is first applied against the intangible asset for that particular development or placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life.

During the year ended December 31, 2015, we paid approximately $2.8 million to a customer for certain of its locations in Oklahoma to extend the placement of nearly 300 units for an additional term of up to 60 months.

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table presents our accounts payable and accrued expenses (amounts in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Accounts payable and accrued expenses** | | |
| Trade accounts payable | $ 67,139 | $ 48,962 |
| Accrued interest | 73 | 3,387 |
| Payroll and related expenses | 8,565 | 10,889 |
| Deferred and unearned revenues | 10,836 | 8,016 |
| Cash access processing and related expenses | 4,662 | 4,414 |
| Accrued taxes | 1,654 | 3,195 |
| Other | 8,583 | 25,805 |
| **Total accounts payable and accrued expenses** | $ 101,512 | $ 104,668 |

## 12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| **Long-term debt** | | |
| Senior secured term loan | $ 490,000 | $ 500,000 |
| Senior secured notes | 335,000 | 350,000 |
| Senior unsecured notes | 350,000 | 350,000 |
| **Total debt** | 1,175,000 | 1,200,000 |
| Less: debt issuance costs and warrant discount | (11,421) | (11,213) |
| **Total debt after discount** | 1,163,579 | 1,188,787 |
| Less: current portion of long-term debt | (10,000) | (10,000) |
| **Long-term debt, less current portion** | $ 1,153,579 | $ 1,178,787 |

In connection with the Merger, we refinanced all of our indebtedness outstanding under the Prior Credit Facilities with proceeds from the Credit Facilities and the Notes.

**Credit Facilities**

In December 2014, Everi Payments, as borrower, and Holdings entered into a credit agreement among Everi Payments, Holdings, Bank of America, N.A. as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities, Inc. as joint lead arrangers and joint book managers, which governs the Credit Facilities (the "Credit Agreement"). The Credit Facilities consist of the $500.0 million Term Loan that matures in 2020 and the $50.0 million Revolving Credit Facility that matures in 2019. The fees associated with the Credit Facilities included discounts of approximately $7.5 million and debt issuance costs of approximately $13.9 million. All borrowings under the Credit Facilities are subject to the satisfaction of customary conditions, including the absence of a default and compliance with representations and warranties.

We are required to repay the Term Loan in an amount equal to 0.50% per quarter of the initial aggregate principal with the final principal repayment installment on the maturity date. Interest is due in arrears each March, June, September and December and at the maturity date; however, interest may be remitted within one to three months of such dates.

The Term Loan had an applicable interest rate of 6.25% as of December 31, 2015 and December 31, 2014.

The interest rate per annum applicable to the Revolving Credit Facility is, at our option, the base rate or LIBOR plus, in each case, an applicable margin. The interest rate per annum applicable to the Term Loan is also, at our option, the base rate or LIBOR plus, in each case, an applicable margin. LIBOR will be reset at the beginning of each selected interest period based on the LIBOR rate then in effect; provided that, with respect to the Revolving Credit Facility, if LIBOR is below zero, then such rate will be equal to zero plus the applicable margin, and, with respect to the Term Loan, if LIBOR is below 1.0%, then such rate will be equal to 1.0% plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of (a) the prime lending rate announced by the administrative agent, (b) the federal funds effective rate from time to time plus 0.50%, and (c) LIBOR (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. The applicable margins of 4.75% and 5.25% for the Revolving Credit Facility and Term Loan, respectively, are subject to adjustment based on our consolidated secured leverage ratio.

Voluntary prepayments of the Term Loan and the Revolving Credit Facility and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the Credit Agreement, with prior notice but without premium or penalty.

Subject to certain exceptions, the obligations under the Credit Facilities are secured by substantially all of the present and after acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors (the "Collateral") including: (a) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (b) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors and Everi Games and its material domestic subsidiaries.

The Credit Agreement contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness; sell assets or consolidate or merge with or into other companies; pay dividends or repurchase or redeem capital stock; make certain investments; issue capital stock of subsidiaries; incur liens; prepay, redeem or repurchase subordinated debt; and enter into certain types of transactions with our affiliates. The Credit Agreement also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio as well as an annual excess cash flow payment requirement.

Events of default under the Credit Agreement include customary events such as a cross-default provision with respect to other material debt (which includes the Refinanced Secured Notes and the Unsecured Notes). In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis), or where a majority of the board of directors of Everi Payments ceases to consist of persons who are directors of Holdings on the closing date of the Credit Facilities or other directors whose nomination for election to the board of directors of Holdings was recommended by a majority of the then continuing directors.

At December 31, 2015, we had approximately $490.0 million of borrowings outstanding under the Term Loan and $50.0 million of additional borrowing availability under the Revolving Credit Facility, based upon borrowing base calculations as of such date. We were in compliance with the terms of the Credit Facilities as of December 31, 2015.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under our Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

**Senior Secured Notes and Refinance of Senior Secured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 7.75% Secured Notes due 2021. The fees associated with the Secured Notes included debt issuance costs of approximately $13.6 million. The Secured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Secured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. Alternatively, we had the ability to redeem the Secured Notes from the initial purchasers without penalty. On April 15, 2015, the Company entered into the Note Purchase Agreement, among Everi Payments, the Purchaser, and the Collateral Agent, and issued $335.0 million in aggregate principal amount of the 7.25% Refinanced Secured Notes due 2021 to the Purchaser in a private offering. With the proceeds from the issuance of the Refinanced Secured Notes, we redeemed, in full, the Company's then outstanding Secured Notes from the initial purchasers in accordance with the terms of the indenture governing the Secured Notes. In connection with the issuance of the Refinanced Secured Notes during the second quarter of 2015, we expensed $13.0 million of related debt issuance costs and fees to "Loss on extinguishment of debt" associated with the redeemed Senior Secured Notes that were outstanding prior to the refinance transaction.

In connection with the issuance of the Refinanced Secured Notes and pursuant to the terms of the Note Purchase Agreement, the Company issued the Warrant to the Purchaser. The Warrant expires on the sixth anniversary of the date of issuance. The number of shares issuable pursuant to the Warrant and the warrant exercise price are subject to adjustment for stock splits, reverse stock splits, stock dividends, mergers and certain other events. The Warrant was valued at $2.2 million using a modified Black-Scholes model and was accounted for as a debt discount.

Interest is due quarterly in arrears each January, April, July and October.

We were in compliance with the terms of the Refinanced Secured Notes as of December 31, 2015.

***Senior Unsecured Notes***

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Unsecured Notes due 2022. The fees associated with the Unsecured Notes included original issue discounts of approximately $3.8 million and debt issuance costs of approximately $14.0 million.

Interest is due semi-annually in arrears each January and July.

The Unsecured Notes were acquired by the initial purchasers pursuant to the terms of a purchase agreement. Under the terms of the purchase agreement, during a one-year period following the closing and upon prior notice from the initial purchasers, the Company was required to use commercially reasonable efforts to aid the purchasers in the resale of the Unsecured Notes, including by preparing an updated offering memorandum and participating in reasonable marketing efforts including road shows, to the extent required therein. The Unsecured Notes were resold by the initial purchasers to third parties in the second quarter of 2015.

In connection with the issuance of the Unsecured Notes, the Company entered into a registration rights agreement pursuant to which the Company agreed, for the benefit of the initial holders of the Unsecured Notes, to file with the SEC, and use its commercially reasonable efforts to cause to become effective, a registration statement relating to an offer to exchange the Unsecured Notes for an issue of SEC-registered notes with terms identical to the Unsecured Notes. On October 23, 2015, we filed a registration statement on Form S-4 with the SEC in accordance with the registration rights agreement outlining our offer to exchange the Unsecured Notes for identical notes without transfer restrictions. The registration statement was declared effective on November 3, 2015, and the exchange offer for the Unsecured Notes was completed on December 4, 2015 with 100% percent participation.

We were in compliance with the terms of the Unsecured Notes as of December 31, 2015.

**Principal Repayments**

The maturities of our borrowings at December 31, 2015 are as follows (in thousands):

| | Amount |
|---|---|
| **Maturities of borrowings** | |
| 2016 | $ 10,000 |
| 2017 | 10,000 |
| 2018 | 10,000 |
| 2019 | 10,000 |
| 2020 | 450,000 |
| Thereafter | 685,000 |
| **Total** | $ 1,175,000 |

## 13. COMMITMENTS AND CONTINGENCIES

### Lease Obligations

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately $5.5 million, $1.9 million and $1.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

In October 2012, we entered into a long-term lease agreement related to office space for our corporate headquarters located in Las Vegas, Nevada, which we occupied in the first half of 2013.

In September 2014, the long-term lease agreement for office space in Austin, Texas, was extended through March 2021.

As of December 31, 2015, the minimum aggregate rental commitment under all non-cancelable operating leases were as follows (in thousands):

| | Amount |
|---|---|
| **Minimum aggregate rental commitments** | |
| 2016 | $ 4,410 |
| 2017 | 4,171 |
| 2018 | 4,064 |
| 2019 | 4,064 |
| 2020 | 3,925 |
| Thereafter | 5,900 |
| **Total** | $ 26,534 |

### Litigation Claims and Assessments

*Everi Games Holding Shareholder Litigation*

Putative shareholders of Everi Games Holding filed suits in the United States District Court for the Western District of Texas (the "Texas Federal Action") and the District Court of Travis County, Texas (the "Texas State Court Action") alleging that the directors of Everi Games Holding breached their fiduciary duties in connection with the Merger. The complaints further alleged that Everi Holdings and its formerly wholly-owned merger subsidiary, Merger Sub, aided and abetted those purported breaches of fiduciary duty.

The parties agreed to settle all claims asserted in the Texas Federal Action. Everi Games Holding agreed to make certain additional disclosures in its proxy statement related to the Merger, and made those disclosures in a Current Report on Form 8-K filed on November 21, 2014. In addition, the defendants agreed not to oppose plaintiffs' application for an attorneys' fee award of up to $310,000. The court in the Texas Federal Action approved the settlement, awarded attorneys' fees of $310,000, and entered judgment. The deadline to file any appeal from the judgment has expired and no appeal has been filed.

The judgment in the Texas Federal Action includes a release of the claims asserted in the Texas State Court Action. The Texas State Court Action has been dismissed with prejudice.

***Alabama Litigation***

The Company is currently involved in one lawsuit related to Everi Games Holding's former charity bingo operations in the State of Alabama, which we believe is not material from a damages perspective. The lawsuit is currently pending in federal court and includes claims related to the alleged illegality of electronic charity bingo in the State of Alabama.

Ozetta Hardy v. Whitehall Gaming Center, LLC, et al., a civil action, was filed against Whitehall Gaming Center, LLC (an entity that does not exist), Cornerstone Community Outreach, Inc., and Freedom Trail Ventures, Ltd., in the Circuit Court of Lowndes County, Alabama. On June 3, 2010, Everi Games Holding and other manufacturers were added as defendants. The plaintiffs, who claim to have been patrons of White Hall, allege that Everi Games participated in gambling operations that violated Alabama state law by supplying to White Hall purportedly unlawful electronic bingo machines played by the plaintiffs, and the plaintiffs seek recovery of the monies lost on all electronic bingo games played by the plaintiffs in the six months prior to the filing of the complaint under Ala. Code, Sec 8-1-150(A). The plaintiffs requested that the court certify the action as a class action. On July 2, 2010, the defendants removed the case to the United States District Court for the Middle District of Alabama, Northern Division. The court has not ruled on the plaintiffs' motion for class certification. The Company continues to vigorously defend this matter. Given the inherent uncertainties in this litigation, however, the Company is unable to make any prediction as to the ultimate outcome.

We are also subject to other claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

## 14. SHAREHOLDERS' EQUITY

***Preferred Stock.*** Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of December 31, 2015 and 2014, we had no shares of preferred stock outstanding.

***Common Stock.*** Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of December 31, 2015 and 2014, we had 90,877,273 and 90,405,450 shares of common stock issued, respectively.

***Common Stock Repurchase Program.*** There were no share repurchases for the year ended December 31, 2015. Our most recent share repurchase program commenced in the first quarter of 2013 and expired at the end of the fourth quarter of 2014, wherein we repurchased approximately 1.5 million shares of common stock for cash of approximately $11.7 million under the share repurchase program for the year ended December 31, 2014.

***Treasury Stock.*** Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards 32,617 and 55,502 shares of common stock at an aggregate purchase price of $0.2 million and $0.5 million, for the years ended December 31, 2015 and 2014, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

## 15. WEIGHTED AVERAGE SHARES OF COMMON STOCK

The weighted average number of common stock outstanding used in the computation of basic and diluted earnings per share is as follows (in thousands):

| | At December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Weighted average shares** | | | |
| Weighted average number of common shares outstanding - basic | 65,854 | 65,780 | 66,014 |
| Potential dilution from equity grants(1) | — | 1,083 | 1,191 |
| Weighted average number of common shares outstanding - diluted | 65,854 | 66,863 | 67,205 |

(1) The Company was in a net loss position for the year ended December 31, 2015, and therefore, potential dilution from the application of the treasury stock method was not applicable. The potential dilution excludes the weighted average effect of equity awards to acquire 7.6 million and 5.9 million shares of our common stock at December 31, 2014 and 2013, respectively, as the application of the treasury stock method, as required, makes them anti-dilutive.

## 16. SHARE-BASED COMPENSATION

### Equity Incentive Awards

Our 2014 Equity Incentive Plan (the "2014 Plan") is used to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The 2014 Plan superseded the then current 2005 Stock Incentive Plan (the "2005 Plan"). The 2014 Plan is administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive options or other equity incentive awards and to specify the terms and conditions of grants of options or other equity incentive awards, the vesting provisions, the term and the exercise price.

Generally, we grant the following award types: (a) time-based options, (b) cliff-vesting time-based options, (c) market-based options, and (d) restricted stock. These awards have varying vesting provisions and expiration periods. For the year ended December 31, 2015, we granted time-based options and market-based options.

Our time-based stock options granted under the 2014 Plan vest at a rate of 25% per year on each of the first four yearly anniversaries of the option grant dates. These options expire after a ten-year period.

Our market-based stock options granted under the 2014 Plan vest if our average stock price in any period of 30 consecutive trading days meets certain target prices during a four-year period that commenced on the date of grant for these options. If these target prices are not met during such four-year period, the unvested shares underlying the options will terminate; however, upon the Participant's termination of Service, if the Participant's Service is terminated by the Company without Cause within ten days prior to, or within 18 months after, the date a Change in Control is consummated, the unvested options granted would become fully vested. These options expire after a seven-year period.

A summary of award activity is as follows (in thousands):

| | Stock Options Granted | Restricted Stock Granted |
|---|---|---|
| **Outstanding, December 31, 2014** | 13,626 | 440 |
| Additional authorized shares | — | — |
| Granted | 6,512 | — |
| Exercised options or vested shares | (343) | (128) |
| Canceled or forfeited | (2,355) | (2) |
| **Outstanding, December 31, 2015** | 17,440 | 310 |

The maximum number of shares available for future equity awards under the 2014 Plan is approximately 6.6 million shares of our common stock. There are no shares available for future equity awards under the 2005 Plan.

**Stock Options**

The fair value of options was determined as of the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Risk-free interest rate | 1 % | 1 % | 1 % |
| Expected life of options (in years) | 4 | 4 | 4 |
| Expected volatility | 43 % | 54 % | 61 % |
| Expected dividend yield | 0 % | 0 % | 0 % |

The fair value of our cliff vesting time-based options granted in the second quarter of 2014 was determined using the Black Scholes option pricing model as of the date of grant. For the five year cliff vesting time-based options, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of five years; (c) expected volatility of 52%; and (d) no expected dividend yield. For the six year cliff vesting time-based options, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of six years; (c) expected volatility of 58%; and (d) no expected dividend yield.

The fair value of our market-based options was determined using a lattice-based option valuation model as of the date of grant. For the market-based options issued during 2015, the assumptions were: (a) risk-free interest rate of 1%; (b) measurement period of four years; (c) expected volatility of 47%; and (d) no expected dividend yield. For the market-based options issued in the second quarter 2014, the assumptions were: (a) risk-free interest rate of 1%; (b) measurement period of four years; (c) expected volatility of 52%; and (d) no expected dividend yield. For the market-based options issued in the first quarter 2014, the assumptions were: (a) risk-free interest rate of 1%; (b) measurement period of four years; (c) expected volatility of 51%; and (d) no expected dividend yield.

The fair value of the converted options related to the Merger was recalculated upon consummation of the acquisition and it was determined that the original fair value approximated the value upon conversion and was still applicable and will continue to amortize to stock compensation expense over the remaining life of the award.

The following tables present the options activity:

| | Number of Common Shares (in thousands) | Weighted Average Exercise Price (per share) | Weighted Average Life Remaining (years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| **Outstanding, December 31, 2014** | 13,626 | $ 7.64 | 6.5 | $ 9,148 |
| Granted | 6,512 | 7.68 | | |
| Exercised | (343) | 5.35 | | |
| Canceled or forfeited | (2,355) | 9.82 | | |
| **Outstanding, December 31, 2015** | 17,440 | $ 7.41 | 6.6 | $ 1,212 |
| **Vested and expected to vest, December 31, 2015** | 14,503 | $ 7.35 | 6.4 | $ 1,212 |
| **Exercisable, December 31, 2015** | 6,908 | $ 7.13 | 4.4 | $ 1,212 |

| Range of Exercise Prices | | Options Outstanding: Number Outstanding (000's) | Options Outstanding: Weighted Average Remaining Contract Life (Years) | Options Outstanding: Weighted Average Exercise Prices | Options Exercisable: Number Exercisable (000's) | Options Exercisable: Weighted Average Exercise Price |
|---|---|---|---|---|---|---|
| $ — | $ 5.99 | 2,195 | 5.4 | $ 4.43 | 2,104 | $ 4.40 |
| 6.00 | 8.99 | 13,973 | 7.2 | 7.54 | 3,535 | 7.33 |
| 9.00 | 12.99 | 1,007 | 1.9 | 9.99 | 1,004 | 9.99 |
| 13.00 | 13.99 | 5 | 0.6 | 13.79 | 5 | 13.79 |
| 14.00 | 14.99 | 60 | 1.4 | 14.58 | 60 | 14.58 |
| 15.00 | 15.99 | 100 | 0.7 | 15.08 | 100 | 15.08 |
| 16.00 | 18.99 | 100 | 0.8 | 16.05 | 100 | 16.05 |
| | | 17,440 | | | 6,908 | |

There were 6.5 million, 6.6 million and 1.2 million options granted for the years ended December 31, 2015, 2014 and 2013, respectively. The weighted average grant date fair value per share of the options granted was $2.48, $3.20 and $3.31 for the years ended December 31, 2015, 2014 and 2013, respectively. The total intrinsic value of options exercised was $0.8 million, $2.8 million and $4.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

There was $18.1 million in unrecognized compensation expense related to options expected to vest as of December 31, 2015. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.6 years. We received $1.8 million in proceeds from the exercise of options and recorded $7.4 million in non-cash compensation expense related to options granted that were expected to vest for the year ended and as of December 31, 2015.

We recorded $7.6 million and $4.4 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2014 and 2013, respectively. We received $5.3 million and $8.4 million in cash from the exercise of options for the years ended December 31, 2014 and 2013, respectively.

**Restricted Stock**

The following is a summary of non-vested share awards for our time-based restricted shares:

| | Shares Outstanding (in thousands) | Weighted Average Grant Date Fair Value (per share) |
|---|---|---|
| **Outstanding, December 31, 2014** | 440 | $ 7.11 |
| Granted | — | — |
| Vested | (128) | 7.11 |
| Forfeited | (2) | 7.09 |
| **Outstanding, December 31, 2015** | 310 | $ 7.11 |

There were no shares of restricted stock granted for the year ended December 31, 2015 but 0.3 million and 0.4 million shares of restricted stock were granted for the years ended December 31, 2014, and 2013, respectively. The weighted average grant date fair value per share of restricted stock granted was $7.12 and $7.09 for the years ended December 31, 2014 and 2013. The total fair value of restricted stock vested was $0.6 million, $1.4 million and $0.7 million for the years ended December 31, 2015, 2014 and 2013 respectively.

There was $2.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2015 and is expected to be recognized on a straight-line basis over a weighted average period of 2.4 years. There were 0.2 million shares, 0.2 million shares and 0.1 million shares of restricted stock that vested and we recorded $0.9 million, $1.2 million and $0.7 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2015, 2014, and 2013, respectively.

## 17. INCOME TAXES

The following presents consolidated (loss) income before tax for domestic and foreign operations (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Consolidated (loss) income before tax** | | | |
| Domestic | $ (129,602) | $ 13,870 | $ 35,473 |
| Foreign | 6,519 | 6,431 | 3,412 |
| **Total** | $ (123,083) | $ 20,301 | $ 38,885 |

The income tax (benefit) provision attributable to (loss) income from operations before tax consists of the following components (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Income tax (benefit) provision** | | | |
| Domestic | $ (19,746) | $ 6,637 | $ 13,626 |
| Foreign | 1,635 | 1,524 | 861 |
| **Total income tax (benefit) provision** | $ (18,111) | $ 8,161 | $ 14,487 |
| **Income tax provision components** | | | |
| Current | $ 1,767 | $ 1,598 | $ 844 |
| Deferred | (19,878) | 6,563 | 13,643 |
| **Total income tax (benefit) provision** | $ (18,111) | $ 8,161 | $ 14,487 |

A reconciliation of the federal statutory rate and the effective income tax rate is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Income tax reconciliation** | | | |
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Foreign provision | 0.6 % | (3.6)% | (1.0)% |
| State/province income tax | 1.1 % | 0.9 % | 1.3 % |
| Non-deductible compensation cost | (1.1)% | 0.7 % | 1.1 % |
| Non-deductible acquisition cost | 0.0 % | 5.9 % | 0.0 % |
| Adjustment to carrying value | 0.6 % | 1.9 % | 0.3 % |
| Research credit | 0.6 % | 0.0 % | 0.0 % |
| Goodwill impairment | (21.3)% | 0.0 % | 0.0 % |
| Other | (0.8)% | (0.6)% | 0.6 % |
| **Effective tax rate** | 14.7 % | 40.2 % | 37.3 % |

The major tax-effected components of the deferred tax assets and liabilities are as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Deferred income tax assets related to:** | | | |
| Intangibles | $ — | $ — | $ 44,845 |
| Net operating losses | 81,531 | 64,357 | 37,333 |
| Stock compensation expense | 10,212 | 8,841 | 7,066 |
| Accounts receivable allowances | 1,444 | 1,613 | 1,703 |
| Accrued and prepaid expenses | 3,958 | 7,917 | 1,331 |
| Long-term debt | 300 | 290 | 348 |
| Other | 658 | 373 | 406 |
| Tax credits | 5,896 | 5,146 | — |
| Property, equipment and leasehold improvements | — | — | 333 |
| Valuation allowance | (1,442) | (2,319) | (1,379) |
| **Total deferred income tax assets** | $ 102,557 | $ 86,218 | $ 91,986 |
| **Deferred income tax liabilities related to:** | | | |
| Property, equipment and leased assets | 18,274 | $ 23,785 | $ — |
| Intangibles | 108,727 | 109,103 | — |
| Other | 3,200 | 1,072 | 942 |
| **Total deferred income tax liabilities** | 130,201 | $ 133,960 | $ 942 |
| **Deferred income taxes, net** | $ (27,644) | $ (47,742) | $ 91,044 |

The Company prospectively adopted the provisions of ASU No. 2015-17 as of December 31, 2015. The adoption of the provision caused us to reclassify current deferred tax assets to noncurrent (netted within noncurrent liabilities) on our Consolidated Balance Sheets. The prior reporting period was not retrospectively adjusted.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Unrecognized tax benefit** | | | |
| Unrecognized tax benefit at the beginning of the period | $ 729 | $ — | $ — |
| Gross increases - tax positions in prior period | — | — | — |
| Gross decreases - tax positions in prior period | — | — | — |
| Gross increases - tax positions in current period | — | 729 | — |
| Settlements | — | — | — |
| **Unrecognized tax benefit at the end of the period** | $ 729 | $ 729 | $ — |

For all of our investments in foreign subsidiaries, except for GCA (Macau), deferred taxes have not been provided on unrepatriated foreign earnings. Unrepatriated earnings were approximately $17.1 million as of December 31, 2015. These earnings were considered permanently reinvested, as it was management's intention to reinvest foreign earnings in foreign operations. We project sufficient cash flow or sufficient borrowings available under our Credit Facilities in the U.S. and therefore do not need to repatriate these foreign earnings to finance U.S. operations at this time.

As a result of certain realization requirements under the accounting guidance on share based payments, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting at December 31, 2015, 2014 and 2013, respectively. Equity will be increased by $4.6 million if, and when, such deferred tax assets are ultimately realized. We use the accounting guidance on income taxes ordering for purposes of determining when excess tax benefits have been realized.

We had $218.8 million, or $76.6 million, tax effected, of accumulated federal net operating losses as of December 31,

2015. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2024. We had $4.3 million, tax effected, of federal research and development credit carry forwards and $1.6 million of federal alternative minimum tax credit carry forwards as of December 31, 2015. The research and development credits are limited to a 20 year carry forward period and will expire starting in 2033. The federal alternative minimum tax credit carry forwards do not expire.

We had tax effected state net operating loss carry forwards of approximately $9.4 million as of December 31, 2015. The state net operating loss carry forwards will expire between 2016 and 2036. The determination and utilization of these state net operating loss carry forwards are dependent upon apportionment percentages and other respective state laws, which can change from year to year. As of December 31, 2015, $1.2 million of our valuation allowance relates to certain state net operating loss carry forwards which are expected to expire before utilization, due to shorter carry forward periods and decreased apportionment percentages in those states. The remaining valuation allowance of $0.2 million relates to foreign net operating losses.

We recognized a deferred tax asset upon our conversion from a limited liability company to a corporation on May 14, 2004. Prior to that time, all tax attributes flowed through to the members of the limited liability company. The principal component of the deferred tax asset is a difference between our assets for financial accounting and tax purposes. This difference results from a significant balance of acquired goodwill of approximately $687.4 million that was generated as part of the conversion to a corporation plus approximately $97.6 million in pre-existing goodwill carried over from periods prior to the conversion. Both of these assets are recorded for tax purposes but not for accounting purposes. This asset is amortized over 15 years for tax purposes, resulting in annual pretax income being $52.3 million lower for tax purposes than for financial accounting purposes. At an estimated blended domestic statutory tax rate of 37.2%, this results in tax payments being approximately $19.5 million less than the annual provision for income taxes shown on the income statement for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of $64.9 million in cash savings over the remaining life of the portion of our deferred tax asset related to the conversion. This deferred tax asset may be subject to certain limitations. We believe that it is more likely than not that we will be able to utilize our deferred tax asset. However, the utilization of this tax asset is subject to many factors including, but not limited to, a change of control of the Company and future earnings.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. As part of the Merger in 2014, the Company recorded $0.7 million of unrecognized tax benefits. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit related to the Merger, we believe that our income tax filing positions and deductions will be sustained upon audit and we do not anticipate any other adjustments that will result in a material change to our financial position. We may from time to time be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax expense.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. We have a number of federal and state income tax years still open for examination as a result of our net operating loss carry forwards. Accordingly, we are subject to examination for both U.S. federal and some of the state tax returns for the years 2004 to present. For the remaining state, local and foreign jurisdictions, with some exceptions, we are no longer subject to examination by tax authorities for years before 2012.

## 18. RELATED PARTY TRANSACTIONS

A member of our Board of Directors served as a member of the board of directors of a gaming company until April 2013 for which we provide various cash access products and services that are insignificant to our net income. This board member received customary both cash and equity compensation from this gaming company in consideration for serving on its board of directors, however, none of this consideration was tied in any manner to our performance or obligations under our cash access agreements with the gaming company. In addition, this board member was not involved in the negotiation of our cash access agreements with this gaming company.

In October 2012, we entered into a long-term lease agreement related to office space for our corporate headquarters in which we moved into during the first half of 2013. We had engaged a brokerage firm in connection with the search for our corporate headquarters. An executive officer of this brokerage firm is the brother of our former Chief Financial Officer. This brokerage firm received approximately $0.4 million as compensation for acting as our broker.

**19. SEGMENT INFORMATION**

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. The operating segments are reviewed separately because each represents products that can be sold separately to our customers.

Since the most recent filing of our Annual Report on Form 10-K for the year ended December 31, 2014, and in connection with the Merger, our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games, and (b) Payments. Therefore, beginning in the first quarter of 2015, we are reporting our financial performance based on our new segments in both the current and prior periods. This change had no impact on our consolidated financial statements. Each of these segments is monitored by our management for performance against its internal forecast and is consistent with our internal management reporting.

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment related experiences including: leased gaming equipment; sales and maintenance related services of gaming equipment; gaming systems; and ancillary products and services.

- The Payments segment provides solutions directly to gaming establishments to offer their patrons cash access related services and products including: access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions and point of sale debit card transactions; check-related services; fully integrated kiosks and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we allocate depreciation and amortization expenses to the business segments.

Our business is predominantly domestic, with no specific regional concentrations and no significant assets in foreign locations.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies.

The following tables present segment information (in thousands):

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Revenues** | | | |
| Games | $ 214,424 | $ 7,406 | $ — |
| Payments | 612,575 | 585,647 | 582,444 |
| **Total revenues** | $ 826,999 | $ 593,053 | $ 582,444 |
| **Operating (loss) income** | | | |
| Games | $ (73,503) | $ (1,423) | $ — |
| Payments | 63,773 | 35,205 | 49,150 |
| **Total operating (loss) income** | $ (9,730) | $ 33,782 | $ 49,150 |

| | At | |
|---|---|---|
| | December 31, 2015 | December 31, 2014 |
| **Total assets** | | |
| Games | $ 1,086,147 | $ 1,242,822 |
| Payments | 487,918 | 464,463 |
| **Total assets** | $ 1,574,065 | $ 1,707,285 |

**Major customers.** For the years ended December 31, 2015, 2014 and 2013, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 30%, 28% and 33% of our total revenue in 2015, 2014 and 2013, respectively.

## 20. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The unaudited selected quarterly results of operations are as follows (in thousands, except for per share amounts):

| | Quarter | | | | |
|---|---|---|---|---|---|
| | First | Second | Third | Fourth | Year |
| **2015** | | | | | |
| Revenues | $ 207,473 | $ 206,364 | $ 208,746 | $ 204,416 | $ 826,999 |
| Operating income (loss) | 28,141 | 16,336 | 14,716 | (68,923) | (9,730) |
| Net income (loss) | 469 | (12,741) | (6,110) | (86,590) | (104,972) |
| Basic earnings (loss) per share | $ 0.01 | $ (0.19) | $ (0.09) | $ (1.31) | $ (1.59) |
| Diluted earnings (loss) per share | $ 0.01 | $ (0.19) | $ (0.09) | $ (1.31) | $ (1.59) |
| Weighted average common shares outstanding | | | | | |
| Basic | 65,623 | 65,844 | 65,941 | 66,004 | 65,854 |
| Diluted | 66,492 | 65,844 | 65,941 | 66,004 | 65,854 |
| **2014** | | | | | |
| Revenues | $ 150,571 | $ 144,946 | $ 145,481 | $ 152,055 | $ 593,053 |
| Operating income | 13,013 | 9,622 | 10,771 | 376 | 33,782 |
| Net income (loss) | 7,489 | 4,724 | 5,676 | (5,749) | 12,140 |
| Basic earnings (loss) per share | $ 0.11 | $ 0.07 | $ 0.09 | $ (0.09) | $ 0.18 |
| Diluted earnings (loss) per share | $ 0.11 | $ 0.07 | $ 0.09 | $ (0.09) | $ 0.18 |
| Weighted average common shares outstanding | | | | | |
| Basic | 65,910 | 65,970 | 65,589 | 65,608 | 65,780 |
| Diluted | 67,370 | 67,087 | 66,747 | 66,397 | 66,863 |

## 21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

We conduct substantially all of our business through our U.S. and foreign subsidiaries. Everi Payments' ("Subsidiary Issuer") obligations under the Unsecured Notes are fully and unconditionally guaranteed, subject to certain customary release provisions, on a joint and several basis by Holdings ("Parent") and substantially all of our 100%-owned U.S. subsidiaries other than Subsidiary Issuer (the "Guarantor Subsidiaries" and, together with Parent, the "Guarantors" and each a "Guarantor" ). The guarantees of our Unsecured Notes will be released under the following customary circumstances: (i) the sale or disposition of all or substantially all of the assets of the Guarantor (by way of merger, consolidation, or otherwise) to a person that is not (either before or after giving effect to such transaction) Parent, Subsidiary Issuer or a restricted subsidiary; (ii) the sale or disposition of sufficient capital stock of the Guarantor to a person that is not (either before or after giving effect to such transaction) Parent, Subsidiary Issuer or a restricted subsidiary and the Guarantor ceases to be a restricted subsidiary of Subsidiary Issuer as a result of the sale or other disposition; (iii) the designation of the Guarantor as an unrestricted subsidiary in accordance with the Indenture; or (iv) the legal or covenant defeasance of the Unsecured Notes or the satisfaction and discharge of the Indenture.

Presented below is condensed consolidating financial information for (a) Parent, (b) Subsidiary Issuer, (c) the Guarantor Subsidiaries and (d) our U.S. subsidiaries that are not Guarantor Subsidiaries and our foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") as of December 31, 2015 and December 31, 2014 and for the years ended December 31, 2015, 2014 and 2013. The condensed consolidating financial information has been presented to show the nature of assets held and the results of operations and cash flows of Parent, Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming that the guarantee structure of the Unsecured Notes had been in effect at the beginning of the periods presented.

| | Year Ended December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Revenues** | $ — | $ 566,634 | $ 243,974 | $ 17,219 | $ (828) | $ 826,999 |
| **Costs and expenses** | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | — | 444,990 | 56,382 | 9,025 | — | 510,397 |
| Operating expenses | — | 61,615 | 38,554 | 1,861 | (828) | 101,202 |
| Research and development | — | — | 19,098 | — | — | 19,098 |
| Goodwill impairment | — | — | 75,008 | — | — | 75,008 |
| Depreciation | — | 7,635 | 37,734 | 182 | — | 45,551 |
| Amortization | — | 9,842 | 73,195 | 2,436 | — | 85,473 |
| **Total costs and expenses** | — | 524,082 | 299,971 | 13,504 | (828) | 836,729 |
| **Operating income (loss)** | — | 42,552 | (55,997) | 3,715 | — | (9,730) |
| **Other expenses** | | | | | | |
| Interest expense, net of interest income | — | 7,639 | 92,343 | 308 | — | 100,290 |
| Income (loss) from subsidiaries | 104,972 | (13,777) | — | — | (91,195) | — |
| Loss on extinguishment of debt | — | 13,063 | — | — | — | 13,063 |
| **Total other expenses** | 104,972 | 6,925 | 92,343 | 308 | (91,195) | 113,353 |
| **(Loss) income from operations before tax** | (104,972) | 35,627 | (148,340) | 3,407 | 91,195 | (123,083) |
| Income tax provision (benefit) | — | 8,342 | (27,673) | 1,220 | — | (18,111) |
| **Net (loss) income** | (104,972) | 27,285 | (120,667) | 2,187 | 91,195 | (104,972) |
| Foreign currency translation | (1,251) | — | — | (1,251) | 1,251 | (1,251) |
| **Comprehensive (loss) income** | $ (106,223) | $ 27,285 | $ (120,667) | $ 936 | $ 92,446 | $ (106,223) |

| | Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Revenues** | $ — | $ 542,206 | $ 35,689 | $ 15,891 | $ (733) | $ 593,053 |
| **Costs and expenses** | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | — | 422,544 | 10,864 | 6,663 | — | 440,071 |
| Operating expenses | — | 88,087 | 5,719 | 2,379 | (733) | 95,452 |
| Research and development | — | — | 804 | — | — | 804 |
| Depreciation | — | 7,428 | 1,134 | 183 | — | 8,745 |
| Amortization | — | 11,180 | 2,454 | 565 | — | 14,199 |
| **Total costs and expenses** | — | 529,239 | 20,975 | 9,790 | (733) | 559,271 |
| **Operating income** | — | 12,967 | 14,714 | 6,101 | — | 33,782 |
| **Other (income) expense** | | | | | | |
| Interest expense, net of interest income | — | 7,675 | 3,290 | (209) | — | 10,756 |
| Income from subsidiaries | (12,140) | (15,218) | — | — | 27,358 | — |
| Loss on extinguishment of debt | — | 2,523 | 202 | — | — | 2,725 |
| **Total other (income) expense** | (12,140) | (5,020) | 3,492 | (209) | 27,358 | 13,481 |
| **Income from operations before tax** | 12,140 | 17,987 | 11,222 | 6,310 | (27,358) | 20,301 |
| Income tax expense | — | 2,801 | 3,784 | 1,576 | — | 8,161 |
| **Net income** | 12,140 | 15,186 | 7,438 | 4,734 | (27,358) | 12,140 |
| Foreign currency translation | (1,258) | — | — | (1,258) | 1,258 | (1,258) |
| **Comprehensive income** | $ 10,882 | $ 15,186 | $ 7,438 | $ 3,476 | $ (26,100) | $ 10,882 |

| | Year Ended December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Revenues** | $ — | $ 541,002 | $ 28,277 | $ 13,838 | $ (673) | $ 582,444 |
| **Costs and expenses** | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | — | 424,129 | 7,905 | 7,760 | — | 439,794 |
| Operating expenses | — | 71,623 | 3,445 | 2,167 | (673) | 76,562 |
| Depreciation | — | 7,186 | 1 | 163 | — | 7,350 |
| Amortization | — | 9,217 | — | 371 | — | 9,588 |
| **Total costs and expenses** | — | 512,155 | 11,351 | 10,461 | (673) | 533,294 |
| **Operating income** | — | 28,847 | 16,926 | 3,377 | — | 49,150 |
| **Other expenses** | | | | | | |
| Interest expense, net of interest income | — | 10,342 | — | (77) | — | 10,265 |
| Income from subsidiaries | (24,398) | (13,596) | — | — | 37,994 | — |
| **Total other expenses** | (24,398) | (3,254) | — | (77) | 37,994 | 10,265 |
| **Income from operations before tax** | 24,398 | 32,101 | 16,926 | 3,454 | (37,994) | 38,885 |
| Income tax provision | — | 7,703 | 5,924 | 860 | — | 14,487 |
| **Net income** | 24,398 | 24,398 | 11,002 | 2,594 | (37,994) | 24,398 |
| Foreign currency translation | 269 | — | — | 269 | (269) | 269 |
| **Comprehensive income** | $ 24,667 | $ 24,398 | $ 11,002 | $ 2,863 | $ (38,263) | $ 24,667 |

| | At December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | $ 6 | $ 87,078 | $ 3,900 | $ 11,046 | $ — | $ 102,030 |
| Settlement receivables | — | 42,437 | — | 2,496 | — | 44,933 |
| Trade receivables, net | — | 10,750 | 41,634 | (2) | — | 52,382 |
| Other receivables | — | 4,063 | 833 | 32 | — | 4,928 |
| Inventory | — | 12,772 | 15,966 | — | — | 28,738 |
| Prepaid expenses and other assets | — | 6,464 | 5,160 | 9,148 | — | 20,772 |
| Deferred tax asset | — | — | — | — | — | — |
| Intercompany balances | — | 39,810 | 168,659 | 1,431 | (209,900) | — |
| **Total current assets** | 6 | 203,374 | 236,152 | 24,151 | (209,900) | 253,783 |
| **Non-current assets** | | | | | | |
| Property, equipment and leasehold improvements, net | — | 26,472 | 79,514 | 322 | — | 106,308 |
| Goodwill | — | 154,395 | 634,811 | 597 | — | 789,803 |
| Other intangible assets, net | — | 32,000 | 343,629 | 6,833 | — | 382,462 |
| Other receivables, non-current | — | 3,256 | 3,399 | — | — | 6,655 |
| Investment in subsidiaries | 137,414 | 159,735 | — | 86 | (297,235) | — |
| Deferred tax asset, non-current | — | 65,577 | — | — | (65,577) | — |
| Other assets, non-current | — | 30,936 | 3,667 | 451 | — | 35,054 |
| Intercompany balances | — | 1,136,505 | — | — | (1,136,505) | — |
| **Total non-current assets** | 137,414 | 1,608,876 | 1,065,020 | 8,289 | (1,499,317) | 1,320,282 |
| **Total assets** | $ 137,420 | $ 1,812,250 | $ 1,301,172 | $ 32,440 | $ (1,709,217) | $ 1,574,065 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Settlement liabilities | $ — | $ 136,109 | $ 162 | $ 3,548 | $ — | $ 139,819 |
| Accounts payable and accrued expenses | — | 67,736 | 32,593 | 1,183 | — | 101,512 |
| Current portion of long-term debt | — | 10,000 | — | — | — | 10,000 |
| Intercompany balances | — | 170,091 | 32,732 | 7,077 | (209,900) | — |
| **Total current liabilities** | — | 383,936 | 65,487 | 11,808 | (209,900) | 251,331 |
| **Non-current liabilities** | | | | | | |
| Deferred tax liability, non-current | — | — | 93,221 | — | (65,577) | 27,644 |
| Long-term debt, less current portion | — | 1,153,579 | — | — | — | 1,153,579 |
| Other accrued expenses and liabilities | — | 3,624 | 467 | — | — | 4,091 |
| Intercompany balances | — | — | 1,136,505 | — | (1,136,505) | — |
| **Total non-current liabilities** | — | 1,157,203 | 1,230,193 | — | (1,202,082) | 1,185,314 |
| **Total liabilities** | — | 1,541,139 | 1,295,680 | 11,808 | (1,411,982) | 1,436,645 |
| **Stockholders' Equity** | | | | | | |
| Common stock | 91 | — | — | — | — | 91 |
| Additional paid-in capital | 258,020 | 80,443 | 3,670 | 21,101 | (105,214) | 258,020 |
| Retained earnings | 55,180 | 190,375 | 1,797 | 1,180 | (193,352) | 55,180 |
| Accumulated other comprehensive income | 318 | 293 | 25 | (1,649) | 1,331 | 318 |
| Treasury stock, at cost | (176,189) | — | — | — | — | (176,189) |
| **Total stockholders' equity** | 137,420 | 271,111 | 5,492 | 20,632 | (297,235) | 137,420 |
| **Total liabilities and stockholders' equity** | $ 137,420 | $ 1,812,250 | $ 1,301,172 | $ 32,440 | $ (1,709,217) | $ 1,574,065 |

| | At December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | $ — | $ 68,143 | $ 6,489 | $ 14,463 | $ — | $ 89,095 |
| Settlement receivables | — | 40,157 | — | 3,131 | — | 43,288 |
| Trade receivables, net | — | 6,578 | 31,116 | 3 | — | 37,697 |
| Other receivables | — | 3,416 | 16,992 | 145 | — | 20,553 |
| Inventory | — | 10,595 | 16,568 | — | — | 27,163 |
| Prepaid expenses and other assets | — | 7,143 | 2,821 | 9,024 | — | 18,988 |
| Deferred tax asset | — | 2,743 | 6,848 | — | — | 9,591 |
| Intercompany balances | — | 18,038 | 151,179 | 1,623 | (170,840) | — |
| **Total current assets** | — | 156,813 | 232,013 | 28,389 | (170,840) | 246,375 |
| **Non-current assets** | | | | | | |
| Property, equipment and leasehold improvements, net | — | 17,864 | 87,898 | 323 | — | 106,085 |
| Goodwill | — | 148,278 | 708,922 | 713 | — | 857,913 |
| Other intangible assets, net | — | 24,771 | 402,816 | 9,198 | — | 436,785 |
| Other receivables, non-current | — | 4,411 | 4,773 | — | — | 9,184 |
| Investment in subsidiaries | 231,473 | 147,195 | — | 86 | (378,754) | — |
| Deferred tax asset, non-current | — | 78,229 | — | — | (78,229) | — |
| Other assets, non-current | — | 47,508 | 3,366 | 69 | — | 50,943 |
| Intercompany balances | — | 1,130,380 | — | — | (1,130,380) | — |
| **Total non-current assets** | 231,473 | 1,598,636 | 1,207,775 | 10,389 | (1,587,363) | 1,460,910 |
| **Total assets** | $ 231,473 | $ 1,755,449 | $ 1,439,788 | $ 38,778 | $ (1,758,203) | $ 1,707,285 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Settlement liabilities | $ — | $ 111,375 | $ 140 | $ 7,642 | $ — | $ 119,157 |
| Accounts payable and accrued expenses | — | 61,544 | 41,395 | 1,729 | — | 104,668 |
| Current portion of long-term debt | — | 10,000 | — | — | — | 10,000 |
| Intercompany balances | — | 152,802 | 8,159 | 9,879 | (170,840) | — |
| **Total current liabilities** | — | 335,721 | 49,694 | 19,250 | (170,840) | 233,825 |
| **Non-current liabilities** | | | | | | |
| Deferred tax liability, non-current | — | 1,072 | 134,490 | — | (78,229) | 57,333 |
| Long-term debt, less current portion | — | 1,178,787 | — | — | — | 1,178,787 |
| Other accrued expenses and liabilities | — | 5,377 | 490 | — | — | 5,867 |
| Intercompany balances | — | — | 1,130,380 | — | (1,130,380) | — |
| **Total non-current liabilities** | — | 1,185,236 | 1,265,360 | — | (1,208,609) | 1,241,987 |
| **Total liabilities** | — | 1,520,957 | 1,315,054 | 19,250 | (1,379,449) | 1,475,812 |
| **Stockholders' Equity** | | | | | | |
| Common stock | 90 | — | — | — | — | 90 |
| Convertible preferred stock | — | — | — | — | — | — |
| Additional paid-in capital | 245,682 | 69,654 | 2,269 | 21,115 | (93,038) | 245,682 |
| Retained earnings | 160,152 | 163,269 | 122,465 | (1,006) | (284,728) | 160,152 |
| Accumulated other comprehensive income | 1,569 | 1,569 | — | (581) | (988) | 1,569 |
| Treasury stock, at cost | (176,020) | — | — | — | — | (176,020) |
| **Total stockholders' equity** | 231,473 | 234,492 | 124,734 | 19,528 | (378,754) | 231,473 |
| **Total liabilities and stockholders' equity** | $ 231,473 | $ 1,755,449 | $ 1,439,788 | $ 38,778 | $ (1,758,203) | $ 1,707,285 |

| | Year Ended December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Cash flows from operating activities** | | | | | | |
| Net (loss) income | $ (104,972) | $ 27,285 | $ (120,667) | $ 2,187 | $ 91,195 | $ (104,972) |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | 17,477 | 110,929 | 2,618 | — | 131,024 |
| Amortization of financing costs | — | 7,109 | — | — | — | 7,109 |
| Loss/(gain) on sale or disposal of assets | — | 75 | (2,864) | — | — | (2,789) |
| Accretion of contract rights | — | — | 7,614 | — | — | 7,614 |
| Provision for bad debts | — | 51 | 10,084 | — | — | 10,135 |
| Reserve for obsolescence | — | 140 | 1,103 | — | — | 1,243 |
| Goodwill impairment | — | — | 75,008 | — | — | 75,008 |
| Loss on early extinguishment of debt | — | 13,063 | — | — | — | 13,063 |
| Equity loss (income) | 104,972 | (13,777) | — | — | (91,195) | — |
| Stock-based compensation | — | 6,883 | 1,401 | — | — | 8,284 |
| Other non-cash items | — | — | (149) | — | — | (149) |
| Changes in operating assets and liabilities: | | | | | | |
| Net settlement receivables and liabilities | — | 22,455 | 22 | (3,078) | — | 19,399 |
| Other changes in operating assets and liabilities | (4) | (3,299) | (36,278) | (801) | — | (40,382) |
| **Net cash (used in) provided by operating activities** | (4) | 77,462 | 46,203 | 926 | — | 124,587 |
| **Cash flows from investing activities** | | | | | | |
| Acquisitions, net of cash acquired | — | (10,857) | — | — | — | (10,857) |
| Capital expenditures | — | (25,796) | (51,108) | (84) | — | (76,988) |
| Proceeds from sale of fixed assets | — | 102 | 2,000 | — | — | 2,102 |
| Repayments under development agreements | — | — | 3,104 | — | — | 3,104 |
| Advances under development and placement agreements | — | — | (2,813) | — | — | (2,813) |
| Changes in restricted cash and cash equivalents | — | (97) | — | — | — | (97) |
| Intercompany investing activities | (3,906) | 6,593 | 25 | (9) | (2,703) | — |
| **Net cash used in investing activities** | (3,906) | (30,055) | (48,792) | (93) | (2,703) | (85,549) |
| **Cash flows from financing activities** | | | | | | |
| Repayments of credit facility | — | (10,000) | — | — | — | (10,000) |
| Repayments of secured notes | — | (350,000) | — | — | — | (350,000) |
| Proceeds from issuance of secured notes | — | 335,000 | — | — | — | 335,000 |
| Debt issuance costs | — | (1,221) | — | — | — | (1,221) |
| Issuance of warrants | 2,246 | (2,246) | — | — | — | — |
| Proceeds from exercise of stock options | 1,839 | — | — | — | — | 1,839 |
| Purchase of treasury stock | (169) | — | — | — | — | (169) |
| Intercompany financing activities | — | (5) | — | (2,698) | 2,703 | — |
| **Net cash provided by (used in) financing activities** | 3,916 | (28,472) | — | (2,698) | 2,703 | (24,551) |
| Effect of exchange rates on cash | — | — | — | (1,552) | — | (1,552) |
| **Cash and cash equivalents** | | | | | | |
| Net increase (decrease) for the period | 6 | 18,935 | (2,589) | (3,417) | — | 12,935 |
| Balance, beginning of the period | — | 68,143 | 6,489 | 14,463 | — | 89,095 |
| **Balance, end of the period** | $ 6 | 87,078 | 3,900 | 11,046 | — | 102,030 |

| | Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Cash flows from operating activities** | | | | | | |
| Net income | $ 12,140 | $ 15,186 | $ 7,438 | $ 4,734 | $ (27,358) | $ 12,140 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | 18,608 | 3,588 | 748 | — | 22,944 |
| Amortization of financing costs | — | 2,035 | — | — | — | 2,035 |
| Loss on sale or disposal of assets | — | 54 | — | 1 | — | 55 |
| Accretion of contract rights | — | — | 301 | — | — | 301 |
| Provision for bad debts | — | — | 8,991 | — | — | 8,991 |
| Reserve for obsolescence | — | 270 | — | — | — | 270 |
| Other asset impairment | — | 3,129 | — | — | — | 3,129 |
| Loss on early extinguishment of debt | — | 2,523 | 202 | — | — | 2,725 |
| Equity income | (12,140) | (15,218) | — | — | 27,358 | — |
| Stock-based compensation | — | 8,849 | 27 | — | — | 8,876 |
| Other non-cash items | — | (2) | (17) | — | — | (19) |
| Changes in operating assets and liabilities: | — | — | — | — | — | — |
| Net settlement receivables and liabilities | — | (31,414) | 141 | 594 | — | (30,679) |
| Other changes in operating assets and liabilities | (47) | 34,504 | (20,047) | (20,647) | — | (6,237) |
| **Net cash (used in) provided by operating activities** | (47) | 38,524 | 624 | (14,570) | — | 24,531 |
| **Cash flows from investing activities** | | | | | | |
| Acquisitions, net of cash acquired | — | (11,845) | (1,056,155) | — | — | (1,068,000) |
| Capital expenditures | — | (5,886) | (3,464) | (9,092) | — | (18,442) |
| Proceeds from sale of fixed assets | — | 421 | — | — | — | 421 |
| Repayments under development agreements | — | — | 276 | — | — | 276 |
| Changes in restricted cash and cash equivalents | — | (102) | — | — | — | (102) |
| Intercompany investing activities | 6,889 | (1,085,709) | — | (1,425) | 1,080,245 | — |
| **Net cash provided by (used in) investing activities** | 6,889 | (1,103,121) | (1,059,343) | (10,517) | 1,080,245 | (1,085,847) |
| **Cash flows from financing activities** | | | | | | |
| Repayments of prior credit facility | — | (103,000) | — | — | — | (103,000) |
| Proceeds from securing credit facility | — | 500,000 | — | — | — | 500,000 |
| Proceeds from issuance of secured notes | — | 350,000 | — | — | — | 350,000 |
| Proceeds from issuance of unsecured notes | — | 350,000 | — | — | — | 350,000 |
| Debt issuance costs | — | (52,735) | — | — | — | (52,735) |
| Proceeds from exercise of stock options | 5,338 | — | — | — | — | 5,338 |
| Purchase of treasury stock | (12,180) | — | — | — | — | (12,180) |
| Intercompany financing activities | — | (12,098) | 1,063,059 | 29,284 | (1,080,245) | — |
| **Net cash (used in) provided by financing activities** | (6,842) | 1,032,167 | 1,063,059 | 29,284 | (1,080,245) | 1,037,423 |
| Effect of exchange rates on cash | — | — | — | (1,266) | — | (1,266) |
| **Cash and cash equivalents** | | | | | | |
| Net (decrease) increase for the period | — | (32,430) | 4,340 | 2,931 | — | (25,159) |
| Balance, beginning of the period | — | 100,573 | 2,149 | 11,532 | — | 114,254 |
| **Balance, end of the period** | $ — | $ 68,143 | $ 6,489 | $ 14,463 | $ — | $ 89,095 |

| | Year Ended December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Cash flows from operating activities** | | | | | | |
| Net income | $ 24,398 | $ 24,398 | $ 11,002 | $ 2,594 | $ (37,994) | $ 24,398 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | 16,403 | 1 | 534 | — | 16,938 |
| Amortization of financing costs | — | 1,793 | — | — | — | 1,793 |
| Loss (gain) on sale or disposal of assets | — | 180 | — | (2) | — | 178 |
| Provision for bad debts | — | — | 7,874 | — | — | 7,874 |
| Reserve for obsolescence | — | 150 | — | — | — | 150 |
| Equity income | (24,398) | (13,596) | — | — | 37,994 | — |
| Stock-based compensation | — | 5,078 | — | — | — | 5,078 |
| Changes in operating assets and liabilities: | | | | | | |
| Net settlement receivables and liabilities | — | (44,264) | — | (1,729) | — | (45,993) |
| Other changes in operating assets and liabilities | 19 | 13,241 | (18,880) | (462) | — | (6,082) |
| **Net cash provided by (used in) operating activities** | 19 | 3,383 | (3) | 935 | — | 4,334 |
| **Cash flows from investing activities** | | | | | | |
| Capital expenditures | — | (13,450) | (330) | (206) | — | (13,986) |
| Proceeds from sale of fixed assets | — | 86 | — | — | — | 86 |
| Changes in restricted cash and cash equivalents | — | (90) | — | — | — | (90) |
| Intercompany investing activities | 9,900 | (4,676) | — | — | (5,224) | — |
| **Net cash provided by (used in) investing activities** | 9,900 | (18,130) | (330) | (206) | (5,224) | (13,990) |
| **Cash flows from financing activities** | | | | | | |
| Repayments of prior credit facility | — | (18,500) | — | — | — | (18,500) |
| Debt issuance costs | — | (764) | — | — | — | (764) |
| Proceeds from exercise of stock options | 8,431 | — | — | — | — | 8,431 |
| Purchase of treasury stock | (18,350) | — | — | — | — | (18,350) |
| Intercompany financing activities | — | (7,056) | 2,000 | (168) | 5,224 | — |
| **Net cash (used in) provided by financing activities** | (9,919) | (26,320) | 2,000 | (168) | 5,224 | (29,183) |
| Effect of exchange rates on cash | — | — | — | 73 | — | 73 |
| **Cash and cash equivalents** | | | | | | |
| Net (decrease) increase for the period | — | (41,067) | 1,667 | 634 | — | (38,766) |
| Balance, beginning of the period | — | 141,640 | 482 | 10,898 | — | 153,020 |
| **Balance, end of the period** | $ — | $ 100,573 | $ 2,149 | $ 11,532 | $ — | $ 114,254 |

## 22. SUBSEQUENT EVENTS

As of the date of the filing of our Annual Report on Form 10-K, we had not identified, and were not aware of, any material subsequent events that occurred for the year ended December 31, 2015.

**Item 9. Changes in and Disagreements with Accountants.**

None.

**Item 9A. Controls and Procedures.**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Exchange Act, our management, with the participation of our Interim Chief Executive Officer and Chief Financial Officer, evaluated the design and operating effectiveness as of December 31, 2015 of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation our Interim Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Attached as exhibits to this Annual Report on Form 10-K are certifications of our Interim Chief Executive Officer and Chief Financial Officer, which are required pursuant to Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section of this Annual Report on Form 10-K includes information concerning management's assessment of our internal control over financial reporting and the controls evaluation referenced in the certifications. The report of BDO USA, LLP, our independent registered public accounting firm, is also included below. BDO USA, LLP's report addresses their audit of our internal control over financial reporting. This section of the Annual Report on Form 10-K should be read in conjunction with the certifications and the report of BDO USA, LLP for a more complete understanding of the matters presented.

**Management's Report of Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP").

Our internal control over financial reporting includes those policies and procedures that:

(a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitation, our internal control systems and procedures may not prevent or detect misstatements. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015. BDO USA, LLP has audited our internal control over financial reporting as of December 31, 2015 as stated in their attestation report which is included herein.

**Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2015**

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fourth quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders
Everi Holdings Inc.
Las Vegas, Nevada

We have audited Everi Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Everi Holdings Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Everi Holdings Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Everi Holdings Inc. and subsidiaries as of December 31, 2015, and the related consolidated statements of loss and comprehensive loss, stockholders' equity, and cash flows for the year then ended and our report dated March 15, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, NV
March 15, 2016

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding our directors, executive officers and corporate governance, including information about our Audit and Nominating and Corporate Governance Committees, is set forth in our Definitive Proxy Statement in connection with the 2016 Annual Meeting of Stockholders (the "2016 Proxy Statement"), which will be filed with the SEC within 120 days after the fiscal year ended December 31, 2015, under the captions "Proposal 1—Election of Class II Directors," "Executive Officers" and "Board and Corporate Governance Matters" is incorporated herein by reference.

The information required by Item 405 of Regulation S-K set forth in our 2016 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

We have adopted a Code of Business Conduct, Standards and Ethics that is designed to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The Code of Business Conduct, Standards and Ethics is available on our website at www.everi.com. To the extent required by law, any amendments to, or waivers from, any provision of the Code of Business Conduct, Standards and Ethics will be promptly disclosed to the public. To the extent permitted by such legal requirements, we intend to make such public disclosure by posting the relevant material on our website in accordance with SEC rules.

### Item 11. Executive Compensation.

The information set forth in our 2016 Proxy Statement under the captions "Executive Compensation," "—Director Compensation" and "Compensation Committee Report" is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information set forth in our 2016 Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plans" is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth in our 2016 Proxy Statement under the captions "Transactions with Related Persons" and "—Director Independence" is incorporated herein by reference.

### Item 14. Principal Accountant Fees and Services.

The information set forth in our 2016 Proxy Statement under the caption "—Audit and Non-Audit Fees" is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements



2. Financial Statement Schedules

All schedules have been omitted as they are either not required or not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. See Item 15(b)

(b) Exhibits:

| Exhibit Number | Exhibit Description |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of September 8, 2014, by and among Everi Holdings Inc. (formerly known as Global Cash Access Holdings, Inc.) (“Holdings”), Movie Merger Sub, Inc. and Everi Games Holding Inc. (formerly known as Multimedia Games Holding Company, Inc.) (“Everi Games”) (incorporated by reference to Exhibit 2.1 of Holdings’ Current Report on Form 8-K filed with the SEC on September 8, 2014). |
| 3.1 | Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings’ Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on May 26, 2005). |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings’ Current Report on Form 8-K filed with the SEC on April 30, 2009). |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Holdings (incorporated by reference to Exhibit 3.1 of Holdings’ Current Report on Form 8-K filed with the SEC on August 14, 2015) |
| 3.4 | Second Amended and Restated Bylaws of Holdings (effective as of August 24, 2015) (incorporated by reference to Exhibit 3.2 of Holdings’ Current Report on Form 8-K filed with the SEC on August 14, 2015). |
| 4.1 | Indenture governing 7.75% Senior Secured Notes due 2021, dated as of December 19, 2014, between Everi Payments Inc. (formerly known as Global Cash Access, Inc.) (“Everi Payments”), as issuer, and Deutsche Bank Trust Company Americas, as collateral agent and trustee, related to the (incorporated by reference to Exhibit 4.1 of Holdings’ Current Report on Form 8-K filed with the SEC on December 22, 2014). |
| 4.2 | Supplemental Indenture, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent and trustee, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 4.2 of Holdings’ Current Report on Form 8-K filed with the SEC on December 22, 2014). |
| 4.3 | Indenture governing 10.0% Senior Unsecured Notes Due 2022, dated as of December 19, 2009, between Everi Payments and Deutsche Bank Trust Company Americas, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 to Holdings’ Current Report on Form 8-K filed with the SEC on December 22, 2014). |
| 4.4 | Supplemental Indenture, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, related to the 7.75% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.2 to Holdings’ Current Report on Form 8-K filed with the SEC on December 22, 2014). |
| 4.5 | Second Supplemental Indenture, dated as of August 4, 2015, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, related to the 7.75% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 10.5 to Holdings’ Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015). |

4.6 Registration Rights Agreement, dated as of December 19, 2014, among Movie Escrow, Inc. (and, by a joinder agreement, Everi Payments, Holdings, as a guarantor and the subsidiary guarantors party thereto) and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein, related to the 10.00% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.5 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

4.7 Warrant, dated as of April 15, 2015, issued by Holdings to CPPIB Credit Investments III Inc. (incorporated by reference to Exhibit 4.1 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).

10.1 Purchase Agreement, dated as of December 17, 2014, among Movie Escrow, Inc. (a former wholly owned subsidiary of Everi Payments), as issuer, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the initial purchasers listed therein (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

10.2 Security Agreement, dated as of December 19, 2014, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

10.3 Credit Agreement, dated as of December 19, 2014, among Everi Payments, Holdings, Bank of America, N.A. as administrative agent, collateral agent, swing line lender and letter of credit issuer; Deutsche Bank Securities Inc., as syndication agent; and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities, Inc., as joint lead arrangers and joint book managers (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

10.4 Security Agreement, dated December 19, 2014, among Everi Payments, Holdings, as a guarantor, the subsidiary guarantors party thereto, and Bank of America, N.A., as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

10.5 Guaranty, dated December 19, 2014, by Holdings, as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.5 of Holdings' Current Report on Form 8-K filed with the SEC on December 22, 2014).

10.6 Note Purchase Agreement, dated as of April 15, 2015, among Everi Payments, as issuer, Holdings, as parent, CPPIB Credit Investments III Inc., as purchaser, and Deutsche Bank Trust Company Americas, as collateral agent (incorporated by reference to Exhibit 10.1 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).

10.7 Security Agreement, dated as of April 15, 2015, among Everi Payments, as issuer, Holdings, as a guarantor, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).

10.8 Guaranty, dated as of April 15, 2015, among Holdings, as a guarantor, and the subsidiary guarantors party thereto in favor of Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.75% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on April 15, 2015).

10.9 Patent Purchase and License Agreement, dated as of March 22, 2005, by and between Everi Payments and USA Payments, Inc. (incorporated by reference to Exhibit 10.28 of Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005).

+*10.10 Agreement for Processing Services, effective as of August 20, 2013, by and between Columbus Data Services, LLC and Everi Payments.

*10.11 Contract Cash Solutions Agreement, dated November 12, 2010, between Everi Payments and Wells Fargo Bank, N.A.

10.12 Second Amendment to Contract Cash Solutions Agreement, dated June 4, 2012, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on June 7, 2012).

10.13 Third Amendment to Contract Cash Solutions Agreement, dated November 4, 2013, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 5, 2013).

10.14 Fourth Amendment to Contract Cash Solutions Agreement, dated January 29, 2015, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on July 1, 2015).

+10.15 Sponsorship Agreement, dated February 11, 2011, between Everi Payments and American State Bank (incorporated by reference to Exhibit 10.54 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2011).

†10.16 Holdings 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 of the Annual Report on Form 10-K of Everi Payments filed with the SEC on March 10, 2005).

†10.17 Form of Stock Option Award for Performance Price Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.18 Form of Stock Option Award for Cliff Vesting under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.19 Form of Stock Option Award for Non-Employee Directors under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.20 Form of Stock Option Award for Executives under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.21 Form of Stock Option Award for Employees under the 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.22 Holdings 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.23 Form of Stock Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.24 Form of Stock Option Award for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

†10.25 Form of Stock Option Award for Executives (Single Trigger Acceleration) under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014).

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| †10.26 | Form of Stock Option Award for Employees under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Holdings' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2014). |
| †10.27 | Everi Games 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Holdings' Current Report on Form 8-K filed with the SEC on March 16, 2015). |
| †10.28 | Amendment to the Everi Games 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Holdings' Current Report on Form 8-K filed with the SEC on March 16, 2015). |
| †10.29 | Form of Indemnification Agreement between Holdings and each of its executive officers and directors (incorporated by reference to Exhibit 10.27 to Holdings' Registration Statement on Form S-1 (Registration No. 333-123514) filed with the SEC on March 22, 2005). |
| †10.30 | Employment Agreement with Ram V. Chary (effective January 27, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014). |
| †10.31 | Amendment No.1 to Employment Agreement with Ram V. Chary (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014). |
| †10.32 | Form of Stock Option Agreement for Ram V. Chary (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014). |
| †10.33 | Form of Indemnification Agreement for Ram V. Chary (incorporated by reference to Exhibit 10.3of Holdings' Current Report on Form 8-K filed with the SEC on January 28, 2014). |
| †10.34 | Employment Agreement with Randy L. Taylor (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014). |
| †10.35 | Employment Agreement with Juliet A. Lim (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.34 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2015). |
| †10.36 | Employment Agreement with David Lucchese (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014). |
| †10.37 | Employment Agreement with Edward A. Peters (effective January 15, 2015) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on January 22, 2015). |
| †10.38 | Employment Agreement with Michael Rumbolz (effective February 13, 2016) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on March 2, 2016). |
| †10.39 | Notice of Grant of Stock Option with Michael Rumbolz, dated February 13, 2016 (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on February 16, 2016). |
| †10.40 | Form of Notice of Stock Option Award and Stock Option Award Agreement for Michael Rumbolz (effective August 30, 2010) (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on September 2, 2010). |
| 16.1 | Letter to Securities and Exchange Commission from Deloitte & Touche LLP, dated March 20, 2015 (incorporated by reference to Exhibit 16.1 to Holdings' Current Report on Form 8-K filed with the SEC on March 23, 2015). |
| *21.1 | Subsidiaries of Holdings. |
| *23.1 | Consent of BDO USA, LLP. |
| *23.2 | Consent of Deloitte & Touche LLP. |

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|---|---|
| *24.1 | Power of Attorney (see the signature page). |
| *31.1 | Certification of Chief Executive Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| *31.2 | Certification of Chief Financial Officer of Holdings in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| **32 | Certification of the Chief Executive Officer and Chief Financial Officer of Holdings in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| *101.INS | XBRL Instance Document. |
| *101.SCH | XBRL Taxonomy Extension Schema Document. |
| *101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| *101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| *101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| *101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.

** Furnished herewith.

† Management contracts or compensatory plans or arrangements.

+ Confidential treatment has been requested for certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential information has been omitted and filed separately with the SEC.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**EVERI HOLDINGS INC.**

By: /s/ RANDY L. TAYLOR
Randy L. Taylor
*Chief Financial Officer*
(*Principal Financial Officer*)

Dated: March 15, 2016

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael D. Rumbolz, Randy L. Taylor, and Todd A. Valli and each of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant in the capacities and on the date indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ MICHAEL D. RUMBOLZ<br>Michael D. Rumbolz | Interim President and Chief Executive Officer (Interim Principal Executive Officer) and Director | March 15, 2016 |
| /s/ RANDY L. TAYLOR<br>Randy L. Taylor | Chief Financial Officer (Principal Financial Officer) | March 15, 2016 |
| /s/ TODD A. VALLI<br>Todd A. Valli | Chief Accounting Officer (Principal Accounting Officer) | March 15, 2016 |
| /s/ RONALD V. CONGEMI<br>Ronald V. Congemi | Director | March 15, 2016 |
| /s/ E. MILES KILBURN<br>E. Miles Kilburn | Director | March 15, 2016 |
| /s/ GEOFFREY P. JUDGE<br>Geoffrey P. Judge | Director | March 15, 2016 |
| /s/ FRED C. ENLOW<br>Fred C. Enlow | Director | March 15, 2016 |
| /s/ EILEEN F. RANEY<br>Eileen F. Raney | Director | March 15, 2016 |

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