EVERI

Everi Holdings Inc.

# 2016 ANNUAL REPORT

**The Annual Meeting of Stockholders**
of Everi Holdings Inc. will be held:
Tuesday, May 23, 2017

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

EVERI

## NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

**To the Holders of Common Stock of Everi Holdings Inc.:**

The 2017 Annual Meeting of Stockholders of Everi Holdings Inc. (the "Annual Meeting") will be held as follows:

**When:** 9:00 a.m., Pacific Time, Tuesday, May 23, 2017

**Where:** Everi Holdings Inc. 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. To elect the one Class III director nominee named in this Proxy Statement;

2. To vote on an advisory (non-binding) resolution to approve the compensation of our named executive officers as shown in this Proxy Statement;

3. To vote on an advisory (non-binding) basis on the frequency of future advisory votes on the compensation of our named executive officers;

4. To vote on a proposal to amend our Amended and Restated Certificate of Incorporation, as amended ("Certificate of Incorporation"), to replace supermajority voting requirements with majority voting requirements in Article VII, Section B (amendments to our Second Amended and Restated Bylaws);

5. To vote on a proposal to amend our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements in Article IX (certain amendments to our Certificate of Incorporation);

6. To vote on a proposal to amend and restate the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares;

7. To vote on a proposal to approve the material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan;

8. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and

9. 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 7, 2017 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, 2017.** 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, 2016 (the "2016 Annual Report"). A complete set of proxy materials relating to our Annual Meeting is available on the Internet. These materials, consisting of the Notice of 2017 Annual Meeting of Stockholders, Proxy Statement, Proxy Card and 2016 Annual Report are available and may be viewed at www.proxyvote.com.

By Order of the Board of Directors,

/s/ Michael D. Rumbolz

Michael D. Rumbolz
*President and Chief Executive Officer*
April 21, 2017

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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 2017 Annual Meeting of Stockholders and at any adjournment or postponement thereof. On or about April 21, 2017, we will begin distributing to each stockholder entitled to vote at the 2017 Annual Meeting of Stockholders this Proxy Statement, a proxy card or voting instruction form and our 2016 Annual Report to stockholders. 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:** Tuesday, May 23, 2017
9:00 a.m. Pacific Time

**Record Date:** April 7, 2017

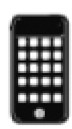
**Place:** Everi Holdings Inc. Corporate Headquarters
7250 S. Tenaya Way, Suite 100
Las Vegas, Nevada 89113

**Voting:**

Stockholders of record as of April 7, 2017 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.

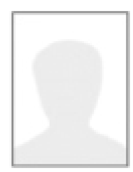


**Phone**

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**

| Proposal | Description | Board Recommendation | Page (for more detail) |
|---|---|---|---|
| 1 | Election of one Class III director. | **FOR the Board's nominee** | 11 |
| 2 | Approval, on an advisory basis, of the compensation of our named executive officers. | **FOR** | 29 |
| 3 | Approval, on an advisory basis, of the frequency of future advisory votes on the compensation of our named executive officers. | **ONE YEAR** | 56 |
| 4 | Approval of an amendment to our Amended and Restated Certificate of Incorporation, as amended (“Certificate of Incorporation”), to replace supermajority voting requirements with majority voting requirements in Article VII, Section B (amendments to our Second Amended and Restated Bylaws). | **FOR** | 57 |
| 5 | Approval of an amendment to our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements in Article IX (certain amendments to our Certificate of Incorporation). | **FOR** | 57 |
| 6 | Approval of an amendment and restatement of the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares. | **FOR** | 59 |
| 7 | Approval of the material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan. | **FOR** | 71 |
| 8 | Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017. | **FOR** | 73 |

## Class III Director Nominee

- Our single nominee is independent.
- Our single nominee has served on our Board of Directors for less than one year.
- Our single nominee is a highly-qualified individual with a diverse set of skills, background and experience.

| Name | Age | Director Since | Principal (or Most Recent) Occupation | Current Committees |
|---|---|---|---|---|
| Linster W. Fox | 67 | May 2016 | Former Executive Vice President, Chief Financial Officer and Secretary of SHFL Entertainment, Inc. and former member of Executive Advisory Board of the Lee Business School at the University of Nevada – Las Vegas. | Audit Committee (Chair); Compensation Committee; and Nominating and Corporate Governance Committee |

## Governance and Compensation Highlights

- All of our directors are independent (other than our 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 our 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.

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 2017 Annual Meeting of Stockholders (the "Annual Meeting"). The Annual Meeting will be held on Tuesday, May 23, 2017, at the Company's Corporate Headquarters located at 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada 89113 beginning at 9:00 a.m., Pacific Time. You are invited to attend the Annual Meeting and are entitled and requested to vote on the proposals outlined in this proxy statement ("Proxy Statement").

This Proxy Statement is dated April 21, 2017 and is first being mailed to stockholders on or about April 21, 2017.

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

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

| Proposal | | Board's Voting Recommendations |
|---|---|---|
| 1 | Election of one Class III director to serve until the Company's 2020 Annual Meeting of Stockholders. | **For the Board's nominee** |
| 2 | Approval, on an advisory basis, of the compensation of our named executive officers as shown in this Proxy Statement. | **FOR** |
| 3 | Approval, on an advisory basis, of the frequency of future advisory votes on the compensation of our named executive officers. | **ONE YEAR** |
| 4 | Approval of an amendment to our Amended and Restated Certificate of Incorporation, as amended ("Certificate of Incorporation"), to replace supermajority voting requirements with majority voting requirements in Article VII, Section B (amendments to our Second Amended and Restated Bylaws). | **FOR** |
| 5 | Approval of an amendment to our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements in Article IX (certain amendments to our Certificate of Incorporation). | **FOR** |
| 6 | Approval of an amendment and restatement of the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares. | **FOR** |
| 7 | Approval of the material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan. | **FOR** |
| 8 | Ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm ("independent auditors") for the fiscal year ending December 31, 2017. | **FOR** |

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 2017 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 ("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 7, 2017 (the "Record Date"). 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 7, 2017, we had approximately 66,164,971 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, Broadridge Financial Solutions, Inc. ("Broadridge"), as of the Record Date. You are a beneficial owner if a bank, brokerage firm, trustee or other agent (each, a "nominee") holds your stock. This is often called ownership in "street name" because your name does not appear in the records of our 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 nominee to obtain a legal proxy or nominee'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 nominee or other holder of record, and you do not give that nominee or other record holder specific instructions as to how to vote those shares, then under the rules of the New York Stock Exchange (the "NYSE"), your nominee or other record holder may exercise discretionary authority to vote your shares only on routine proposals, which, in this Proxy Statement, includes only the ratification of the appointment of the Company's independent auditors (Proposal 8). Without your specific instructions, however, your nominee or other record holder cannot vote your shares on non-routine proposals, which, in this Proxy Statement, include the election of one Class III director (Proposal 1), the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 2), the approval, on an advisory basis, of the frequency of future advisory votes on the compensation of our named executive officers (Proposal 3), the approval of the two proposals to amend our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements (Proposals 4 and 5), the approval of the amendment and restatement of the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares (Proposal 6), and the approval of material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan (Proposal 7). Accordingly, if you do not instruct your nominee or other record holder how to vote with respect to Proposals 1, 2, 3, 4, 5, 6 or 7, no votes will be cast on your behalf with respect to such proposals (this is referred to as a "broker non-vote"). Your nominee or other record holder, however, will continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent auditors (Proposal 8). If you hold your shares in street name, please refer to the information forwarded by your nominee 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 nominee or other holder of record regarding the voting of your shares**.

***What constitutes a quorum?***

The presence at the Annual Meeting, in person or represented 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 one Class III director (Proposal 1)*. The affirmative vote of a plurality of the outstanding shares of Common Stock present, in person or represented by proxy, at the Annual Meeting and entitled to vote is required for the election to the Board of the Class III director nominee (meaning that the director nominee who receives the highest number of shares voted "for" his or her election is 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 this guideline 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/corporate-governance/governance-documents.

- *Approval, on an advisory basis, of 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 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.

- *Approval, on an advisory basis, of the frequency of future advisory votes on the compensation of our named executive officers (Proposal 3)*. This matter is being submitted to enable stockholders to express a preference as to whether future advisory votes on named executive officer compensation should be held every year, every two years, or every three years. The affirmative vote of a majority of the shares of Common Stock present, in person or represented by proxy, at the Annual Meeting and entitled to vote on the matter is required to approve the frequency of such future advisory votes. Broker non-votes will have no effect on the outcome of this proposal, while abstentions will have the effect of votes "AGAINST" all of the frequency alternatives. If a majority of the shares present, in person or represented by proxy, at the Annual Meeting and entitled to vote on the matter do not vote in favor of one of the three frequencies, the frequency which receives the highest number of votes will be considered to be the frequency favored by stockholders. 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 determination of the frequency of future advisory votes on the compensation of our named executive officers.

- *Approval of amendments to our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements (Proposals 4 and 5)*. Each of the proposals to approve amendments to our Certificate of Incorporation to replace supermajority voting requirements with majority voting requirements requires the affirmative vote of not less than 66 2/3% of the outstanding shares of Common Stock entitled to vote generally in the election of directors. Broker non-votes and abstentions will have the effect of a vote "AGAINST" each of these proposals.

- *Approval of an amendment and restatement of the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares (Proposal 6)*. The proposal to approve an amendment and restatement of the Everi Holdings Inc. 2014 Equity Incentive Plan to, among other things, increase the maximum aggregate number of shares that may be issued thereunder by 3,500,000 shares, requires the affirmative vote of a majority of the 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.

- *Approval of the material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan (Proposal 7)*. The proposal to approve the material terms of the performance measures that apply to awards intended to qualify as performance-based compensation under the proposed Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan requires the affirmative vote of a majority of the 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.

- *Ratification of the appointment of our independent auditors (Proposal 8)*. 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, 2017 requires the affirmative vote of a majority of the shares of Common Stock present, in person or represented by proxy, at the Annual Meeting and entitled to vote. Brokers have discretion to vote on the ratification of our independent auditors and, as such, no votes on this proposal will be considered broker non-votes. Abstentions will have the effect of a vote "AGAINST" 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 nominee or other holder of record, you will receive instructions from the nominee or other record holder that you must follow in order to have your shares voted.

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

An automated system administered by 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 nominee or other holder of record and you have instructed the nominee or other holder of record to vote your shares, you must follow the directions received from the nominee or other holder of record to change those instructions. Please refer to the information forwarded by your nominee 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 nominee or other holder of record 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 the 2018 Annual Meeting of Stockholders?***

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 that was 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 2018 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 22, 2017.

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 Bylaws, is 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 2018 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, 2018, nor later than the close of business on February 22, 2018.

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 ONE CLASS III DIRECTOR

(Item No. 1 on the Proxy Card)

Our Certificate of Incorporation 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 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. Our Certificate of Incorporation and 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 | Geoffrey P. Judge, Michael D. Rumbolz and Ronald V. Congemi . . . . . . . . . . . . . . . . | 2019 Annual Meeting of Stockholders |
| III | Linster W. Fox. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 2017 Annual Meeting of Stockholders |

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, the Board has nominated Linster W. Fox, who is currently a Class III Director of the Company, for reelection as a Class III Director of the Company, to serve a three-year term until the 2020 Annual Meeting of Stockholders and until a successor is duly elected and qualified or until his earlier resignation or removal. Mr. Fox has consented, if reelected as a Class III Director of the Company, to serve until his term expires. The Board believes that Mr. Fox will serve if elected, but if he 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 Nominee*

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

**Linster W. Fox**
Age 67 . . . . . . . . . . . . . . . .

*Linster W. Fox* has served as a member of the Board since May 2016. Mr. Fox served as Executive Vice President, Chief Financial Officer and Secretary of SHFL Entertainment, Inc., a global gaming supplier, from 2009 up until the company's acquisition by Bally Technologies, Inc. in November 2013. He has also served on the Executive Advisory Board of the Lee Business School at the University of Nevada-Las Vegas from 2015 to 2016, served as interim Chief Financial Officer of Vincotech in 2009 and as Executive Vice President, Chief Financial Officer and Secretary of Cherokee International Corp. from 2005 to 2009. He has also served in a variety of executive roles over the course of 18 years at Anacomp, Inc., including Executive Vice President and Chief Financial Officer and as a member of the company's Board of Directors. He began his career as an accountant at PriceWaterhouseCoopers LLC, is a Certified Public Accountant and has a B.S.B.A. from Georgetown University in Washington, D.C.

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

***Other Directorships***: None.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION TO THE BOARD OF THE NOMINEE 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 I Directors Whose Terms Will Expire in 2018**

**E. Miles Kilburn**
Age 54 . . . . . . . . . . . . . . . .

*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 Services, LLC), 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 67 . . . . . . . . . . . . . . . .

*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. In 2016, she also became Chair of the Strategy Committee and remains as a member of the Audit and Finance Committee. 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.

**Class II Directors Whose Terms Will Expire in 2019**

**Geoffrey P. Judge**
Age 63 . . . . . . . . . . . . . .

*Geoffrey P. Judge* has served as a member of the Board since September 2006. Mr. Judge is a Venture Partner at iNovia Capital, a manager of early stage venture capital funds. He has been with this venture firm since 2010 and has been an active private equity investor since 2002. 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 63 . . . . . . . . . . . . . .

*Michael D. Rumbolz* has served as our President and Chief Executive Officer since May 2016, having previously served as our Interim President and Chief Executive Officer since February 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 Chairman of the Board of Directors of Employers Holdings, Inc. (NYSE: EIG).

**Ronald V. Congemi**
Age 70 . . . . . . . . . . . . . .

*Ronald V. Congemi* has served as a member of the Board since February 2013. Mr. Congemi is an active member of the Philadelphia Federal Reserve's Payments Advisor Council and has served as a member of the Board of Directors of Clearent LLC, a merchant processing company, and as a consultant to the Acxsys Corporation of Canada, the operating arm of the Interac debit network of Canada. He was also a paid advisor to the Gerson Lehrman Group, a global advisory firm. 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.

## 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 Certificate of Incorporation and 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 President and Chief Executive Officer).
- "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).
- Regular executive sessions of independent directors.
- Annual Board and committee self-evaluations.
- Risk management oversight by the Board and committees.
- Maintenance of a 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*

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board understands that there is no single, generally accepted approach to providing Board leadership, and that given the dynamic and competitive environment in which we operate, the right Board leadership structure may vary as circumstances warrant. Currently, 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 Board believes this structure promotes balance between the Board's independent authority to oversee our business and the Chief Executive Officer's and his management team's management of the business on a day-to-day basis. Currently, 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. This allows the Chief Executive Officer to focus his time and energy on operating and managing the Company while leveraging the experience and perspectives of the Chairman of the Board. The Board believes that Mr. Kilburn's role as Chairman of the Board 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. The Board believes that having an independent Chairman of the Board also enables non-management directors to raise issues and concerns for Board consideration without immediately involving management. 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 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 year 2016, the Board held seven meetings and each director attended at least 75% of such meetings of the Board that were held while such person was a director of the Company. The Company encourages, but does not require, its Board members to attend annual stockholders meetings. All of the Company's then current Board members attended the Company's 2016 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 charitable 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 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, Fox 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 and that were held while such person was a member of the applicable committee. 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.

In February 2016, the composition of each committee's membership was reconstituted. The table below depicts Committee membership for fiscal year 2016 prior to the reconstitution of the committee membership. Our Board has determined that each of the members of our standing committees identified below was "independent," as defined under and required by the rules of the SEC and the NYSE. Prior to his departure in February 2016, Mr. Chary, our former President and Chief Executive Officer and former director, did not serve on any committees of the Board.

***Pre-Reconstitution***

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

The table below depicts Committee membership for fiscal year 2016 following the reconstitution of the committee membership, as well as the current Committee membership as of the date of this Proxy Statement. Since February 2016, when he became our Interim President and Chief Executive Officer (prior to becoming our President and Chief Executive Officer in May 2016) and director, Mr. Rumbolz has not served on any committees of the Board. 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.

***Post-Reconstitution and Current***

| Name | Post-Reconstruction - February 2016 Audit | Compensation | Nominating and Corporate Governance | Current - Since July 2016 Audit | Compensation | Nominating and Corporate Governance |
|---|---|---|---|---|---|---|
| E. Miles Kilburn[(1)] . . . . . | Chair | Chair | X | X | X | X |
| Geoffrey P. Judge [(2)]. . . . . . | X | X | Chair | X | Chair | X |
| Fred C. Enlow [(3)] | X | X | X | - | - | - |
| Ronald V. Congemi [(4)] . . . | X | X | X | X | X | X |
| Eileen F. Raney [(5)] . . . . . . . . . . . | X | X | X | X | X | Chair |
| Linster W. Fox[(6)] | - | - | - | Chair | X | X |

(1) Mr. Kilburn served as the Chair of each of the Audit and Compensation Committees until July 19, 2016.

(2) Mr. Judge was appointed to serve as a member of the Compensation Committee effective February 13, 2016. Mr. Judge was Chair of the Nominating and Corporate Governance Committee until July 19, 2016 and was appointed to serve as the Chair of the Compensation Committee effective July 20, 2016.

(3) Mr. Enlow was appointed to serve as a member of the Nominating and Corporate Governance Committee effective February 25, 2016. Mr. Enlow retired as a director of the Board effective May 9, 2016.

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

(5) Ms. Raney was appointed to serve as a member of the Audit, Compensation, and Nominating and Corporate Governance Committees effective February 25, 2016, and was appointed to serve as the Chair of the Nominating and Corporate Governance Committee effective July 20, 2016.

(6) Mr. Fox was appointed to serve as a member of the Audit, Compensation, and Nominating and Corporate Governance Committees effective May 11, 2016, and was appointed to serve as the Chair of the Audit Committee effective July 20, 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 year 2016. 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" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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 2016 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 8 — Ratification of the Appointment of Independent Registered Public Accounting Firm."

The Board has determined that Mr. Fox, the Chair of the Audit Committee, and each of Mr. Kilburn and Ms. Raney, members 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 five times during fiscal year 2016, 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;

- annually review director compensation and benefits;

- administer the Company's non-equity incentive compensation plans and equity based plans in effect and as modified or 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 2016 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 2016, 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 Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the SEC and the NYSE. In making this determination, the Compensation Committee noted that during 2016:

- Aon did not provide any services to the Company, or its management, other than services to the Compensation Committee, and its services were limited to executive and director 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 year 2016. 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; and

- 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.

***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 2018 Annual Meeting of Stockholders, stockholder nominations must be received no earlier than the close of business on January 23, 2018 nor later than the close of business on February 22, 2018. 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/corporate-governance/governance-documents. 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 gender, 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. The Code of Business Conduct, Standards and Ethics is available on our website at ir.everi.com/investor-relations/corporate-governance/governance-documents. 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 Board 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/corporate-governance/governance-documents. Copies of the Board 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.

***2016 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 the Everi Holdings Inc. 2014 Equity Incentive Plan (the "2014 Plan"), each grant is subject to vesting over four years, with 25% vesting on of the first four anniversaries of the date of grant.

Under this compensation program, the independent members of the Board receive an annual cash fee of $50,000, except for the Chair of the Board who receives an annual cash fee of $75,000. 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 $9,375, except for the Chair of each such committee who receives an annual cash fee of $25,000, $12,500, and $12,500, respectively.

In addition, the independent members of the Board are typically granted 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 grants made to Ms. Raney in February 2016 and Mr. Fox in May 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, 2016:

| Name | Fees earned or paid in cash | Stock awards | Option awards[(1)] | Total |
|---|---|---|---|---|
| E. Miles Kilburn[(2)] | $ 113,458 | $ — | $ 101,868 | $ 215,326 |
| Geoffrey P. Judge[(2)] | 80,124 | — | 61,120 | 141,244 |
| Fred C. Enlow[(2)(3)] | 26,534 | — | — | 26,534 |
| Ronald V. Congemi[(2)] | 76,691 | — | 61,120 | 137,811 |
| Eileen F. Raney[(2)(4)] | 67,577 | — | 122,400 | 189,977 |
| Linster W. Fox[(2)(5)] | 57,082 | — | 72,510 | 129,592 |

(1) Represents the fair value of the directors' equity awards in fiscal year 2016, 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, 2016. There were no restricted stock awards granted to our directors during the fiscal year ended December 31, 2016.

(2) At December 31, 2016, our independent directors had the following aggregate numbers of option awards and unvested stock awards outstanding:

| | Unvested stock awards | Shares underlying outstanding options |
|---|---|---|
| E. Miles Kilburn | 853 | 220,571 |
| Geoffrey P. Judge | 569 | 138,715 |
| Fred C. Enlow | — | — |
| Ronald V. Congemi | — | 141,667 |
| Eileen F. Raney | — | 100,000 |
| Linster W. Fox | — | 100,000 |

(3) Mr. Enlow retired as a director of the Board effective May 9, 2016.

(4) Ms. Raney was appointed to serve as a member of the Audit, Compensation, and Nominating and Corporate Governance Committees effective February 25, 2016, and was appointed to serve as the Chair of the Nominating and Corporate Governance Committee effective July 20, 2016.

(5) Mr. Fox was appointed to serve as a member of the Audit, Compensation, and Nominating and Corporate Governance Committees effective May 11, 2016, and was appointed to serve as the Chair of the Audit Committee effective July 20, 2016.

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

During fiscal year 2016, no member of the Compensation Committee was, or formerly was, an officer or employee of the Company or its subsidiaries. During fiscal year 2016, 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 2016, 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.

***Equity Ownership Policy***

*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. At December 31, 2016, all current named executive officers, other executive officers and non-employee directors either met the ownership guidelines or were within the five-year phase-in period. For more information on the Equity Ownership Policy, see "Executive Compensation – Compensation Discussion and Analysis – Additional Compensation Policies and Practices – Equity Ownership Policy."

*Clawback.* In February 2016, the Board adopted an Incentive Compensation Clawback Policy (the "Clawback Policy"). 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. 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. For more information on the Clawback Policy, see "Executive Compensation – Compensation Discussion and Analysis – Additional Compensation Policies and Practices – Clawback Policy."

*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 2016***

During fiscal year 2016, the Company did not engage in any transactions, and there are 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 completed the process of hiring a permanent President and Chief Executive Officer. On and effective May 10, 2016, the Board appointed Mr. Rumbolz as President and Chief Executive Officer.

In addition to the information provided above in "Proposal 1 - Election of One Class III Director – Directors Not Up for Election – Class II Directors Whose Term will Expire in 2019" regarding Mr. Rumbolz, the following sets forth the Company's current executive officers as of the date of this Proxy Statement:

| Name | Age | Current Position and Offices |
|---|---|---|
| Michael D. Rumbolz . . . . . . . . . . . . . . . . . . . . . | 63 | President, Chief Executive Officer and Director |
| Randy L. Taylor . . . . . . . . . . . . . . . . . . . . . . . . | 54 | Executive Vice President and Chief Financial Officer |
| Juliet A. Lim . . . . . . . . . . . . . . . . . . . . . . . . . . . | 54 | Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary |
| David J. Lucchese. . . . . . . . . . . . . . . . . . . . . . . . | 58 | Executive Vice President, Digital and Interactive Business Leader |
| Edward A. Peters . . . . . . . . . . . . . . . . . . . . . . . . | 54 | Executive Vice President, Sales and Marketing |
| Dean A. Ehrlich . . . . . . . . . . . . . . . . . . . . . . . . . | 48 | Executive Vice President, Games Business Leader |

***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 Business Leader, Chief Legal Officer and Corporate Secretary since January 2017, having previously served as our Executive Vice President, Payments, General Counsel and Corporate Secretary since January 2015 and our Executive Vice President, General Counsel and Corporate 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 J. Lucchese*** has served as our Executive Vice President, Digital and Interactive Business Leader since January 2017, having previously served as our Executive Vice President, Games since January 2015, our Executive Vice President, Client Operation from March 2014 to January 2015, and 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 and Marketing 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.

***Dean A. Ehrlich*** has served as our Executive Vice President, Games Business Leader since January 2017, having previously served as an Executive Consultant to the Company since August 2016. Prior to joining the Company, Mr. Ehrlich served in various senior executive positions with WMS Industries Inc. during the past several years from May 2003 through July 2015, which was acquired by Scientific Games Corporation in late 2013, including as Senior Vice President Global Gaming Operations. Mr. Ehrlich spent several years at Anchor Gaming from October 1994 until May 2003, which was acquired by International Game Technology in late 2001, serving in multiple leadership roles with the most recent as General Manager for its Proprietary Games division.

## PROPOSAL 2

## ADVISORY (NON-BINDING) VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (SAY-ON-PAY)

(Item No. 2 on the Proxy Card)

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 of stockholders, 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 adopted a frequency of obtaining say-on-pay votes on an annual basis.

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, in this Proxy Statement. The say-on-pay vote 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" section 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, 2016.

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 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. In 2016, our say-on-pay proposal received the support of 90.4% of the shares voted, which we believe indicates strong support for our compensation program and practices. Nevertheless, we will continue to solicit feedback, engage with our investors, and evaluate the effectiveness of our pay practices in aligning 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 2017 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 2016 executive compensation program. This CD&A is intended to be read in conjunction with the tables beginning on page 46, which provide further historical compensation information for our following named executive officers as of December 31, 2016 ("named executive officers" or "NEOs") :

| Name | Current Title |
|---|---|
| **Michael D. Rumbolz(1)** | President and Chief Executive Officer |
| **Randy L. Taylor** | Executive Vice President and Chief Financial Officer |
| **Juliet A. Lim(2)** | Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary |
| **David J. Lucchese(3)** | Executive Vice President, Digital and Interactive Business Leader |
| **Edward A. Peters** | Executive Vice President, Sales and Marketing |
| **Ram Chary(4)** | Former President and Chief Executive Officer |

(1) The Board appointed Mr. Rumbolz, a director of the Company, as the Interim President and Chief Executive Officer effective February 13, 2016 and as President and Chief Executive Officer effective May 10, 2016.

(2) The Board appointed Ms. Lim as Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary effective January 3, 2017. She had previously served as our Executive Vice President, Payments, General Counsel and Corporate Secretary since January 2015.

(3) The Board appointed Mr. Lucchese as Executive Vice President, Digital and Interactive Business Leader effective January 3, 2017. He had previously served as our Executive Vice President, Games since January 2015.

(4) The Board terminated Mr. Chary from his positions as President, Chief Executive Officer and Director effective February 13, 2016.

### Quick CD&A Reference Guide

## *I. Executive Summary*

Throughout 2016, the Company successfully implemented strategies that have stabilized the business and strengthened the Company going forward. This has included improving efficiencies, innovating new content and increasing discipline related to expense management. The Company has also improved product offerings and currently has its most diverse portfolio of gaming solutions. Although our share price and Adjusted EBITDA did not reflect these innovations and improvements in 2016, we believe that they have positioned the Company to deliver growth in 2017.

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.

In short, we believe our pay program is effective, and the past year is a strong affirmation of this belief. Our business performance in 2016 has been reflected in our executive pay outcomes and Compensation Committee decisions. For example:

- ***Low Short-Term Incentive Payouts:*** Our Adjusted EBITDA was $198.0 million, slightly below our threshold performance level. As such, executives did not receive any annual cash incentives for this financial goal, which accounted for 75% of their annual incentive (See Appendix A to this Proxy Statement for a reconciliation of financial measures prepared in accordance with 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).

- ***No Base Salary Increases or Bonus Opportunity Increases:*** In light of corporate performance, the Compensation Committee determined that executives should not receive merit increases to base salary or any increases in target bonus opportunities in 2016.

- ***Moderate Equity Grants in 2016:*** The Compensation Committee concluded that executive equity grants are a beneficial vehicle for retaining and motivating the executive team to pursue the creation of long-term sustainable stockholder value. However, the Compensation Committee also believed it was prudent to grant executives a moderate size grant, due to corporate performance in the past year and the disappointing stock price performance.

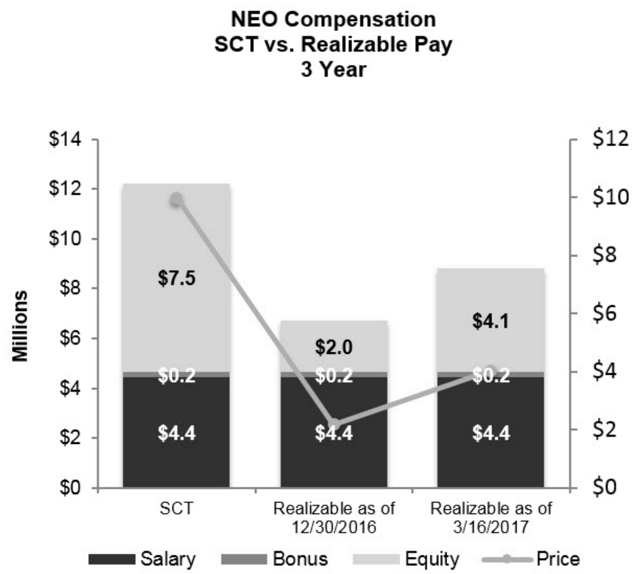
- ***Redesigned Equity Grants for 2016:*** For the 2016 annual grants, the Compensation Committee also chose to alter the design of the long-term awards, wherein 67% of the awards were delivered as market-based stock options with a vesting price hurdle 50% greater than the closing stock price on the grant date.

- ***Realizable Pay values:*** As discussed below, the realizable value of awards granted to executives over the last several years is far lower than the values displayed in the "2016 Summary Compensation Table", demonstrating a link between pay and performance.

***Realizable Pay***

Paying for performance continues to be 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. Therefore, the grant date value of compensation packages (as displayed in the "2016 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 following chart shows the difference between the reported pay, as disclosed in the "2016 Summary Compensation Table", of our NEO team and the realizable pay values of those awards as of the end of the 2016 fiscal year, and as of a more current date:




***"SCT" pay*** is the pay levels as disclosed in the "2016 Summary Compensation Table" annually. This includes actual base salary, actual annual bonuses received, and long-term incentive components (restricted stock awards and annual stock option grants) based on the grant date fair value.

***"Realizable" pay*** is defined as the compensation earned or deliverable for each year calculated as of the end of the 2016 fiscal year, including: actual salary received, actual annual bonuses received, and the intrinsic value of long-term incentive plan components, as valued on December 30, 2016 (the last trading day of the 2016 fiscal year) using the year-end share price of $2.17 per share, and as valued on March 16, 2017 (a recent date before this Proxy Statement was filed) using the closing share price on that date of $4.03 per share.

***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 that the Board believes are central to delivering long-term stockholder value. Key components of our 2016 compensation program are:

| | |
|---|---|
| **Base Salary** | Individual salaries are established and negotiated at the time of hire and adjusted thereafter in the Compensation Committee's discretion.<br><br>Initial salaries are set based on the executive officer'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 are intended to reward the achievement of annual corporate financial goals as well as individual accomplishments and contributions.<br><br>For 2016, these cash incentives were based 75% on the achievement of Adjusted EBITDA goals and 25% on the achievement of Individual Performance Goals. |
| **Long-Term Incentives** | Long-term equity awards focused on incentivizing executives to deliver long-term stockholder value, while also providing a retention vehicle for top executive talent.<br><br>For 2016, we granted a mix of market-based stock options (67% of value mix) with challenging vesting price hurdles set at 50% above grant date closing price, and time-based stock options (33%). |

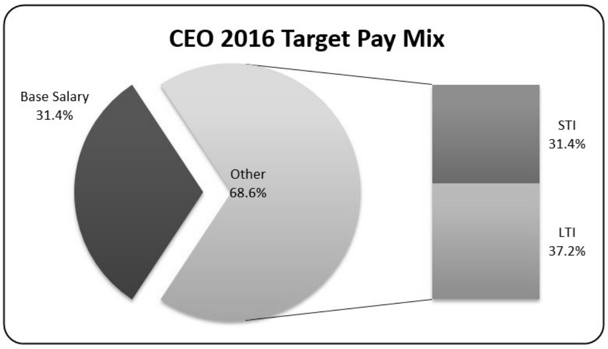
***Compensation Governance Practices***

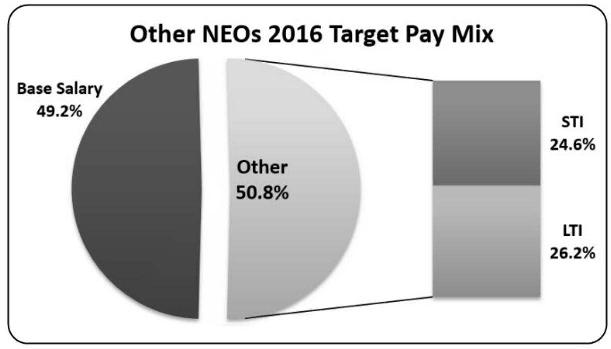
Our compensation governance framework and pay-for-performance philosophy provide appropriate incentives to our executives to achieve our financial and strategic goals without encouraging them to take excessive risks in their business decisions.

| 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 the Chief Executive Officer, 3x for NEOs, and 5x annual cash 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. |
| ✓ | Incentive program design that discourages 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. |

***2016 Target Total Compensation***

To promote a performance-based culture that aligns the interests of management and stockholders, in 2016 the executive compensation program focused extensively on variable compensation. For example, our target pay mix is as follows:




***2016 Say-on-Pay Vote and Stockholder Outreach***

At our 2016 Annual Meeting of Stockholders, our say-on-pay proposal received the support of approximately 90.4% of the shares voted, which we believe indicates strong support for our compensation program and practices. Over several months prior to our 2016 Annual Meeting of Stockholders, our Compensation Committee and management team reached out to the majority of our top 20 stockholders, who held approximately 68.5% of our outstanding shares at the time, 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 our overall efforts to strengthen our compensation program and further align management and stockholder interests. We believe the support for these ongoing efforts to improve and refine our compensation program was reflected in the strong support for our 2016 say-on-pay proposal.

***Chief Executive Officer Pay***

Effective February 13, 2016, Michael D. 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 Ram 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 was entitled to receive a monthly base salary of $50,000, which was less than that of Mr. Chary’s monthly base salary, and was 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 did not otherwise provide for an annual cash incentive bonus, and he did not receive compensation as a director while serving as Interim President and Chief Executive Officer.

Effective May 10, 2016, the Board appointed Mr. Rumbolz as President and Chief Executive Office of the Company. In connection with his appointment as President and Chief Executive Officer, the Company and Mr. Rumbolz entered into an amendment to his Employment Agreement, effective May 10, 2016 wherein Mr. Rumbolz is eligible for an annual bonus in an amount of up to 150% of his then current base salary depending upon the achievement of certain performance criteria and goals to be determined. The target amount of the annual bonus, assuming the achievement of performance criteria and goals, is 100% of his then current base salary. Since Mr. Rumbolz was appointed the successor President and Chief Executive Officer of the Company, he did not receive the one-time $100,000 bonus referred to above.

### *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:

- ✓ Promotes Pay-for-Performance
- ✓ Establishes 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*

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 officers 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. The consultant reports directly to the Compensation Committee, who may replace the consultant or hire additional consultants at any time. The compensation consultant attends meetings of the Compensation Committee, as requested, and may communicate 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, stockholder engagement and CD&A disclosure, among other compensation topics. The compensation consultant provides no additional services to the Company, other than the consulting services provided to the Compensation Committee. In 2016, Aon served as the Compensation Committee's independent compensation consultant and provided the foregoing services to the Compensation Committee.

The Compensation Committee conducted a specific review of its relationship with Aon in 2016, 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 2016.

***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.

Our peer group has changed slightly in the past year: four peers (Coinstar, DreamWorks Animation SKG, LeapFrog Enterprises, and Heartland Payment Systems) are no longer publicly traded. As such, our peer group consists of the following companies:

***Peer Group***

| Comparator Company | Ticker | Revenue ($mm) | Market Cap ($mm) | Enterprise Value ($mm) | Type |
|---|---|---|---|---|---|
| Boyd Gaming Corporation | BYD | $ 2,184.0 | $ 2,268.8 | $ 5,340.0 | Gaming |
| Scientific Games Corp. | SGMS | $ 2,883.4 | $ 1,226.0 | $ 9,850 | Gaming |
| Churchill Downs Inc. | CHDN | $ 1,308.6 | $ 2,436.6 | $ 3,420.0 | Gaming |
| JAKKS Pacific, Inc. | JAKK | $ 706.6 | $ 82.3 | $ 219.5 | Gaming |
| Zynga, Inc. | ZNGA | $ 741.4 | $ 2,292.3 | $ 1,610.0 | Gaming |
| Glu Mobile, Inc. | GLUU | $ 200.6 | $ 258.9 | $ 186.2 | Gaming |
| VeriFone Systems, Inc. | PAY | $ 1,992.1 | $ 1,973.5 | $ 2,880.0 | Payments |
| Euronet Worldwide, Inc. | EEFT | $ 1,958.6 | $ 3,781.3 | $ 4,240.0 | Payments |
| Moneygram International Inc. | MGI | $ 1,630.4 | $ 627.6 | $ 1,630.0 | Payments |
| Blackhawk Network Holdings, Inc. | HAWK | $ 1,899.8 | $ 2,086.3 | $ 1,580.0 | Payments |
| Cardtronics, Inc. | CATM | $ 1,265.4 | $ 2,472.1 | $ 2,580.0 | Payments |
| WEX Inc. | WEX | $ 1,018.5 | $ 4,769.2 | $ 6,570.0 | Payments |
| Green Dot Corporation | GDOT | $ 718.8 | $ 1,182.0 | $ 999.1 | Payments |
| Evertec, Inc. | EVTC | $ 389.5 | $ 1,315.8 | $ 1,820.0 | Payments |
| **14 Peers** | 25th %ile | $ 724.4 | $ 1,193.0 | $ 1,587.5 | |
| | Median | $ 1,287.0 | $ 2,029.9 | $ 2,200.0 | |
| | 75th %ile | $ 1,943.9 | $ 2,400.5 | $ 4,035.0 | |
| **Everi Holdings Inc.** | | **$ 859.5** | **$ 143.3** | **$ 1,443.0** | |
| | ***Rank*** | ***34 %*** | ***3 %*** | ***21 %*** | |

### *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 year 2016.

***Summary Overview***

| Type | Element | Performance Period | Objective | Performance Measured and Rewarded for 2016 |
|---|---|---|---|---|
| **Fixed** | Base Salary | Annual | Recognizes an individual's role and responsibilities and serves as an important retention vehicle | • Reviewed annually and set based on market competitiveness, individual performance and internal equity considerations |
| | | | **Annual Cash Incentive Plan** | |
| **Performance -based** | Annual Bonus | Annual | Rewards achievement of annual financial objectives and individual performance goals | • Adjusted EBITDA (75%)<br>• Individual Performance Goals (25%) |
| | | | **Long-Term Incentive Plan** | |
| **Performance -based** | Market-Based Stock Options | Long-Term | Supports the achievement of strong share price growth | • Vesting price hurdle set 50% above grant date closing price<br>○ If vesting price hurdle is not met as of annual vesting date, the price hurdle must be obtained for 30 consecutive trading days for the awards to vest |
| | Time-Based Stock Options | Long-Term | Aligns the interests of management and stockholders and serves an important retention vehicle | • Vests ratably over four years |

***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, including 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 based on the relative importance of the job as compared to the Company's other executive officers, as measured by the scope of responsibility and performance expectations; and
- Retention risk and the Company's need to retain high performing and high potential executives.

In 2016, in consideration of the above-mentioned factors, the Compensation Committee concluded that it was prudent to maintain current base salary levels.

| NEO | 2015 Base Salary | 2016 Base Salary | % Change |
|---|---|---|---|
| Michael D. Rumbolz(1) | $ — | $ 600,000 | n/a |
| Randy L. Taylor | 400,000 | 400,000 | 0.0% |
| Juliet A. Lim | 400,000 | 400,000 | 0.0% |
| David J. Lucchese | 425,000 | 425,000 | 0.0% |
| Edward A. Peters | 400,000 | 400,000 | 0.0% |
| Ram Chary(2) | 800,000 | 800,000 | 0.0% |

(1) Mr. Rumbolz's employment began in February 2016.

(2) Mr. Chary's employment was terminated in February 2016.

***Annual Cash Incentives***

All of our NEOs were eligible for the 2016 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 is 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, which were also used in 2015, were employed in 2016:

| Name | Target | Maximum |
|---|---|---|
| | *(As a % of base salary)* | |
| **Michael D. Rumbolz(1)** | 100 % | 150 % |
| **Randy L. Taylor** | 50 % | 75 % |
| **Juliet A. Lim** | 50 % | 75 % |
| **David J. Lucchese** | 50 % | 75 % |
| **Edward A. Peters** | 50 % | 100 % |
| **Ram Chary(2)** | 100 % | 150 % |

(1) Mr. Rumbolz's employment began in February 2016.

(2) Mr. Chary's employment was terminated in February 2016.

***2016 Performance Metrics***

For 2016, the Company's annual non-equity incentive plan for executives consisted of two performance metrics: (a) Adjusted EBITDA (75% weighting) and (b) Individual Performance Goals (25% weighting).

| Metric | Weight | Threshold - 1 | Threshold - 2 | Target | Threshold - 3 | Maximum | Actual Performance |
|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | 75% | $203M to $205M<br>50% to 75% | $205M to $208M<br>75% to 100% | $208M to $210M<br>100% | $210M to $212M<br>100% to 125% | $212M to $215M<br>125% to 150% | $198M |
| **Individual Performance Goals** | 25% | $202.5M | n/a | n/a | n/a | n/a | n/a |

In 2016, the Individual Performance Goals, established by the Compensation Committee, and weighted equally, 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 |

***2016 Actual Payouts***

For the year ended December 31, 2016, the Company reported Adjusted EBITDA of $198.0 million, which was less than the minimum thresholds of $203.0 million and $202.5 million for the objective (Adjusted EBITDA) and subjective (Individual Performance Goals) targets, respectively. Therefore, under the formula outlined above, the NEOs did not receive a payout with respect to such targets.

In addition to the Individual Performance Goals, the NEOs were assigned specific objectives. The Compensation Committee subjectively assessed the achievement of such additional objectives and determined that they were accomplished with respect to each NEO. The Compensation Committee also considered additional factors, including, among others, the Board of Directors' decision to terminate the previous CEO in early 2016, certain challenges with the Company's installed base of electronic gaming machines and the overall positive performance of the Payments segment. After such additional consideration, the Compensation Committee determined that it was appropriate to grant discretionary cash bonuses to the NEOs. As a result, the NEOs, including Mr. Rumbolz, received payouts that ranged from 13% – 22% of annualized base salaries, and are shown on the "2016 Summary Compensation Table" under the "Bonus" column.

*__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.

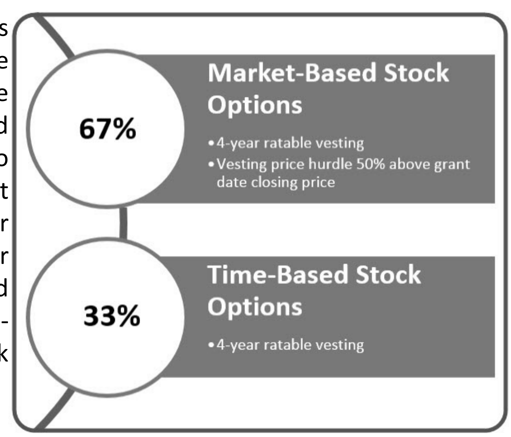
*__Mix of Equity Incentive Awards__*

Our long-term equity compensation program currently consists of two award types:

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

*__2016 Awards__*

In keeping with the Company's commitment to strengthening its overall corporate governance, including its compensation program, the Company worked with Aon in early 2016 to reassess the long-term incentive plan. In doing so, the Company and Aon studied peer group designs and 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 stockholder interests. As such, effective with the 2016 annual grant, the long-term incentive plan consists of a mix of market-based and time-based stock options.



## *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 sets forth the required salary multiples for each category of person subject to the policy:

| Current NEO | Required Salary Multiple |
|---|---|
| President and Chief Executive Officer | 6x base salary |
| All other NEOs | 3x base salary |
| Other officers | 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, other officer 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)

At December 31, 2016, all current named executive officers, other officers and non-employee directors either met the ownership guidelines or were within the five-year phase-in period.

### *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, as directed by the Dodd-Frank Act, the SEC has issued proposed rules which, if adopted in final form, would require 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 final rules implementing this portion of the Dodd-Frank Act. Once the SEC issues final rules 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, our 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 below under the caption “Employment Contracts, Termination of Employment and Change in Control Arrangements.”

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.

### *Settlement with Ram Chary*

On March 15, 2017, the Company entered into a Settlement Agreement and Mutual Release with Mr. Chary, its former President and Chief Executive Officer, whose last day with the Company was February 13, 2016, to resolve a dispute regarding the termination of Mr. Chary’s employment with the Company. Pursuant to this agreement, Mr. Chary received from the Company an amount equal to $4.6 million, inclusive of attorney fees and costs of $0.9 million, in satisfaction of all monetary obligations of the Company to Mr. Chary. Each party also agreed to release certain claims they may have had against the other.

### *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:***

Geoffrey P. Judge (Chair)
Ronald V. Congemi
Linster W. Fox
E. Miles Kilburn
Eileen F. Raney

## Compensation of Named Executive Officers

### *2016 Summary Compensation Table*

The following table sets forth the total compensation earned for services rendered in 2016 by our principal executive officer (current and former), our principal financial officer and the three other persons whose total compensation for the fiscal year ended December 31, 2016 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[1] | Stock awards[2] | Option awards[3] | Non-equity incentive plan compensation[4] | All other compensation[5] | Total |
|---|---|---|---|---|---|---|---|---|
| **Michael D. Rumbolz** . . . . President and Chief Executive Officer | 2016 | $ 507,692 [6] | $ 132,377 | $ - | $ 601,162 | $ - | $ 17,348 [7] | $ 1,258,579 |
| **Randy L. Taylor** . . . . . . . . Executive Vice President, | 2016 | 400,000 | 65,000 | - | 215,959 | - | 9,779 | 690,738 |
| 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** [8] . . . . . . . . . Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate | 2016 | 400,000 | 65,000 | - | 215,959 | - | 9,779 | 690,738 |
| Secretary | 2015 | 397,308 | - | - | 930,000 | - | 15,957 | 1,343,265 |
| | 2014 | 266,539 | - | 341,760 | 601,310 | - | 46,164 | 1,255,773 |
| **David J. Lucchese** [9]. . . . . Executive Vice President, Digital and Interactive | 2016 | 425,000 | 53,125 | - | 215,959 | - | 9,818 | 703,902 |
| Business Leader | 2015 | 415,000 | - | - | 930,000 | - | 97,834 | 1,442,834 |
| | 2014 | 340,000 | - | 356,000 | 601,310 | - | 19,187 | 1,316,497 |
| **Edward A. Peters**. . . . . . . Executive Vice President, | 2016 | 400,000 | 55,000 | - | 215,959 | - | 16,198 [10] | 687,157 |
| Sales and Marketing | 2015 | 392,308 | - | - | 465,000 | - | 36,768 | 894,076 |
| **Ram Chary** . . . . . . . . . . . . President and Chief Executive Officer | 2016 | 123,077 [11] | - | - | - | - | 3,666,411 [12] | 3,789,488 |
| (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 |

(1) Represents the amount of discretionary cash bonus earned for the 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.

(2) 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, 2016, 2015 and 2014.

(3) 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, 2016, 2015 and 2014.

(4) Represents the amount of cash bonus earned under the Company's annual cash incentive plan for the 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.

(5) Includes contributions made by the Company under its 401(k) plan.

(6) The Board appointed Mr. Rumbolz, a director of the Company, as the Interim President and Chief Executive Officer effective February 13, 2016 and as President and Chief Executive Officer effective May 10, 2016.

(7) Mr. Rumbolz earned $9,442 in 2016 serving as an independent director, prior to beginning his term as Interim President and Chief Executive Officer.

(8) The Board appointed Ms. Lim as Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary effective January 3, 2017. She had previously served as our Executive Vice President, Payments, General Counsel and Corporate Secretary since January 2015 and our Executive Vice President, General Counsel and Corporate Secretary from March 2014 to January 2015.

(9) The Board appointed Mr. Lucchese as Executive Vice President, Digital and Interactive Business Leader effective January 3, 2017. He had previously served as our Executive Vice President, Games since January 2015, our Executive Vice President, Client Operation from March 2014 to January 2015, and our Executive Vice President, Sales from April 2010 to March 2014.

(10) Includes vehicle related expenses of $6,414.

(11) Mr. Chary's employment was terminated in February 2016.

(12) Includes the amount payable to Mr. Chary under the Settlement Agreement and Mutual Release, which is exclusive of $0.9 million of legal fees owed as well as $19,946 of continued group health insurance paid under his employment agreement and other reimbursements.

### *2016 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, 2016:

| Name | Grant Date | Estimated future payouts under non-equity incentive plan awards [(1)] 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)] |
|---|---|---|---|---|---|---|---|---|
| Michael D. Rumbolz[(5)] . . . . . . . . . | | $ 150,000 | $ 600,000 | $ 900,000 | | | | |
| | 2/13/2016 | - | - | - | | 465,116 | $ 2.78 | $ 601,162 |
| Randy L. Taylor . . . . . . . . . . . . . . | | 25,000 | 200,000 | 300,000 | | | | |
| | 5/13/2016 | - | - | - | - | 177,550 | 1.46 | 157,132 |
| | 5/13/2016 | - | - | - | - | 87,450 | 1.46 | 58,828 |
| Juliet A. Lim . . . . . . . . . . . . . . . . . | | 25,000 | 200,000 | 300,000 | | | | |
| | 5/13/2016 | - | - | - | - | 177,550 | 1.46 | 157,132 |
| | 5/13/2016 | - | - | - | - | 87,450 | 1.46 | 58,828 |
| David J. Lucchese . . . . . . . . . . . . . | | 26,563 | 212,500 | 318,750 | | | | |
| | 5/13/2016 | - | - | - | - | 177,550 | 1.46 | 157,132 |
| | 5/13/2016 | - | - | - | - | 87,450 | 1.46 | 58,828 |
| Edward A. Peters . . . . . . . . . . . . . | | 25,000 | 200,000 | 400,000 | | | | |
| | 5/13/2016 | - | - | - | - | 177,550 | 1.46 | 157,132 |
| | 5/13/2016 | - | - | - | - | 87,450 | 1.46 | 58,828 |
| Ram Chary[(6)] . . . . . . . . . . . . . . . . | | - | - | - | | | | |

(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.

(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 2016, 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 the Company's Annual Report on Form 10-K for the years ended December 31, 2016, 2015 and 2014.

(5) The Board appointed Mr. Rumbolz, a director of the Company, as the Interim President and Chief Executive Officer effective February 13, 2016 and as President and Chief Executive Officer effective May 10, 2016.

(6) Mr. Chary's employment was terminated in February 2016.

*Outstanding Equity Awards at December 31, 2016*

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, 2016:

| | 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** |
| Michael D. Rumbolz[7] | 100,000 | - | - | $ 5.77 | 8/25/2018 | - | $ - |
| | 100,000 | - | - | 3.72 | 8/30/2020 | - | - |
| | 40,000 | - | - | 3.41 | 3/1/2021 | - | - |
| | 40,000 | - | - | 5.58 | 3/2/2022 | - | - |
| | 18,209 | 1,215 [4] | - | 7.09 | 3/6/2023 | - | - |
| | 25,000 | 25,000 [1] | - | 6.59 | 5/2/2024 | - | - |
| | 12,500 | 37,500 [1] | - | 7.74 | 4/22/2025 | - | - |
| | 193,813 | 271,303 [3] | - | 2.78 | 2/13/2026 | - | - |
| | - | - | - | - | - | 569 [4] | 1,235 |
| Randy L. Taylor | 15,000 | - | - | 4.57 | 12/7/2021 | - | - |
| | 16,875 | - | - | 5.58 | 3/2/2022 | - | - |
| | 10,870 | 989 [4] | - | 7.09 | 3/6/2023 | - | - |
| | 50,000 | 50,000 [1] | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 [2] | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 [5] | 7.74 | 4/22/2022 | - | - |
| | - | - | 177,550 [6] | 1.46 | 5/13/2026 | - | - |
| | - | 87,450 [1] | - | 1.46 | 5/13/2026 | - | - |
| | - | - | - | - | - | 463 [4] | 1,005 |
| | - | - | - | - | - | 22,000 [1] | 47,740 |
| Juliet A. Lim | 50,000 | 50,000 [1] | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 [2] | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 [5] | 7.74 | 4/22/2022 | - | - |
| | - | - | 177,550 [6] | 1.46 | 5/13/2026 | - | - |
| | - | 87,450 [1] | - | 1.46 | 5/13/2026 | - | - |
| | - | - | - | - | - | 24,000 [1] | 52,080 |
| David J. Lucchese | 100,000 | - | - | 8.68 | 4/30/2020 | - | - |
| | 62,500 | - | - | 3.41 | 3/1/2021 | - | - |
| | 100,000 | - | - | 5.58 | 3/2/2022 | - | - |
| | 35,998 | 2,400 [4] | - | 7.09 | 3/6/2023 | - | - |
| | 50,000 | 50,000 [1] | - | 6.59 | 5/2/2024 | - | - |
| | - | - | 120,000 [2] | 6.59 | 5/2/2024 | - | - |
| | - | - | 400,000 [5] | 7.74 | 4/22/2022 | - | - |
| | - | - | 177,550 [6] | 1.46 | 5/13/2026 | - | - |
| | - | 87,450 [1] | - | 1.46 | 5/13/2026 | - | - |
| | - | - | - | - | - | 1,124 [4] | 2,439 |

| Name | Option awards: 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 | Stock awards: Number of shares or units of stock that have not vested | Market value of shares or units of stock that have not vested |
|---|---|---|---|---|---|---|---|
| | - | - | - | - | - | 25,000 (1) | 54,250 |
| Edward A. Peters . . . . . . . . . . | 150,000 | 150,000 (1) | - | 7.61 | 12/4/2024 | - | - |
| | - | - | 200,000 (5) | 7.74 | 4/22/2022 | - | - |
| | - | - | 177,550 (6) | 1.46 | 5/13/2026 | - | - |
| | - | 87,450 (1) | - | 1.46 | 5/13/2026 | - | - |
| Ram Chary(8) . . . . . . . . . . . . . | | | | | | | |
| | 1,000,000 | - | - | 8.92 | 1/27/2024 | - | - |
| | 1,000,000 | - | - | 8.92 | 1/27/2024 | - | - |

(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) These equity awards vest over two years from the date of grant, with an equal number of shares vesting each monthly period.

(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.

(6) These equity awards vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company's shares on the NYSE is at least a specified price hurdle, defined as a 50% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then such tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. If these target prices are not met during the life of the grant, the unvested shares underlying the options will terminate,

except upon the termination of service without cause or by the participant without good reason 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.

(7) The Board appointed Mr. Rumbolz, a director of the Company, as the Interim President and Chief Executive Officer effective February 13, 2016 and as President and Chief Executive Officer effective May 10, 2016.

(8) Mr. Chary's employment was terminated in February 2016.

***2016 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, 2016:

| | 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)]** |
| Michael D. Rumbolz[(3)] | - | $ - | 2,274 | $ 5,226 |
| Randy L. Taylor | - | - | 12,852 | 27,358 |
| David J. Lucchese | - | - | 16,996 | 36,582 |
| Juliet A. Lim | - | - | 12,000 | 25,200 |
| Edward A. Peters | - | - | - | - |
| Ram Chary[(4)] | - | - | - | - |

(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.

*(3)* The Board appointed Mr. Rumbolz, a director of the Company, as the Interim President and Chief Executive Officer effective February 13, 2016 and as President and Chief Executive Officer effective May 10, 2016.

(4) Mr. Chary's employment was terminated in February 2016.

***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 or equity award agreements, as applicable), 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 to the vesting in full of all unvested equity awards with time-based vesting that were granted prior to 2015 (with all unvested equity awards with time-based vesting that were granted in and after 2015 terminating and all unvested equity awards with performance-based vesting terminating). 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 and after 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. In addition to the foregoing benefits, if Mr.

Lucchese or Ms. Lim terminates his or her employment with good reason during the fiscal year ending December 31, 2017, he or she is also entitled to a bonus based on the average incentive bonus paid to the other senior executives of the Company as a group for that fiscal year, on a pro rata basis.

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 was also party to an employment agreement with Mr. Chary, our former President and Chief Executive Officer, who was terminated by the Company on February 13, 2016. Under this agreement, Mr. Chary was 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 January 2014 in connection with his employment. On March 15, 2017, the Company entered into a Settlement Agreement and Mutual Release with Mr. Chary, its former President and Chief Executive Officer, whose last day with the Company was February 13, 2016, to resolve a dispute regarding the termination of Mr. Chary's employment with the Company. Pursuant to this agreement, Mr. Chary received an amount equal to $4.6 million, inclusive of attorney fees and costs of $0.9 million, in full satisfaction of all monetary obligations of the Company to Mr. Chary. Each party also agreed to release certain claims they may have had against the other.

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, 2016 that is not in connection with a change in control of us; (ii) a hypothetical change in control of us on December 31, 2016; and (iii) a hypothetical termination without cause or for good reason of each executive's employment on December 31, 2016 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 |
| Michael D. Rumbolz | $ — | $ — | $ — | $ — | $ 1,235 | $ — | $ — | $ 1,235 | $ 1,235 |
| Randy L. Taylor | 600,000 | 15,752 | — | 615,752 | 48,745 | 600,000 | 15,752 | 236,895 | 852,647 |
| Juliet A. Lim | 600,000 | 15,752 | — | 615,752 | 52,080 | 600,000 | 15,752 | 240,230 | 855,982 |
| David J. Lucchese | 637,500 | 15,752 | — | 653,252 | 56,689 | 637,500 | 15,752 | 244,839 | 898,091 |
| Edward A. Peters | 600,000 | 14,921 | — | 614,921 | — | 600,000 | 14,921 | 188,150 | 803,071 |
| Ram Chary(4) | 3,200,000 | 23,628 | — | 3,223,628 | 217,000 | 3,200,000 | 23,628 | 217,000 | 3,440,628 |

(1) Assumes a termination date of December 31, 2016, and is based on the NEO'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 $2.17 (the closing price of our Common Stock on December 30, 2016). 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 30, 2016 of $2.17 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, 2016."

(4) Does not reflect Mr. Chary's actual triggering event in connection with his termination in February 2016. Under the Settlement Agreement and Mutual Release entered into between the Company and Mr. Chary in March 2017 to resolve a dispute regarding Mr. Chary's employment agreement with the Company, Mr. Chary shall receive from the Company $4.6 million, inclusive of attorney fees and costs of $0.9 million.

***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 14, 2017 (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 66,168,103 shares of our Common Stock issued and outstanding as of the close of business on March 14, 2017. 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** | | |
| Archer Capital Management, L.P.[(2)] | 5,535,946 | 8.4 % |
| Mast Capital Management, LLC[(3)] | 4,387,261 | 6.6 % |
| Private Capital Management, LLC[(4)] | 3,448,450 | 5.2 % |
| **Directors and named executive officers**[(5)] | | |
| Ram Chary[(6)] | 2,301,815 | 3.4 % |
| Michael D. Rumbolz[(7)] | 721,206 | 1.1 % |
| E. Miles Kilburn[(8)] | 660,842 | * |
| David J. Lucchese[(9)] | 473,860 | * |
| Geoffrey P. Judge[(10)] | 402,783 | * |
| Randy L. Taylor[(11)] | 199,743 | * |
| Ronald V. Congemi[(12)] | 184,687 | * |
| Edward A. Peters[(13)] | 177,862 | * |
| Juliet A. Lim[(14)] | 157,514 | * |
| Eileen F. Raney[(15)] | 61,000 | * |
| Linster W. Fox[(16)] | 25,000 | * |
| **Directors and current named executive officers as a group (11 persons)[(17)]** | 3,064,497 | 4.5 % |

* 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 14, 2017, for shares held by Canton Holdings, LLC ("Canton") on its own behalf and on behalf of Archer Capital Management, L.P. ("Archer"), a general partner of Canton, Joshua A. Lobel, a principal of Archer, and Eric J. Edidin, a principal of Canton. The address for Canton Holdings, LLC is 570 Lexington Avenue, 40th Floor, New York, New York 10022.

(3) As reported on Schedule 13G/A, filed on February 14, 2017, 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.

(4) As reported on Schedule 13G, filed on February 10, 2017, for shares held by Private Capital Management, LLC on its own behalf. The address for Private Capital Management, LLC is 8889 Pelican Bay Boulevard, Suite 500, Naples, Florida 34108.

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

(6) 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.

(7) Consists of 68,562 shares owned by Mr. Rumbolz and 652,644 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Rumbolz.

(8) Consists of 157,645 shares owned by Mr. Kilburn and 503,197 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Kilburn.

(9) Consists of 76,100 shares owned by Mr. Lucchese and 397,760 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Lucchese.

(10) Consists of 59,672 shares owned by Mr. Judge and 343,111 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Judge.

(11) Consists of 59,147 shares owned by Mr. Taylor and 140,596 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Taylor.

(12) Consists of 16,000 shares owned by Mr. Congemi and 168,687 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Congemi.

(13) Consists of 6,000 shares owned by Mr. Peters and 171,862 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Peters.

(14) Consists of 60,652 shares owned by Ms. Lim and 96,862 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Ms. Lim.

(15) Consists of 36,000 shares owned by Ms. Raney and 25,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Ms. Raney.

(16) Consists of 25,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Fox.

(17) Excludes Mr. Chary, as he is not serving as an executive officer or director of the Company as of the date of this Proxy Statement, and includes Dean A. Ehrlich, Executive Vice President, Games Business Leader.

## PROPOSAL 3

## ADVISORY (NON-BINDING) VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (SAY-WHEN-ON-PAY)

(Item No. 3 on the Proxy Card)

In addition to holding an advisory say-on-pay vote on executive compensation (see Proposal 2), the Dodd-Frank Act also requires that we conduct a separate non-binding advisory vote on the frequency of future say-on-pay votes, commonly referred to as a "say-when-on-pay" vote. Stockholders may cast a non-binding advisory vote on whether they would prefer that we hold the advisory say-on-pay vote every year, every two years or every three years. Stockholders may also abstain from voting on this matter.

At the Company's 2011 Annual Meeting of Stockholders, the stockholders voted on the first advisory say-when-on-pay vote, electing to hold an advisory say-on-pay vote every year. The Board believed that providing an annual advisory vote was an important means of obtaining feedback from the Company's stockholders about executive compensation, and was consistent with best practices from a governance perspective. Accordingly, following the Company's 2011 Annual Meeting of Stockholders, the Board voluntarily determined to hold annual advisory votes on executive compensation.

We are required to solicit stockholder approval of the frequency of future say-on-pay proposals at least once every six years, although we may seek stockholder input more frequently. For the reasons described below, our Board recommends that our stockholders select a frequency of every year, or an annual vote.

Our Board believes that the Company's current executive compensation programs directly link executive compensation to our financial performance and align the interests of our executive officers with those of our stockholders. Our Board has determined that an advisory vote on executive compensation every year is the best approach for the Company based on a number of considerations, including the following:

- Annual votes will allow stockholders to provide the Company with their direct input on the compensation philosophy, policies and practices as disclosed in the proxy statement every year;
- Annual votes are consistent with Company policies of annually seeking input from, and engaging in discussions with, the Company's stockholders on corporate governance matters and executive compensation philosophy, policies and practices; and
- Less frequent votes could allow an unpopular pay practice to continue too long without timely feedback.

The Board believes that giving our stockholders the right to cast an advisory vote every year on their approval of the compensation arrangements of our named executive officers is a good corporate governance practice and is in the best interests of our stockholders. We understand that stockholders may have different views as to what is the best approach for the Company, and we look forward to hearing from our stockholders on this proposal.

Stockholders are not voting to approve or disapprove the recommendation of our Board. Rather, stockholders are being provided with the opportunity to cast a non-binding advisory vote on whether the advisory say-on-pay vote should occur (i) every year, (ii) every two years or (iii) every three years, or to abstain from voting on the matter.

The vote on this proposal is advisory, and, therefore, is not binding on the Company, our Board or our Compensation Committee in any way. However, our Board and our Compensation Committee value the opinions of our stockholders and will take into account the outcome of the vote in determining the frequency of future advisory votes on the compensation of our named executive officers.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE OPTION OF "EVERY YEAR" AS THE FREQUENCY OF FUTURE SAY-ON-PAY VOTES.**

## PROPOSAL 4

## APPROVAL OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO REPLACE SUPERMAJORITY VOTING REQUIREMENTS WITH MAJORITY VOTING REQUIREMENTS IN ARTICLE VII, SECTION B (AMENDMENTS TO OUR BYLAWS)

(Item No. 4 on the Proxy Card)

AND

## PROPOSAL 5

## APPROVAL OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO REPLACE SUPERMAJORITY VOTING REQUIREMENTS WITH MAJORITY VOTING REQUIREMENTS IN ARTICLE IX (CERTAIN AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION)

(Item No. 5 on the Proxy Card)

Our Board is committed to good corporate governance and has carefully considered the advantages and disadvantages of supermajority voting provisions. Currently, our Certificate of Incorporation requires the affirmative vote of at least 66 2/3% of the outstanding shares of Common Stock entitled to vote generally in the election of directors in order to adopt, amend or repeal the provisions related to a small number of fundamental corporate governance matters, which are as follows: (i) an alteration, amendment or repeal of our Bylaws, and (ii) an alteration, amendment or repeal of certain provisions in our Certificate of Incorporation related to (a) the Board structure, election of directors and vacancies on the Board, (b) the amendment of our 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 of our directors, and (g) the amendment of our Certificate of Incorporation.

Supermajority voting requirements are intended to facilitate corporate governance stability by requiring broad stockholder consensus to effect certain changes. However, some investors view supermajority voting provisions as conflicting with principles of good corporate governance. These investors assert that the elimination of supermajority voting provisions in a company’s constituent documents increases a board’s accountability to stockholders and provides stockholders greater ability to participate in the corporate governance of the company.

At our 2016 Annual Meeting of Stockholders, a non-binding stockholder proposal was presented requesting that the Board take the steps necessary so that each voting requirement in our Certificate of Incorporation 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.

The Board recommended last year that stockholders vote against the non-binding stockholder proposal, explaining that the supermajority voting provisions in the Company’s Certificate of Incorporation and Bylaws on the small number of identified fundamental corporate governance matters were more representative of all the stockholders and served important corporate governance objectives, including (i) ensuring broad stockholder consensus for key actions, (ii) ensuring that key actions reflect stockholder interests, and (iii) providing protection against certain takeovers.

The non-binding stockholder proposal was supported by stockholders representing approximately 75% of the votes cast on the proposal at the 2016 Annual Meeting of Stockholders. After careful deliberation of the Nominating and Corporate Governance Committee and the full Board, and taking into account the level of support for the stockholder proposal at the 2016 Annual Meeting of Stockholders, the Board has determined that the elimination of the supermajority voting requirements in our Certificate of Incorporation and Bylaws is in the best interests of the Company and its stockholders. Our Board believes that adopting majority vote requirements in place of the supermajority voting requirements balances the opportunity for stockholders to participate meaningfully in the corporate governance of the Company with the desire to protect the interest of all stockholders from action that may only be in the interest of a small percentage of stockholders.

The Board has unanimously adopted and is submitting for stockholder approval two amendments to our Certificate of Incorporation that would eliminate the supermajority voting requirements contained therein. Proposal 4 relates to an amendment to Article VII, Section B (amendments to our Bylaws) and Proposal 5 relates to an amendment to Article IX (certain amendments to our Certificate of Incorporation). Each of the two proposed amendments will be voted on separately and the effectiveness of any proposed amendment is not conditioned on the approval of any other proposed amendment.

The full text of the proposed amendments to Article VII, Section B and Article IX of our Certificate of Incorporation are set forth in <u>Appendix B</u> to this Proxy Statement, with additions indicated by underlining and deletions indicated by strikethroughs. The general description of provisions of the Certificate of Incorporation and the proposed amendments to Article VII, Section B and Article IX thereof set forth herein are qualified in their entirety by reference to the text of <u>Appendix B</u>.

Promptly following the Annual Meeting, the Certificate of Incorporation will be amended and restated to incorporate each amendment that receives the requisite stockholder approval and such amendments will become effective upon the filing of the Third Amended and Restated Certificate of Incorporation of the Company with the Secretary of State of the State of Delaware, which is expected to occur shortly after the Annual Meeting if any such proposal is approved. In addition, if the Certificate of Incorporation is amended and restated as a result of the stockholders approving either Proposal 4 or Proposal 5, we will also amend Article II of the Certificate of Incorporation to refer to our current registered agent in the State of Delaware – Registered Agent Solutions, Inc.

***Proposal 4 (Item No. 4 on the Proxy Card)***

The following is a brief description of the proposed amendment to Article VII, Section B of the Certificate of Incorporation.

Article VII, Section B of the Certificate of Incorporation, which currently requires the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in an election of directors to adopt, amend or repeal any provision of the Bylaws of the Company, will be amended to provide for such adoption, amendment or repeal to be effected by the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in an election of directors.

Subject to stockholder approval of Proposal 4, promptly following the Annual Meeting, the Board will also make conforming changes to our Bylaws to replace a corresponding supermajority voting requirement contained therein.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE AMENDMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO REPLACE SUPERMAJORITY VOTING REQUIREMENTS WITH MAJORITY VOTING REQUIREMENTS IN ARTICLE VII, SECTION B (AMENDMENTS TO OUR BYLAWS)**

***Proposal 5 (Item No. 5 on the Proxy Card)***

The following is a brief description of the proposed amendment to Article IX of the Certificate of Incorporation.

Provisions of Article IX of the Certificate of Incorporation which require the affirmative vote of the holders at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in an election of directors to alter, amend or repeal Article VII of the Certificate of Incorporation (addressing the Board structure, election of directors and vacancies on the Board, the amendment of the Bylaws, the requirement that action by stockholders be taken at a duly called meeting, 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, and the requirements for calling a special meeting of the stockholders), Article VIII of the Certificate of Incorporation (addressing the indemnification of our directors), and Article IX of the Certificate of Incorporation (addressing amendments to our Certificate of Incorporation) will be eliminated.

TO REPLACE SUPERMAJORITY VOTING REQUIREMENTS WITH MAJORITY VOTING REQUIREMENTS IN ARTICLE IX (CERTAIN AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION)

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE AMENDMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO REPLACE SUPERMAJORITY VOTING REQUIREMENTS WITH MAJORITY VOTING REQUIREMENTS IN ARTICLE IX (CERTAIN AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION)**

## PROPOSAL 6

## APPROVAL OF EVERI HOLDINGS INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN

(Item No. 6 on the Proxy Card)

In 2014, our Board adopted, and our stockholders approved, the 2014 Plan to replace our then existing plan that was about to expire.

As of the date of this Proxy Statement, we estimate that the 2014 Plan has only enough shares reserved to provide for equity incentive grants through the 2017 fiscal year. Since our ability to grant equity incentive compensation to eligible individuals is an integral part of our compensation practices, we are requesting stockholder approval to add 3,500,000 shares of Common Stock to the 2014 Plan's share reserve so that we may continue to grant awards after fiscal year 2017. At the same time, we are making several changes to the terms of the 2014 Plan that are favorable to stockholders.

***Summary of the Proposal***

We operate in a challenging marketplace in which our success depends to a great extent on our ability to attract and retain employees, directors and other service providers of the highest caliber. One of the tools our Board regards as essential in addressing these human resource challenges is a competitive equity incentive program. Our employee equity incentive program provides a range of incentive tools and sufficient flexibility to permit the Compensation Committee of the Board to implement them in ways that will make the most effective use of the shares our stockholders authorize for incentive purposes.

In March 2017, our Board adopted an amendment and restatement of the 2014 Plan (the "Amended 2014 Plan"), subject to approval by our stockholders at the Annual Meeting, that increases by 3,500,000 the aggregate maximum number of shares of Common Stock that may be issued under the Amended 2014 Plan, so that the new total share reserve for grants under the Amended 2014 Plan will be 11,875,000 shares of Common Stock. With the addition of the estimated available shares that remained from the predecessor 2005 Equity Plan of 1,900,000, the total shares allowed under the Amended 2014 Plan would be 13,775,000. As of March 14, 2017, a total of 13,175,259 shares had been issued with 3,168,750 shares canceled and forfeited that were returned to the available pool of shares under the 2014 Plan, which resulted in a net 10,006,509 shares subject to outstanding awards under the 2014 Plan, inclusive of approximately 4,000,000 shares underlying the options in connection with the 2017 annual grant that occurred on March 8, 2017. Therefore, we had 268,491 shares that remained available for the future grant of awards under the 2014 Plan, in addition to the requested shares of 3,500,000 under the Amended 2014 Plan subject to approval by our stockholders at the Annual Meeting.

We believe that increasing the shares reserved for issuance under the 2014 Plan is necessary for us to continue to offer a competitive equity incentive program. Based upon recent equity award requirements, we believe that the additional shares will provide us with enough shares to continue to offer competitive equity compensation through fiscal year 2018.

If the stockholders do not approve the proposed share increase, we believe we will not be able to continue to offer competitive equity packages to retain our current employees and hire new employees in fiscal year 2018 and future years. This could significantly hamper our plans for growth and adversely affect our ability to operate our business. In addition, if we were unable to grant competitive equity awards, we may be required to offer additional cash-based incentives to replace equity as a means of competing for talent. This could have a significant effect upon our quarterly results of operations and balance sheet and not be competitive with other companies that offer equity.

The Board believes that the Amended 2014 Plan will serve a critical role in attracting and retaining the high caliber employees, consultants and directors essential to our success and in motivating these individuals to strive to meet our goals. Therefore, the Board urges you to vote to approve the adoption of the Amended 2014 Plan.

***Stockholder-Favorable Amendments to the 2014 Plan***

In connection with this proposal, we made several changes to the 2014 Plan, as reflected in the Amended 2014 Plan, that are favorable to our stockholders, as follows:

- We added a one-year minimum vesting requirement for 95% of the shares subject to awards granted under the plan.

- We changed the share recycling provision so that shares withheld from "full value" awards (i.e., an award settled in stock, other than an option, stock appreciation right or other award that requires the participant to purchase shares for monetary consideration equal to their fair market value at grant) for taxes are not added back to the pool for future awards.

- We confirmed that shares purchased in the open market with proceeds from the exercise of options will not be added back to the pool for future awards.

- We changed the "change in control" provision so that our Compensation Committee only has discretion to accelerate vesting of awards if (i) the awards are not assumed, continued or substituted by an acquirer in a transaction, or (ii) the awards are assumed, continued or substituted by an acquirer in a transaction but the participant's service is involuntarily terminated within the 24-month period after the transaction (so-called "double trigger" vesting), and, in the case of performance awards, the acceleration is limited to the greater of (a) assumed achievement of the applicable performance goals at 100% of target with the result prorated based on the period of the participant's actual service during the applicable full performance period, or (b) actual achievement of the applicable performance goals.

- We changed the provisions on dividend equivalents so that they cannot be paid currently on any unvested "full value" award and cannot be paid at all with respect to options or stock appreciation rights.

***Other Key Features of the Amended 2014 Plan***

The following is a summary of other key features of the Amended 2014 Plan of particular interest to our stockholders that we believe reflect best practices:

- There is no "evergreen" annual share increase provision.

- The Amended 2014 Plan requires all equity awards issued under the Amended 2014 Plan to be approved by the Compensation Committee and does not permit authority to grant equity awards to be delegated to individual officers of the Company.

- The Amended 2014 Plan prohibits repricing of stock options and stock appreciation rights without the approval of our stockholders.

- No discount from fair market value is permitted in setting the exercise price of stock options and stock appreciation rights.

- Each share subject to a "full value" award will reduce the number of shares remaining available for grant under the Amended 2014 Plan by 2.5 shares.

- The Amended 2014 Plan provide for gross share counting. The number of shares remaining for grant under the Amended 2014 Plan is reduced by the gross number of shares subject to options and stock appreciation rights settled on a net basis, and shares withheld for taxes in connection with options or stock appreciation rights or tendered in payment of an option's exercise price are not recycled.

- The number of shares for which awards may be granted to any non-employee member of our Board in a fiscal year is limited.

- The Amended 2014 Plan does not contain a "liberal" change in control definition (e.g., mergers require actual consummation).

- Performance awards require the achievement of pre-established goals. The Amended 2014 Plan establishes a list of measures of business and financial performance from which the Compensation Committee may construct predetermined performance goals that must be met for an award to vest.

- The Amended 2014 Plan has a fixed term of ten years.

***Significant Historical Award Information***

Common measures of an equity incentive plan's cost include burn rate, dilution and overhang. The burn rate, or run rate, refers to how fast a company uses the supply of shares authorized for issuance under its equity incentive plan. Over the last three years, the Company has maintained an average equity run rate of only 9.0% of shares of Common Stock outstanding per year. Dilution measures the degree to which our stockholders' ownership has been diluted by stock-based compensation awarded under the 2014 Plan and also includes shares that may be awarded under the Amended 2014 Plan in the future ("overhang").

The following table shows how our key equity metrics have changed over the past two years:

| Key Equity Metrics: | 2016 | 2015 |
|---|---|---|
| Equity Run Rate(1) . . . . . . . . . . . . . . . . . . . . . . . | 6.6 % | 9.9 % |
| Overhang(2) . . . . . . . . . . . . . . . . . . . . . . . . . . . | 35.2 % | 36.6 % |
| Dilution(3) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 27.7 % | 26.8 % |

(1) Equity run rate is calculated by dividing the number of shares subject to equity awards granted during the year by the weighted-average number of shares outstanding during the year.

(2) Overhang is calculated by dividing (a) the sum of (x) the number of shares subject to equity awards outstanding at the end of the year and (y) the number of shares available for future grants, by (b) the number of shares outstanding at the end of the year.

(3) Dilution is calculated by dividing the number of shares subject to equity awards outstanding at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year.

***Authorized Shares Requested***

The maximum aggregate number of shares we are requesting our stockholders to authorize under the Amended 2014 Plan is 11,875,000, which reflects an addition of 3,500,000 shares. The total overhang resulting from this share request represents approximately 40.5% of the number of shares of our Common Stock outstanding on March 14, 2017.

Our Board considered several factors in determining the amount of shares requested as set forth above, including the intention to authorize sufficient shares to provide for the needs of a reasonable incentive program through fiscal year 2018.

***Summary of the Amended 2014 Plan***

The following summary of the Amended 2014 Plan is qualified in its entirety by the specific language of the Amended 2014 Plan, a copy of which is attached to this Proxy Statement as Appendix C.

*General.* The purpose of the Amended 2014 Plan is to advance the interests of the Company and its stockholders by providing an incentive program that will enable the Company to attract and retain employees, consultants and directors and to provide them with an equity interest in the growth and profitability of the Company. These incentives are provided through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, other stock-based awards and cash-based awards.

*Authorized Shares.* The maximum aggregate number of shares authorized for issuance under the Amended 2014 Plan is 11,875,000 shares, assuming the stockholders approve the addition of 3,500,000 shares of Common Stock to the reserve. In addition, the estimated shares of 1,900,000 that remained from the predecessor 2005 Plan were available to be issued under the 2014 Plan. Shares subject to any option or other award outstanding under the 2005 Plan that expires or is forfeited for any reason shall not be added to the reserve under the 2014 Plan.

*Share Counting.* Each share subject to a stock option, stock appreciation right, or other award that requires the participant to purchase shares for their fair market value determined at the time of grant will reduce the number of shares remaining available for grant under the Amended 2014 Plan by one share. However, each share subject to a “full value” award will reduce the number of shares remaining available for grant under the Amended 2014 Plan by 2.5 shares.

If any award granted under the Amended 2014 Plan expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase are forfeited or repurchased by the Company for not more than the participant’s purchase price, any such shares reacquired or subject to a terminated award will again become available for issuance under the Amended 2014 Plan. Shares will not be treated as having been issued under the Amended 2014 Plan and will therefore not reduce the number of shares available for issuance to the extent an award is settled in cash. Shares purchased in the open market with proceeds from the exercise of options will not be added to the share reserve. Shares that are withheld or reacquired by the Company in satisfaction of a tax withholding obligation in connection with an option or a stock appreciation right or that are tendered in payment of the exercise price of an option will not be made available for new awards under the Amended 2014 Plan. Upon the exercise of a stock appreciation right or net-exercise of an option, the number of shares available under the Amended 2014 Plan will be reduced by the gross number of shares for which the award is exercised. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the vesting or settlement of “full value” awards will not again become available for issuance under the Amended 2014 Plan.

*Adjustments for Capital Structure Changes.* Appropriate and proportionate adjustments will be made to the number of shares authorized under the Amended 2014 Plan, to the numerical limits on certain types of awards described below, and to outstanding awards in the event of any change in our Common Stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in our capital structure, or if we make a distribution to our stockholders in a form other than Common Stock (excluding regular, periodic cash dividends) that has a material effect on the fair market value of our Common Stock. In such circumstances, the Compensation Committee also has the discretion under the Amended 2014 Plan to adjust other terms of outstanding awards as it deems appropriate.

*Non-employee Director Award Limits.* A non-employee director may not be granted awards under the Amended 2014 Plan in any fiscal year for more than 300,000 shares.

*Other Award Limits.* To enable compensation provided in connection with certain types of awards intended to qualify as “performance-based” within the meaning of Section 162(m) of the Code, the Amended 2014 Plan establishes a limit on the maximum aggregate number of shares or dollar value for which such awards may be granted to an employee in any fiscal year, as follows:

- No more than 4,000,000 shares under stock-based awards.
- No more than $3,000,000 for each full fiscal year contained in the performance period under cash-based awards.

In addition, to comply with applicable tax rules, the Amended 2014 Plan also limits the number of shares that may be issued upon the exercise of incentive stock options granted under the Amended 2014 Plan to 11,875,000 shares of Common Stock.

*Administration.* The Amended 2014 Plan generally will be administered by the Compensation Committee of the Board, although the Board retains the right to appoint another of its committees to administer the Amended 2014 Plan or to administer the Amended 2014 Plan directly. In the case of awards intended to qualify for the performance-based compensation exemption under Section 162(m) of the Code, administration of the Amended 2014 Plan must be by a compensation committee comprised solely of two or more "outside directors" within the meaning of Section 162(m). (For purposes of this summary, the term "Committee" will refer to either such duly appointed committee or the Board.) Subject to the provisions of the Amended 2014 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the types and sizes of awards, and all of their terms and conditions. The Committee may, subject to certain limitations on the exercise of its discretion required by Section 162(m) or otherwise provided by the Amended 2014 Plan, amend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate, continue, extend or defer the vesting of any award.

The Amended 2014 Plan provides, subject to certain limitations, for indemnification by the Company of any director, officer or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the Amended 2014 Plan. All awards granted under the Amended 2014 Plan will be evidenced by a written or digitally signed agreement between the Company and the participant specifying the terms and conditions of the award, consistent with the requirements of the Amended 2014 Plan. The Committee will interpret the Amended 2014 Plan and awards granted thereunder, and all determinations of the Committee generally will be final and binding on all persons having an interest in the Amended 2014 Plan or any award.

*Prohibition of Option and SAR Repricing.* The Amended 2014 Plan expressly provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of our stockholders, the Committee may not provide for any of the following with respect to underwater options or stock appreciation rights: (i) either the cancellation of such outstanding options or stock appreciation rights in exchange for the grant of new options or stock appreciation rights at a lower exercise price or the amendment of outstanding options or stock appreciation rights to reduce the exercise price, (ii) the issuance of new full value awards in exchange for the cancellation of such outstanding options or stock appreciation rights, or (iii) the cancellation of such outstanding options or stock appreciation rights in exchange for payments in cash.

*Minimum Vesting*. No more than 5% of the aggregate number of shares of Common Stock authorized under the Amended 2014 Plan may be issued pursuant to awards that provide for service-based vesting over a period of less than one year or performance-based vesting over a performance period of less than one year.

*Eligibility.* Awards may be granted to employees, directors and consultants of the Company or any present or future parent or subsidiary corporation or other affiliated entity of the Company. Incentive stock options may be granted only to employees who, as of the time of grant, are employees of the Company or any parent or subsidiary corporation of the Company. As of March 14, 2017, we had approximately 900 employees, including six executive officers, and five non-employee directors who would be eligible under the Amended 2014 Plan.

*Stock Options.* The Committee may grant nonstatutory stock options, incentive stock options within the meaning of Section 422 of the Code, or any combination of these. The exercise price of each option may not be less than the fair market value of a share of our Common Stock on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company (a "10% Stockholder") must have an exercise price equal to at least 110% of the fair market value of a share of Common Stock on the date of grant. On March 14, 2017, the closing price of our Common Stock as reported on the NYSE was $3.24 per share.

The Amended 2014 Plan provides that the option exercise price may be paid in cash, by check, or cash equivalent; by means of a broker-assisted cashless exercise; by means of a net-exercise procedure; to the extent legally permitted, by tender to the Company of shares of Common Stock owned by the participant having a fair market value not less than the exercise price; by such other lawful consideration as approved by the Committee; or by any combination of these. Nevertheless, the Committee may restrict the forms of payment permitted in connection with any option grant. No option may be exercised unless the participant has made adequate provision for federal, state, local and foreign taxes, if any, relating to the exercise of the option, including, if permitted or required by the Company, through the participant's surrender of a portion of the option shares to the Company.

Options will become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The maximum term of any option granted under the Amended 2014 Plan is ten years, provided that an incentive stock option granted to a 10% Stockholder must have a term not exceeding five years. Unless otherwise permitted by the Committee, an option generally will remain exercisable for three months following the participant's termination of service, provided that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for 12 months, but in any event the option must be exercised no later than its expiration date, and provided further that an option will terminate immediately upon a participant's termination for "Cause" (as defined by the Amended 2014 Plan).

Options are nontransferable by the participant other than by will or by the laws of descent and distribution, and are exercisable during the participant's lifetime only by the participant. However, an option may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee and, in the case of an incentive stock option, only to the extent that the transfer will not terminate its tax qualification.

*Stock Appreciation Rights.* The Committee may grant stock appreciation rights either in tandem with a related option (a "Tandem SAR") or independently of any option (a "Freestanding SAR"). A Tandem SAR requires the option holder to elect between the exercise of the underlying option for shares of Common Stock or the surrender of the option and the exercise of the related stock appreciation right. A Tandem SAR is exercisable only at the time and only to the extent that the related stock option is exercisable, while a Freestanding SAR is exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The exercise price of each stock appreciation right may not be less than the fair market value of a share of our Common Stock on the date of grant.

Upon the exercise of any stock appreciation right, the participant is entitled to receive an amount equal to the excess of the fair market value of the underlying shares of Common Stock as to which the right is exercised over the aggregate exercise price for such shares. Payment of this amount upon the exercise of a Tandem SAR may be made only in shares of Common Stock whose fair market value on the exercise date equals the payment amount. At the Committee's discretion, payment of this amount upon the exercise of a Freestanding SAR may be made in cash or shares of Common Stock. The maximum term of any stock appreciation right granted under the Amended 2014 Plan is ten years.

Stock appreciation rights are generally nontransferable by the participant other than by will or by the laws of descent and distribution, and are generally exercisable during the participant's lifetime only by the participant. If permitted by the Committee, a Tandem SAR related to a nonstatutory stock option and a Freestanding SAR may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee. Other terms of stock appreciation rights are generally similar to the terms of comparable stock options.

*Restricted Stock Awards.* The Committee may grant restricted stock awards under the Amended 2014 Plan either in the form of a restricted stock purchase right, giving a participant an immediate right to purchase Common Stock, or in the form of a restricted stock bonus, in which stock is issued in consideration for services to the Company rendered by the participant. The Committee determines the purchase price payable under restricted stock purchase awards, which may be less than the then current fair market value of our Common Stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the Committee specifies, including the attainment of one or more performance goals similar to those described below in connection with performance awards. Shares acquired pursuant to a restricted stock award may not be transferred by the participant until vested. Unless otherwise provided by the Committee, a participant will forfeit any shares of restricted stock as to which the vesting restrictions have not lapsed prior to the participant's termination of service. Participants holding restricted stock will have the right to vote the shares and to receive any dividends paid, except that dividends or other distributions paid in shares will be subject to the same restrictions as the original award and dividends paid in cash may be made subject to such restrictions.

*Restricted Stock Units.* The Committee may grant restricted stock units under the Amended 2014 Plan, which represent rights to receive shares of our Common Stock at a future date determined in accordance with the participant's award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's services to the Company. The Committee may grant restricted stock unit awards subject to the attainment of one or more performance goals similar to those described below in connection with performance awards, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. Unless otherwise provided by the Committee, a participant will forfeit any restricted stock units which have not vested prior to the participant's termination of service. Participants have no voting rights or rights to receive cash dividends with respect to restricted stock unit awards until shares of Common Stock are issued in settlement of such awards. However, the Committee may grant restricted stock units that entitle their holders to dividend equivalent rights, which are rights to receive cash or additional restricted stock units whose value is equal to any cash dividends the Company pays. The dividend equivalent rights would be subject to the same vesting conditions and settlement terms as the original award.

*Performance Awards.* The Committee may grant performance awards subject to such conditions and the attainment of such performance goals over such periods as the Committee determines in writing and sets forth in a written agreement between the Company and the participant. These awards may be designated as performance shares or performance units, which consist of unfunded bookkeeping entries generally having initial values equal to the fair market value determined on the grant date of a share of Common Stock in the case of performance shares and a monetary value established by the Committee at the time of grant in the case of performance units. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more performance goals are attained within a predetermined performance period. To the extent earned, performance awards may be settled in cash, shares of Common Stock (including shares of restricted stock that are subject to additional vesting) or any combination of these.

Prior to the beginning of the applicable performance period or such later date as permitted under Section 162(m) of the Code, the Committee will establish one or more performance goals applicable to the award. Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the Company and each subsidiary corporation consolidated with the Company for financial reporting purposes, or such division or business unit of the Company as may be selected by the Committee. The Committee, in its discretion, may base performance goals on one or more of the following such measures: revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income; economic value added; free cash flow; operating cash flow; balance of cash, cash equivalents and marketable securities; stock price; earnings per share; return on stockholder equity; return on capital; return on assets; return on investment; total stockholder return, employee satisfaction; employee retention; market share; customer satisfaction; product development; research and development expense; completion of an identified special project and completion of a joint venture or other corporate transaction.

The target levels with respect to these performance measures may be expressed on an absolute basis or relative to an index, budget or other standard specified by the Committee. The degree of attainment of performance measures will be calculated in accordance with the Company's financial statements, GAAP, if applicable, or other methodology established by the Committee, but prior to the accrual or payment of any performance award for the same performance period, and, according to criteria established by the Committee, excluding the effect (whether positive or negative) of changes in accounting standards or any unusual or infrequently occurring event or transaction occurring after the establishment of the performance goals applicable to a performance award.

Following completion of the applicable performance period, the Committee will certify in writing the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Committee retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable on the basis of the performance goals attained to a participant who is a "covered employee" within the meaning of Section 162(m) of the Code. However, no such reduction may increase the amount paid to any other participant. The Committee may make positive or negative adjustments to performance award payments to participants other than covered employees to reflect the participant's individual job performance or other factors determined by the Committee. In its discretion, the Committee may provide for a participant awarded performance shares to receive dividend equivalent rights with respect to cash dividends paid on the Company's Common Stock to the extent that the performance shares become vested. The Committee may provide for performance award payments in lump sums or installments.

Unless otherwise provided by the Committee, if a participant's service terminates due to the participant's death or disability prior to completion of the applicable performance period, the final award value will be determined at the end of the performance period on the basis of the performance goals attained during the entire performance period but will be prorated for the number of months of the participant's service during the performance period. If a participant's service terminates prior to completion of the applicable performance period for any other reason, the Amended 2014 Plan provides that, unless otherwise determined by the Committee, the performance award will be forfeited. No performance award may be sold or transferred other than by will or the laws of descent and distribution prior to the end of the applicable performance period.

*Cash-Based Awards and Other Stock-Based Awards.* The Committee may grant cash-based awards or other stock-based awards in such amounts and subject to such terms and conditions as the Committee determines. Cash-based awards will specify a monetary payment or range of payments, while other stock-based awards will specify a number of shares or units based on shares or other equity-related awards. Such awards may be subject to vesting conditions based on continued performance of service or subject to the attainment of one or more performance goals similar to those described above in connection with performance awards. Settlement of awards may be in cash or shares of Common Stock, as determined by the Committee. A participant will have no voting rights with respect to any such award unless and until shares are issued pursuant to the award. The committee may grant dividend equivalent rights with respect to other stock-based awards. The effect on such awards of the participant's termination of service will be determined by the Committee and set forth in the participant's award agreement.

*Change in Control.* Unless otherwise defined in a participant's award or other agreement with the Company, the Amended 2014 Plan provides that a "Change in Control" occurs upon (i) a person or entity (with certain exceptions described in the Amended 2014 Plan) becoming the direct or indirect beneficial owner of more than 50% of the Company's voting stock, (ii) stockholder approval of a liquidation or dissolution of the Company, or (iii) the occurrence of any of the following events upon which the stockholders of the Company immediately before the event do not retain immediately after the event direct or indirect beneficial ownership of more than 50% of the voting securities of the Company, its successor or the entity to which the assets of the company were transferred: (a) a sale or exchange by the stockholders in a single transaction or series of related transactions of more than 50% of the Company's voting stock; (b) a merger or consolidation in which the Company is a party; or (c) the sale, exchange or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

If a Change in Control occurs, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue outstanding awards or substitute substantially equivalent awards for its stock. If so determined by the Committee, stock-based awards will be deemed assumed if, for each share subject to the award prior to the Change in Control, its holder is given the right to receive the same amount of consideration that a stockholder would receive as a result of the Change in Control. Any awards which are not assumed or continued in connection with a Change in Control or exercised or settled prior to the Change in Control will terminate effective as of the time of the Change in Control.

The Committee only has discretion to accelerate vesting of awards if (i) the awards are not assumed, continued or substituted by an acquirer in a transaction, or (ii) the awards are assumed, continued or substituted by an acquirer in a transaction but the participant's service is involuntarily terminated within the 24-month period after the transaction (so-called "double trigger" vesting), and in the case of performance awards the acceleration is limited to the greater of (a) assumed achievement of the applicable performance goals at 100% of target with the result prorated based on the period of the participant's actual service during the applicable full performance period, or (b) actual achievement of the applicable performance goals. The vesting of all awards held by non-employee directors will be accelerated in full upon a Change in Control.

The Amended 2014 Plan also authorizes the Committee, in its discretion and without the consent of any participant, to cancel each or any award denominated in shares of stock upon a Change in Control in exchange for a payment to the participant with respect each vested share (and each unvested share if so determined by the Committee) subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of Common Stock in the Change in Control transaction over the exercise price per share, if any, under the award.

*Awards Subject to Section 409A of the Code.* Certain awards granted under the Amended 2014 Plan may be deemed to constitute "deferred compensation" within the meaning of Section 409A of the Code, providing rules regarding the taxation of nonqualified deferred compensation plans, and the regulations and other administrative guidance issued pursuant to Section 409A. Any such awards will be required to comply with the requirements of Section 409A. Notwithstanding any provision of the Amended 2014 Plan to the contrary, the Committee is authorized, in its sole discretion and without the consent of any participant, to amend the Amended 2014 Plan or any award agreement as it deems necessary or advisable to comply with Section 409A.

*Amendment, Suspension or Termination.* The Amended 2014 Plan will continue in effect until its termination by the Committee, provided that no awards may be granted under the Amended 2014 Plan following the tenth anniversary of the Amended 2014 Plan's effective date, which was the date on which it is approved by the stockholders in 2014. The Committee may amend, suspend or terminate the Amended 2014 Plan at any time, provided that no amendment may be made without stockholder approval that would increase the maximum aggregate number of shares of Common Stock authorized for issuance under the Amended 2014 Plan, change the class of persons eligible to receive incentive stock options or require stockholder approval under any applicable law or the rules of any stock exchange on which the Company's shares are then listed. No amendment, suspension or termination of the Amended 2014 Plan may affect any outstanding award unless expressly provided by the Committee, and, in any event, may not have a materially adverse effect an outstanding award without the consent of the participant unless necessary to comply with any applicable law, regulation or rule, including, but not limited to, Section 409A of the Code.

***Summary of U.S. Federal Income Tax Consequences***

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the Amended 2014 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

*Incentive Stock Options.* A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. Participants who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option will normally recognize a capital gain or loss upon the sale of the shares equal to the difference, if any, between the sale price and the purchase price of the shares. If a participant satisfies such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If a participant disposes of shares within two years after the date of grant or within one year after the date of exercise (a "disqualifying disposition"), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

In general, the difference between the option exercise price and the fair market value of the shares on the date of exercise of an incentive stock option is treated as an adjustment in computing the participant's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

*Nonstatutory Stock Options.* Options not designated or qualifying as incentive stock options are nonstatutory stock options having no special tax status. A participant generally recognizes no taxable income upon receipt of such an option. Upon exercising a nonstatutory stock option, the participant normally recognizes ordinary income equal to the difference between the exercise price paid and the fair market value of the shares on the date when the option is exercised. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the exercise date, will be taxed as capital gain or loss. We generally should be entitled to a tax deduction equal to the amount of ordinary income recognized by the participant as a result of the exercise of a nonstatutory stock option, except to the extent such deduction is limited by applicable provisions of the Code.

*Stock Appreciation Rights.* A Participant recognizes no taxable income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of Common Stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

*Restricted Stock.* A participant acquiring restricted stock generally will recognize ordinary income equal to the excess of the fair market value of the shares on the “determination date” over the price paid, if any, for such shares. The “determination date” is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture (e.g., when they become vested). If the determination date follows the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to designate the date of acquisition as the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

*Restricted Stock Unit, Performance, Cash-Based and Other Stock-Based Awards.* A participant generally will recognize no income upon the receipt of a restricted stock unit, performance share, performance unit, cash-based or other stock-based award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of settlement in an amount equal to the cash received and the fair market value of any substantially vested shares of stock received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above under “Restricted Stock.” Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date (as defined above under “Restricted Stock”), will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

***Section 162(m) of the Code***

The Amended 2014 Plan is designed to preserve the Company’s ability to deduct in full for federal income tax purposes the compensation recognized by its executive officers in connection with certain types of awards. Section 162(m) of the Code generally denies a corporate tax deduction for annual compensation exceeding $1,000,000 paid to any of the “covered employees,” consisting of the chief executive officer and any of the three other most highly compensated officers of a publicly held company other than the chief financial officer. However, qualified performance-based compensation is excluded from this limit. While we believe that compensation provided by such awards under the Amended 2014 Plan generally will be deductible by the Company for federal income tax purposes, under certain circumstances, such as a Change in Control of the Company, compensation paid in settlement of certain awards may not qualify as performance-based. Further, the Committee will retain the discretion to grant awards to covered employees that are not intended to qualify for deduction in full under Section 162(m) of the Code.

***Options Granted to Certain Persons***

The aggregate number of shares of Common Stock subject to options granted, as of March 14, 2017, to the following persons under the 2014 Plan since its inception are as follows: (i) Michael D. Rumbolz, President, Chief Executive Officer and director, 887,209 shares; (ii) Randy L. Taylor, Executive Vice President and Chief Financial Officer, 877,000 shares; (iii) Juliet A. Lim, Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary, 877,000 shares; (iv) David J. Lucchese, Executive Vice President, Digital and Interactive Business Leader, 877,000 shares; (v) Edward A. Peters, Executive Vice President, Sales and Marketing, 977,000 shares; (vi) Ram Chary, Former President, Chief Executive Officer and director, 1,500,000 shares; (vii) all current executive officers as a group, 4,495,209 shares; (viii) all current non-employee directors as a group, 770,000 shares; (ix) Class III director nominee, zero shares, and (x) all employees (excluding executive officers) as a group, 5,505,050 shares. Since inception, no options have been granted under the 2014 Plan to any associate of any such director, nominee or executive officer, and no other person has been granted 5% or more of the total amount of options granted under the 2014 Plan. A substantial number of the granted options do not vest unless significant stock price increases are achieved. For more information on the realizable value of awards granted to our executives, see “Executive Compensation – Compensation Discussion and Analysis – Executive Summary – Realizable Pay.”

***New Amended 2014 Plan Benefits***

No awards will be granted under the Amended 2014 Plan prior to its approval by the stockholders of the Company. All awards will be granted at the discretion of the Committee, and, accordingly, are not yet determinable.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF THE EVERI HOLDINGS INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN.**

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of December 31, 2016 with respect to shares of our Common Stock that may be issued under the Company's equity compensation plans:

| Plan category | Equity Plan | 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 . | 2014 Plan | 7,261,166 | $ 5.28 | 2,533,834 |
| | 2005 Plan | 9,327,722 | $ 7.16 | — (1) |
| Equity compensation plans not approved by stockholders(2) . . . . . . . . . . . | 2012 Plan | 1,643,636 (3) | $ 2.83 | 2,474,276 (4) |
| **Total** . . . . . . . . . . . | | 18,232,524 | | 5,008,110 |

(1) No further grants or awards may be made under the 2005 Plan.

(2) 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.

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

(4) 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 2012 Plan at the effective time of the acquisition. The Company elected to assume the available shares reserved for use under the 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 7

## APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE MEASURES THAT APPLY TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION UNDER THE EVERI HOLDINGS INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN

(Item No. 7 on the Proxy Card)

In addition to the proposed amendments to the 2014 Plan described in "Proposal 6 – Approval of Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan," the stockholders are being asked to separately approve certain provisions of the Amended 2014 Plan solely for the purpose of preserving our ability to deduct in full for federal income tax purposes the compensation recognized by certain of our executive officers in connection with certain awards that may be granted in the future under the Amended 2014 Plan.

Section 162(m) of the Code limits a corporation's income tax deduction for compensation paid to certain executive officers who are "covered employees" within the meaning of Section 162(m) to $1,000,000 per person per year unless the compensation qualifies as "performance-based compensation." In general, for compensation under the Amended 2014 Plan to qualify as "performance-based compensation," certain material terms of the Amended 2014 Plan must have been approved by our stockholders in a separate vote. Where, as in the case of the Amended 2014 Plan, the Compensation Committee has the authority to establish individual award performance goal targets after initial stockholder approval of the material terms of the performance goals, reapproval of the performance goals by the stockholders at least every five years is required to continue to preserve the exemption from the federal income tax deduction limit under Section 162(m) for performance-based compensation. Our stockholders last approved the material terms of the performance goals under the Amended 2014 Plan at the 2014 Annual Meeting of Stockholders. To continue to preserve this exemption following the Annual Meeting, we are requesting our stockholders to again approve the material terms of the performance goals under the Amended 2014 Plan.

The Board believes that it is in the best interests of the Company and its stockholders to continue to preserve the ability of the Company to deduct in full compensation related to stock options, stock appreciation rights and other performance-based awards granted under the Amended 2014 Plan. Therefore, solely for the purpose of qualifying such compensation as performance-based under Section 162(m), the stockholders are asked to approve the following provisions of the Amended 2014 Plan:

- All employees of the Company and any parent or subsidiary corporation of the Company are eligible to be granted stock options, stock appreciation rights, restricted stock, restricted stock units and other awards under the Amended 2014 Plan.

- The Amended 2014 Plan establishes a limit on the maximum aggregate number of shares or dollar value for which such awards may be granted to an employee in any fiscal year, as follows: (i) no more than 4,000,000 shares under stock-based awards, appropriately adjusted for any capitalization changes, and (ii) no more than $3,000,000 for each full fiscal year contained in the performance period under cash-based awards.

- The vesting of certain awards intended to qualify as "performance-based" may be made subject to the attainment of performance goals established in writing by the Compensation Committee. Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the Company and each subsidiary corporation consolidated with the Company for financial reporting purposes, or such division or business unit of the Company as may be selected by the Compensation Committee. The Compensation Committee, in its discretion, may base performance goals on one or more of the following such measures: revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income; economic value added; free cash flow; operating cash flow; balance of cash, cash equivalents and marketable securities; stock price; earnings per share; return on stockholder equity; return on capital; return on assets; return on investment; total stockholder return, employee satisfaction; employee retention; market share; customer satisfaction; product development;

research and development expense; completion of an identified special project and completion of a joint venture or other corporate transaction.

While we believe that compensation provided by such awards under the Amended 2014 Plan generally will be deductible by the Company for federal income tax purposes, under certain circumstances, such as a Change in Control of the Company, compensation paid in settlement of certain awards may not qualify as performance-based.

***Summary of the Amended 2014 Plan***

For a summary of material terms of the Amended 2014 Plan, please see “Proposal 6 – Approval of Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan.” The summary of the Amended 2014 Plan is qualified in its entirety by the specific language of the Amended 2014 Plan, set forth in Appendix C .

***Federal Income Tax Aspects of the Equity Plan***

For a summary of the U.S. federal income tax consequences of participation in the Equity Plan, please see “Proposal 6 – Approval of Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan.”

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF CERTAIN PROVISIONS OF THE EVERI HOLDINGS INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN.**

## PROPOSAL 8

## RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Item No. 8 on the Proxy Card)

### *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, 2017.

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 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 year ended December 31, 2014 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 year ended December 31, 2014, 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 year ended December 31, 2014, 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 2017 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, 2017.

### *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.

**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, 2017.**

***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 years ended December 31, 2016 and 2015, for the audit of the Company's annual financial statements and fees invoiced for other services rendered by BDO USA, LLP for each respective year (amounts in thousands):

The following table presents, for the years ended December 31, 2016 and 2015, fees invoiced for professional audit services rendered by BDO USA, LLP for the audit of the Company's annual financial statements and fees invoiced for other services rendered by BDO USA, LLP (amounts in thousands):

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Audit fees (1) | $ 1,147 | $ 1,217 |
| Audit-related fees (2) | 72 | 69 |
| Tax fees (3) | 5 | - |
| All other fees(4) | - | - |
| **Total** | $ 1,224 | $ 1,286 |

(1) Audit fees include amounts for the following professional services:
- audit of the Company's annual financial statements for fiscal years 2016 and 2015;
- 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;
- 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

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, 2017, 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 fiscal year 2016 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, Fox, Judge, and Congemi and Ms. Raney. Mr. Fox 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/corporate-governance/governance-documents.

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 2016 audited by BDO USA, LLP, the Company's independent registered public accounting firm for its fiscal year ended December 31, 2016, 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, 2016 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, 2017.

*Members of the Audit Committee:*

Linster W. Fox (Chair)
E. Miles Kilburn
Geoffrey P. Judge
Ronald V. Congemi
Eileen F. Raney

## 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 year 2016, all Reporting Persons complied with the applicable filing requirements on a timely basis, except that (i) Eileen F. Raney, a director of the Company, filed a late Form 3 on April 8, 2016 with respect to the initial beneficial ownership requirements upon her appointment as a director of the Company and (ii) Michael D. Rumbolz, an executive officer and director of the Company, filed a late Form 4 on April 8, 2016 with respect to an option grant to purchase 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 TO STOCKHOLDERS AND ANNUAL REPORT ON FORM 10-K

The 2016 Annual Report, including the Company's audited financial statements, is being delivered with this Proxy Statement, but is not incorporated into this Proxy Statement and is not to be considered a part of these proxy materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act. The information contained in the "Compensation Committee Report" and the "Report of the Audit Committee" shall not be deemed "filed" with the SEC or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

We will provide a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, to each stockholder as of the Record Date, without charge, upon written request to Corporate Secretary, Everi Holdings Inc., 7250 South Tenaya Way, Suite 100, Las Vegas, Nevada, 89113. Any exhibits listed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 also will be furnished upon written request at the actual expense we incur in furnishing such exhibits.

By Order of the Board of Directors,

/s/ Michael D. Rumbolz

Michael D. Rumbolz
*President and Chief Executive Officer*

Las Vegas, Nevada
April 21, 2017

## APPENDIX A

## 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:

| | Year Ended December 31, 2016 Reconciliation of Net Loss to EBITDA and Adjusted EBITDA (in thousands) |
|---|---|
| Net loss | $ (249,479) |
| Income tax provision (benefit) | 31,696 |
| Loss on extinguishment of debt | — |
| Interest expense, net of interest income | 99,228 |
| **Operating (loss) income** | $ (118,555) |
| Plus: depreciation and amortization | 144,633 |
| **EBITDA** | $ 26,078 |
| Non-cash stock compensation expense | 6,733 |
| Goodwill impairment | 146,299 |
| Accretion of contract rights | 8,692 |
| Separation costs for former President and Chief Executive Officer | 4,687 |
| Write-down of note receivable and warrant | 4,289 |
| Loss on sale of the aircraft | 878 |
| Manufacturing relocation costs | 358 |
| **Adjusted EBITDA[1]** | $ 198,014 |

(1) We define Adjusted EBITDA as earnings (loss) before interest, taxes, depreciation and amortization, non-cash stock compensation expense, goodwill impairment charges, accretion of contract rights, write-down of note receivable and warrant, loss on the sale of the aircraft, separation costs related to the Company's former President and Chief Executive Officer, and manufacturing relocation costs.

We present Adjusted EBITDA as we use this measure 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 includes 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.

**APPENDIX B**
**PROPOSED FORM OF**
**THIRD AMENDED AND RESTATED**
**CERTIFICATE OF INCORPORATION**
**OF**
**EVERI HOLDINGS INC.**

**Explanatory Note**

The proposed form of Third Amended and Restated Certificate of Incorporation of Everi Holdings Inc. gives effect to amendments to the Certificate of Incorporation related to Proposals 4 and 5, the replacement of the supermajority voting requirements with majority voting requirements in Article VII, Section B and Article IX thereof, respectively. The actual Third Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware will reflect only those amendments approved by stockholders at the Annual Meeting.

In addition, if the Certificate of Incorporation is amended and restated as a result of the stockholders approving either Proposal 4 or Proposal 5, we will also amend Article II of the Certificate of Incorporation as set forth in the proposed form of Third Amended and Restated Certificate of Incorporation of Everi Holdings Inc. to refer to our current registered agent in the State of Delaware – Registered Agent Solutions, Inc.

Prior amendments to the Certificate of Incorporation approved in accordance with Delaware law and incorporated into this proposed form of Third Amended and Restated Certificate of Incorporation of Everi Holdings Inc. and other technical and non-substantive changes are not reflected in the blackline.

**PROPOSED FORM OF**
**THIRD AMENDED AND RESTATED**
**CERTIFICATE OF INCORPORATION**
**OF**
**EVERI HOLDINGS INC.**

Everi Holdings Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify as follows:

1. The name of the corporation is Everi Holdings Inc. The corporation resulted from the conversion of GCA Holdings, L.L.C., a Delaware limited liability company. GCA Holdings, L.L.C. was formed under the same name and the original Certificate of Formation was filed with the Secretary of State of the State of Delaware on February 4, 2004. GCA Holdings, L.L.C. was converted to a corporation named GCA Holdings, Inc. pursuant to a Certificate of Conversion of GCA Holdings, L.L.C. and a Certificate of Incorporation of GCA Holdings, Inc., each filed with the Secretary of State of the State of Delaware on May 14, 2004. The name of the corporation was changed to Global Cash Access Holdings, Inc. pursuant to a Corrected Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of the State of Delaware on March 2, 2005. The name of the corporation was further changed to Everi Holdings Inc. pursuant to a Certificate of Amendment of Amended and Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on August 14, 2015.

2. This Third Amended and Restated Certificate of Incorporation (this "**Amended and Restated Certificate of Incorporation**") was duly adopted by the Board of Directors of the Corporation (the "**Board of Directors**") and by the stockholders of the Corporation in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

3. This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended or supplemented.

4. The text of the Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

**ARTICLE I**

The name of the Corporation is Everi Holdings Inc. (the "**Corporation**").

**ARTICLE II**

The address of the Corporation's registered office in the State of Delaware is 1679 S. Dupont Highway, Suite 100, in the City of Dover, 19901, County of Kent. The name of its registered agent at such address is Registered Agent Solutions, Inc.

**ARTICLE III**

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law ("**DGCL**").

**ARTICLE IV**

The Corporation is authorized to issue a total of 550,000,000 shares of capital stock, consisting of the following: one class designated "Common Stock" consisting of 500,000,000 shares, each with a par value of $0.001 per share, and one class designated "Preferred Stock" consisting of 50,000,000 shares, each with a par value of $0.001 per share.

The Preferred Stock authorized by this Amended and Restated Certificate of Incorporation may be issued from time to time in one or more series. Subject to compliance with applicable protective voting rights which have been or may be granted to the Preferred Stock or series thereof ("**Protective Provisions**"), the Board of Directors is hereby authorized to fix and determine or alter the powers, designations, preferences and relative, participating, optional or other rights, if any, or the qualifications, limitations or restrictions granted to or imposed upon and other matters relating to any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof. Subject to compliance with applicable Protective Provisions, the powers, designations, preferences and relative, participating, optional or other rights, if any, or the qualifications, limitations or restrictions of any such additional series may be subordinated to, *pari passu* with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any present or future series of Preferred Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase or decrease the number of shares of any series, prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Subject to ARTICLE X, each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; *provided, however*, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

**ARTICLE V**

The Corporation is to have perpetual existence.

**ARTICLE VI**

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the same compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

**ARTICLE VII**

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. BOARD OF DIRECTORS. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors constituting the Board of Directors.

No stockholder will be permitted to cumulate votes at any election of directors. No election of directors need be by written ballot, unless the Bylaws of the Corporation shall so provide. Any director may be removed from office by the stockholders of the Corporation only for cause.

The Board of Directors shall be divided into three classes designated as Class I, Class II, and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. If the number of directors is changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

At the first annual meeting of stockholders following the date hereof, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the date hereof, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the date hereof, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly-created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly-created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

B. BYLAWS. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least ~~sixty-six and two-thirds percent (66⅔%)~~a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation.

C. NO ACTIONS BY WRITTEN CONSENT. The stockholders of the Corporation may not take any action by written consent or electronic transmission in lieu of a meeting, and must take any actions at a duly called annual or special meeting of stockholders, and the power of stockholders to act by written consent or electronic transmission without a meeting is specifically denied.

D. ADVANCE NOTICE. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

E. BOOKS; MEETINGS. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation. Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. Special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

## ARTICLE VIII

To the fullest extent permitted by the DGCL as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this ARTICLE VIII shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**ARTICLE IX**

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

~~Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Corporation required by law or by this Amended and Restated Certificate of Incorporation or any certificate of designation filed with respect to a series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66⅔%) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles VII, VIII, and IX, or any provision thereof.~~

**ARTICLE X**

A. REDEMPTION.

1. Redemption of Shares of an Unsuitable Person. At the option of the Corporation, any or all shares of any class or series of stock of the Corporation ("**Shares**") owned by an Unsuitable Person may be redeemed by the Corporation for the Redemption Price out of funds lawfully available on the Redemption Date. Shares redeemable pursuant to this Section A.1. of this ARTICLE X shall be redeemable at any time and from time to time pursuant to the terms hereof.

2. Partial Redemption. In the case of a redemption of only some of the shares owned by a stockholder, the Board of Directors shall select the Shares to be redeemed, by lot or in any other manner determined in good faith by the Board of Directors.

3. Redemption Notice. In the case of a redemption pursuant to Section A.1. of this ARTICLE X, the Corporation shall send a written notice to the holder of the Shares called for redemption (the "**Redemption Notice**"), which shall set forth: (a) the Redemption Date, (b) the number of Shares to be redeemed on the Redemption Date, (c) the Redemption Price and the manner of payment therefor, (d) the place where any certificates for such Shares shall be surrendered for payment, duly endorsed in blank or accompanied by proper instruments of transfer, and (e) any other requirements of surrender of the certificates (if any) representing the Shares to be redeemed.

4. Method of Payment of Redemption Price. The Redemption Price may be paid in cash, by promissory note, or both, as required by any Gaming Authority and, if not so required, as the Corporation elects. If any portion of the Redemption Price is to be paid pursuant to a promissory note: (a) such note will have a face amount equal to the portion of the Redemption Price for which the note is given (i.e., if the Redemption Price is $1,000, and cash of $250 is paid, the note shall have a face amount of $750), and (b) unless the Corporation agrees to different terms, the note will (i) be unsecured, (ii) have a term of five years, (iii) bear interest, compounded annually, at the prime rate of interest as published in the Wall Street Journal on the Redemption Date, provided that if the Wall Street Journal ceases to publish the prime rate, the Corporation will reasonably determine a substitute method for determining the prime rate, and (iv) have such other terms as are determined to be customary and appropriate by the board, in its sole discretion, after consultation with a nationally recognized investment bank.

B. RIGHTS OF HOLDERS OF SHARES. On and after the date of a Redemption Notice, any Unsuitable Person owning Shares called for redemption shall cease to have any voting rights with respect to such Shares and, on and after the Redemption Date specified therein, such holder shall cease to have any rights whatsoever with respect to such Shares other than the right to receive the Redemption Price, without interest, on the Redemption Date; *provided, however*, that if any such Shares come to be owned solely by persons other than Unsuitable Persons, such persons may exercise voting rights of such Shares, and the Corporation may determine, in its discretion, not to redeem such Shares.

C. NOTICES. All notices given by the Corporation to holders of shares pursuant to this ARTICLE X, including the Redemption Notice, shall be in writing and shall be deemed given when delivered by personal service, overnight courier or first-class mail, postage prepaid, to the holder's address as shown on the Corporation's books and records.

D. NON-EXCLUSIVITY OF RIGHTS. The Corporation's right to redeem shares pursuant to this ARTICLE X shall not be exclusive of any other rights the Corporation may have or hereafter acquire under any agreement, any provision of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation or otherwise with respect to the acquisition by the Corporation of shares or any restrictions on holders thereof.

E. SEVERABILITY. In the event that any provision (or portion of a provision) of this ARTICLE X or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this ARTICLE X (including the remainder of such provision, as applicable) will continue in full force and effect.

F. DEFINITIONS. For purposes of this ARTICLE X, the following terms shall have the meanings specified below:

1. "**Fair Market Value**" shall equal: (a) the average closing sales price per share of the Shares to be redeemed during the thirty (30) Trading Day period immediately preceding the date of the Redemption Notice on the primary national securities exchange or national quotation system on which such Shares are listed or quoted, (b) in the event such Shares are not traded or quoted on a national securities exchange or national quotation system, the average of the means between the representative bid and asked prices as quoted by Pink OTC Markets Inc. or another generally recognized quotation reporting system during the thirty (30) Trading Day period immediately preceding the date of the Redemption Notice, or (c) if no such quotations are available, the fair market value per share of such Shares as determined in good faith by the Corporation's Board of Directors.

2. "**Gaming**" shall mean the conduct of any gaming or gaming-related activities, including, without limitation, the use, manufacture, sale or distribution of gaming devices, ticket technology, ATMs, and cash access, check cashing, cash advance, wagering account funding, casino cage and casino credit equipment and services, and any related and associated equipment and services, and the provision of any type of services or equipment pursuant to a contract, agreement, relationship or otherwise with any holder or beneficiary of a Gaming License.

3. "**Gaming Authority**" shall mean any international, foreign, federal, state, local, tribal and other regulatory and licensing body or agency with authority over Gaming.

4. "**Gaming Licenses**" shall mean all licenses, permits, approvals, orders, authorizations, registrations, findings of suitability, franchises, exemptions, waivers and entitlements issued by a Gaming Authority required for, or relating to, the conduct of Gaming.

5. "**ownership**" (and derivatives thereof) shall mean (a) ownership of record, and (b) "beneficial ownership" as defined in Rule 13d-3 or Rule 16a-1(a)(2) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

6. "**person**" shall mean an individual, partnership, corporation, limited liability company, trust or any other entity.

7. "**Redemption Date**" shall mean the date on which Shares shall be redeemed by the Corporation pursuant to Section A.1. of this ARTICLE X. The Redemption Date shall be not less than sixty (60) Trading Days following the date of the Redemption Notice unless a Gaming Authority requires that the Shares be redeemed as of an earlier date, in which case, the Redemption Date shall be such earlier date and the Redemption Notice shall be sent on the first day following the day the Corporation becomes apprised of such earlier Redemption Date.

8. "**Redemption Price**" shall mean the price per Share to be paid by the Corporation on the Redemption Date for the redemption of Shares pursuant to Section A.1. of this ARTICLE X and shall be equal to the Fair Market Value of a Share, unless otherwise required by any Gaming Authority.

9. "**Trading Day**" means a day on which the Shares (a) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business on such day, and (b) have

traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Shares.

10. "**Unsuitable Person**" shall mean any person whose ownership of Shares or whose failure to make application to seek licensure from or otherwise comply with the requirements of a Gaming Authority will result in the Corporation losing a Gaming License, or the Corporation being unable to reinstate prior a Gaming License, or the Corporation being unable to obtain a new Gaming License, as determined by the Corporation's Board of Directors, in its sole discretion, after consultation with counsel.

IN WITNESS WHEREOF, the Corporation has caused this Third Amended and Restated Certificate of Incorporation to be executed on its behalf this [ ] day of May, 2017.

EVERI HOLDINGS INC.

By: ______________________________

Name: Juliet A. Lim

Title: Corporate Secretary

APPENDIX C

# EVERI HOLDINGS INC.

# AMENDED AND RESTATED
# 2014 EQUITY INCENTIVE PLAN

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**Everi Holdings Inc.**

**Amended and Restated 2014 Equity Incentive Plan**

## 1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

**1.1 Establishment.** The Everi Holdings Inc. 2014 Equity Incentive Plan, originally effective as of May 15, 2014 (the ***"Effective Date"***), is hereby amended and restated and continued as the Everi Holdings Inc. 2014 Amended and Restated Equity Incentive Plan (the ***"Plan"***), effective as of May ____, 2017, the date of its approval by the stockholders of the Company.

**1.2 Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards and Other Stock-Based Awards.

**1.3 Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

## 2. DEFINITIONS AND CONSTRUCTION.

**2.1 Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

***(a) "Affiliate"*** means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms "parent," "subsidiary," "control" and "controlled by" shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

***(b) "Award"*** means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award or Other Stock-Based Award granted under the Plan.

***(c) "Award Agreement"*** means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

***(d) "Board"*** means the Board of Directors of the Company.

***(e) "Cash-Based Award"*** means an Award denominated in cash and granted pursuant to Section 11.

***(f) "Cashless Exercise"*** means a Cashless Exercise as defined in Section 6.3(b)(i).

***(g) "Cause"*** means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant's theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant's material failure to abide by a Participating Company's code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant's improper use or disclosure of a Participating Company's confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company's reputation or business; (v) the Participant's repeated failure to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with a Participating Company.

***(h)*** *"**Change in Control**"* means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the occurrence of any one or a combination of the following:

**(i)** any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

**(ii)** an Ownership Change Event or series of related Ownership Change Events (collectively, a *"**Transaction**"*) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(ee)(iii), the entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be; or

**(iii)** a date specified by the Committee following approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(h) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple events described in subsections (i), (ii) and (iii) of this Section 2.1(h) are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

***(i)*** *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder.

***(j)*** *"**Committee**"* means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

***(k)*** *"**Company**"* means Global Cash Access Holdings, Inc., a Delaware corporation, and any successor corporation thereto.

***(l)*** ***"Consultant"*** means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

***(m)*** "***Covered Employee"*** means, at any time the Plan is subject to Section 162(m), any Employee who is or may reasonably be expected to become a "covered employee" as defined in Section 162(m), or any successor statute, and who is designated, either as an individual Employee or a member of a class of Employees, by the Committee no later than the earlier of (i) the date that is ninety (90) days after the beginning of the Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a "Covered Employee" under this Plan for such applicable Performance Period.

***(n)*** ***"Director"*** means a member of the Board.

***(o)*** ***"Disability"*** means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

***(p)*** ***"Dividend Equivalent Right"*** means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

***(q)*** ***"Employee"*** means any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a Director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

***(r)*** ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

***(s)*** ***"Fair Market Value"*** means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

**(i)** Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

**(ii)** Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

**(iii)** If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

***(t)*** ***"Full Value Award"*** means any Award settled in Stock, other than (i) an Option, (ii) a Stock Appreciation Right, or (iii) a Restricted Stock Purchase Right or an Other Stock-Based Award under which the Company will receive monetary consideration equal to the Fair Market Value (determined on the effective date of grant) of the shares subject to such Award.

***(u)*** ***"Incentive Stock Option"*** means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

***(v)*** ***"Incumbent Director"*** means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

***(w)*** ***"Insider"*** means an Officer, a Director or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

***(x)*** ***"Net Exercise"*** means a Net Exercise as defined in Section 6.3(b)(iii).

***(y)*** ***"Nonemployee Director"*** means a Director who is not an Employee.

***(z)*** ***"Nonemployee Director Award"*** means any Award granted to a Nonemployee Director.

***(aa)*** ***"Nonstatutory Stock Option"*** means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

***(bb)*** ***"Officer"*** means any person designated by the Board as an officer of the Company.

***(cc)*** ***"Option"*** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

***(dd)*** ***"Other Stock-Based Award"*** means an Award denominated in shares of Stock and granted pursuant to Section 11.

***(ee)*** ***"Ownership Change Event"*** means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

***(ff)*** ***"Parent Corporation"*** means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

***(gg)*** ***"Participant"*** means any eligible person who has been granted one or more Awards.

***(hh)*** ***"Participating Company"*** means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

***(ii)*** ***"Participating Company Group"*** means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

***(jj)*** ***"Performance Award"*** means an Award of Performance Shares or Performance Units.

***(kk)*** ***"Performance Award Formula"*** means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

***(ll)*** "***Performance-Based Compensation***" means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.

***(mm)*** ***"Performance Goal"*** means a performance goal established by the Committee pursuant to Section 10.3.

***(nn)*** ***"Performance Period"*** means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

***(oo)*** ***"Performance Share"*** means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

***(pp)*** ***"Performance Unit"*** means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

***(qq)*** ***"Predecessor Plan"*** means the Company's 2005 Stock Incentive Plan.

***(rr)*** ***"Restricted Stock Award"*** means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

***(ss)*** ***"Restricted Stock Bonus"*** means Stock granted to a Participant pursuant to Section 8.

***(tt)*** ***"Restricted Stock Purchase Right"*** means a right to purchase Stock granted to a Participant pursuant to Section 8.

***(uu)*** ***"Restricted Stock Unit"*** means a right granted to a Participant pursuant to Section 9 to receive on a future date or occurrence of a future event a share of Stock or cash in lieu thereof, as determined by the Committee.

***(vv)*** ***"Rule 16b-3"*** means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

***(ww)*** ***"SAR"*** or ***"Stock Appreciation Right"*** means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

***(xx)*** ***"Section 162(m)"*** means Section 162(m) of the Code.

***(yy)*** ***"Section 409A"*** means Section 409A of the Code.

***(zz)*** ***"Section 409A Deferred Compensation"*** means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

***(aaa)*** ***"Securities Act"*** means the Securities Act of 1933, as amended.

***(bbb)*** ***"Service"*** means a Participant's employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service or a change in the Participating Company for which the Participant renders Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

***(ccc)*** ***"Stock"*** means the Common Stock, par value $0.001 per share, of the Company, as adjusted from time to time in accordance with Section 4.4.

***(ddd)*** ***"Stock Tender Exercise"*** means a Stock Tender Exercise as defined in Section 6.3(b)(ii).

***(eee)*** ***"Subsidiary Corporation"*** means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

***(fff)*** ***"Ten Percent Owner"*** means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

***(ggg)*** ***"Trading Compliance Policy"*** means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

***(hhh)*** ***"Vesting Conditions"*** mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service or failure of a performance condition to be satisfied.

**2.2 Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

## 3. ADMINISTRATION.

**3.1 Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

**3.2 Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the

Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

**3.3 Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

**3.4 Committee Complying with Section 162(m).** If the Company is a "publicly held corporation" within the meaning of Section 162(m), the Board may establish a Committee of "outside directors" within the meaning of Section 162(m) to approve the grant of any Award intended to result in the payment of Performance-Based Compensation.

**3.5 Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

***(a)*** to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

***(b)*** to determine the type of Award granted;

***(c)*** to determine whether an Award granted to a Covered Employee shall be intended to result in Performance-Based Compensation;

***(d)*** to determine the Fair Market Value of shares of Stock or other property;

***(e)*** to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of expiration of any Award, (vii) the effect of any Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

***(f)*** to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;

***(g)*** to approve one or more forms of Award Agreement;

***(h)*** to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

***(i)*** to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

***(j)*** to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose residents may be granted Awards; and

***(k)*** to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

**3.6 Option or SAR Repricing.** Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("***Underwater Awards***") and the grant in substitution therefor of new Options or SARs having a lower exercise price, Full Value Awards or payments in cash, or (b) the amendment of outstanding Underwater Awards to reduce the exercise price thereof. This Section shall not be construed to apply to (i) "issuing or assuming a stock option in a transaction to which Section 424(a) applies," within the meaning of Section 424 of the Code, (ii) adjustments pursuant to the assumption of or substitution for an Option or SAR in a manner that would comply with Section 409A, or (iii) an adjustment pursuant to Section 4.4.

**3.7 Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

**4. SHARES SUBJECT TO PLAN.**

**4.1 Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3 and 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to Eleven Million Eight Hundred Seventy Five Thousand (11,875,000) shares and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

**4.2 Adjustment for Unissued or Forfeited Predecessor Plan Shares.** The maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased from time to time by:

***(a)*** the aggregate number of shares of Stock that remain available for the future grant of awards under the Predecessor Plan immediately prior to its termination as of the Effective Date;

***(b)*** the number of shares of Stock subject to that portion of any option or other award outstanding pursuant to the Predecessor Plan as of the Effective Date which, on or after the Effective Date, expires or is terminated or canceled for any reason without having been exercised or settled in full; and

***(c)*** the number of shares of Stock acquired pursuant to the Predecessor Plan subject to forfeiture or repurchase by the Company for an amount not greater than the Participant's purchase price which, on or after the Effective Date, is so forfeited or repurchased;

provided, however, that the aggregate number of shares of Stock authorized for issuance under the Predecessor Plan that may become authorized for issuance under the Plan pursuant to this Section 4.2 shall not exceed One Million Nine Hundred Thousand (1,900,000) shares.

**4.3 Share Counting.**

***(a)*** Each share of Stock subject to an Award other than a Full Value Award shall be counted against the limit set forth in Section 4.1 as one (1) share. Each one (1) share of Stock subject to a Full Value Award granted pursuant to the Plan or forfeited or repurchased pursuant to Section 4.3(b) shall be counted for purposes of the limit set forth in Section 4.1 as two and one-half (2.5) shares.

***(b)*** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the SAR is exercised. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net-Exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. Shares purchased in the open market with proceeds from the exercise of Options shall not be added to the limit set forth in Section 4.1. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the exercise or settlement of Options or SARs pursuant to Section 16.2 shall not again be available for issuance under the Plan. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the vesting or settlement of Full Value Awards pursuant to Section 16.2 shall not again become available for issuance under the Plan.

**4.4 Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the Award limits set forth in Section 5.3 and Section 5.4, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the ***"New Shares"***), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number and the exercise or purchase price per share shall be rounded up to the nearest whole cent. In no event may the exercise or purchase price, if any, under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

**4.5 Assumption or Substitution of Awards.** The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

**5. <u>ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS</u>.**

**5.1 Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors.

**5.2 Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

**5.3 Incentive Stock Option Limitations**.

***(a) Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed Eleven Million Eight Hundred Seventy Five Thousand (11,875,000) shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3 and 4.4.

***(b) Persons Eligible.*** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an *"**ISO-Qualifying Corporation**"*). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

***(c) Fair Market Value Limitation.*** To the extent that options designated as Incentive Stock Options (granted under all stock plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise the Option, shares issued pursuant to each such portion shall be separately identified.

**5.4 Section 162(m) Award Limits.** Subject to adjustment as provided in Section 4.4, no Covered Employee shall be granted within any fiscal year of the Company one or more Awards intended to qualify for treatment as Performance-Based Compensation which in the aggregate are for more than Four Million (4,000,000) shares or, if applicable, which could result in such Covered Employee receiving more than Three Million Dollars ($3,000,000.00) for each full fiscal year of the Company contained in the Performance Period for such Award.

**5.5 Nonemployee Director Award Limits.** Subject to adjustment as provided in Section 4.4, no Nonemployee Director shall be granted within any fiscal year of the Company one or more Nonemployee Director Awards which in the aggregate are for more than Three Hundred Thousand (300,000) shares.

**5.6 Minimum Vesting.** Except with respect to five percent (5%) of the maximum aggregate number of shares of Stock that may be issued under the Plan, as provided in Section 4, no Award which vests on the basis of the Participant's continued Service shall vest earlier than one year following the date of grant of such Award, and no Award which vests on the basis of attainment of performance goals shall provide for a performance period of less than one year.

## 6. STOCK OPTIONS.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**6.1 Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of

Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or Section 424(a) of the Code.

**6.2 Exercisability and Term of Options.** Subject to the minimum vesting provisions of Section 5.6, Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, and (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions. No Dividend Equivalent Rights will be paid with respect to Options.

**6.3 Payment of Exercise Price**.

***(a) Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, (2) a Stock Tender Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

***(b)*** **Limitations on Forms of Consideration**.

**(i) Cashless Exercise.** A ***"Cashless Exercise"*** means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

**(ii) Stock Tender Exercise.** A ***"Stock Tender Exercise"*** means the delivery of a properly executed exercise notice accompanied by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock owned by the Participant having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

**(iii) Net Exercise.** A ***"Net Exercise"*** means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

**6.4 Effect of Termination of Service**.

***(a) Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

**(i) Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the ***"Option Expiration Date"***).

**(ii) Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months (or such longer or shorter period provided by the Award Agreement) after the Participant's termination of Service.

**(iii) Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

**(iv) Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

***(b) Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

**6.5 Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act or, in the case of an Incentive Stock Option, only as permitted by applicable regulations under Section 421 of the Code in a manner that does not disqualify such Option as an Incentive Stock Option.

## 7. <u>STOCK APPRECIATION RIGHTS</u>.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**7.1 Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a *"**Tandem SAR**"*) or may be granted independently of any Option (a *"**Freestanding SAR**"*). A Tandem SAR may only be granted concurrently with the grant of the related Option. No Dividend Equivalent Rights will be paid with respect to SARs.

**7.2 Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

**7.3 Exercisability and Term of SARs**.

***(a) Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

***(b) Freestanding SARs.*** Subject to the minimum vesting provisions of Section 5.6, freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR. Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten (10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

**7.4 Exercise of SARs.** Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

**7.5 Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

**7.6 Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

**7.7 Transferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

**8. RESTRICTED STOCK AWARDS.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**8.1 Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

**8.2 Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

**8.3 Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

**8.4 Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

**8.5 Vesting and Restrictions on Transfer.** Subject to the minimum vesting provisions of Section 5.6, shares issued pursuant to any Restricted Stock Award may be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any

Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

**8.6 Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that such dividends and distributions shall be subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

**8.7 Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

**8.8 Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**9. <u>RESTRICTED STOCK UNITS</u>.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**9.1 Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

**9.2 Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

**9.3 Vesting.** Subject to the minimum vesting provisions of Section 5.6, Restricted Stock Unit Awards may be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the satisfaction of the Vesting Conditions automatically shall be determined on the first to occur of (a) the next trading day on which the sale of such shares would not violate the Trading Compliance Policy or (b) the last day of the calendar year in which the original vesting date occurred.

**9.4 Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with a cash amount or with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Restricted Stock Units (rounded to the nearest whole number), if any, to be credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such cash amount or additional Restricted Stock Units shall be subject to the same terms and conditions, including vesting, and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award. Dividend Equivalent Rights shall not be paid on unvested Restricted Stock Units but may be accumulated and paid upon vesting or settlement of the Restricted Stock Units, as applicable.

**9.5 Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

**9.6 Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee in compliance with Section 409A, if applicable, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

**9.7 Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**10. PERFORMANCE AWARDS.**

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**10.1 Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

**10.2 Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.4, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

**10.3 Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period (subject to the minimum vesting provisions of Section 5.6), Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Performance Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula applicable to a Performance Award intended to result in the payment of Performance-Based Compensation to a Covered Employee shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

**10.4 Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained (***"Performance Targets"***) with respect to one or more measures of business or financial performance (each, a ***"Performance Measure"***), subject to the following:

***(a) Performance Measures.*** Performance Measures shall be calculated in accordance with the Company's financial statements, or, if such measures are not reported in the Company's financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company's industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. As specified by the Committee, Performance Measures may be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes, one or more Subsidiary Corporations or such division or other business unit of any of them selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be based upon one or more of the following, as determined by the Committee:

**(i)** revenue;

**(ii)** sales;

**(iii)** expenses;

**(iv)** operating income;

**(v)** gross margin;

**(vi)** operating margin;

**(vii)** earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;

**(viii)** pre-tax profit;

**(ix)** net operating income;

**(x)** net income;

**(xi)** economic value added;

**(xii)** free cash flow;

**(xiii)** operating cash flow;

**(xiv)** balance of cash, cash equivalents and marketable securities;

**(xv)** stock price;

**(xvi)** earnings per share;

**(xvii)** return on stockholder equity;

**(xviii)** return on capital;

**(xix)** return on assets;

**(xx)** return on investment;

**(xxi)** total stockholder return;

**(xxii)** employee satisfaction;

**(xxiii)** employee retention;

**(xxiv)** market share;

**(xxv)** customer satisfaction;

**(xxvi)** product development;

**(xxvii)** research and development expenses;

**(xxviii)** completion of an identified special project; and

**(xxix)** completion of a joint venture or other corporate transaction.

***(b) Performance Targets.*** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the Performance Target level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

**10.5 Settlement of Performance Awards**.

***(a) Determination of Final Value.*** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

***(b) Discretionary Adjustment of Award Formula.*** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant who is not a Covered Employee to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Covered Employee's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula. No such reduction may result in an increase in the amount payable upon settlement of another Participant's Performance Award that is intended to result in Performance-Based Compensation.

***(c) Effect of Leaves of Absence.*** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

***(d) Notice to Participants.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

***(e) Payment in Settlement of Performance Awards.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 15.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

***(f) Provisions Applicable to Payment in Shares.*** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

**10.6 Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant either in cash or in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Performance Shares (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights, if any, shall be accumulated and paid to the extent that the related Performance Shares become nonforfeitable. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

**10.7 Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

***(a) Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

***(b) Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and determine the final value of the Performance Award in the manner provided by Section 10.7(a). Payment of any amount pursuant to this Section shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

**10.8 Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.**

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**11.1 Grant of Cash-Based Awards**. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

**11.2 Grant of Other Stock-Based Awards**. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

**11.3 Value of Cash-Based and Other Stock-Based Awards**. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. Subject to the minimum vesting provisions of Section 5.6, the Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met. The establishment of performance criteria with respect to the grant or vesting of any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall follow procedures substantially equivalent to those applicable to Performance Awards set forth in Section 10.

**11.4 Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards**. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall comply with the requirements applicable to Performance Awards set forth in Section 10. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

**11.5 Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

**11.6 Effect of Termination of Service**. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

**11.7 Nontransferability of Cash-Based Awards and Other Stock-Based Awards.** Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

**12. STANDARD FORMS OF AWARD AGREEMENT**.

**12.1 Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

**12.2 Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

**13. CHANGE IN CONTROL**.

**13.1 Effect of Change in Control on Awards.** Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

***(a) Accelerated Vesting.*** The Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto only if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b), or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) and the Participant's Service terminates as a result of Involuntary Termination; provided, however, that the vesting of Awards that are performance-based will be determined in either case based on the greater of (x) assumed achievement of the applicable performance goals at 100% of target with the result prorated based on the period of the Participant's actual Service during the applicable full performance period, or (y) actual achievement of the applicable performance goals through the date of the Change in Control or the Involuntary Termination, as applicable.

For purposes of the foregoing, "***Involuntary Termination***" means, as to a particular Participant, the occurrence of any of the following upon or within a period of time established by the Committee (not exceeding twenty-four (24) months) following a Change in Control: (i) the Participant's Service is terminated without Cause, or (ii) the Participant terminates his or her Service for Good Reason; provided the Participant has given the Company written notice of the existence of a condition constituting Good Reason within sixty (60) days following the initial occurrence of such condition, the Company fails to remedy such condition within thirty (30) days following such written notice, and the Participant's resignation from Service is effective no later than six (6) months following the initial occurrence of such condition. Involuntary Termination shall not include any termination of the Participant's Service which is (i) for Cause, (ii) a result of the Participant's death or Disability, or (iii) a result of the Participant's voluntary termination of Service other than for Good Reason.

For purposes of the foregoing, "***Good Reason***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following with respect to a particular Participant without the Participant's informed written consent: (i) a material diminution of the Participant's authority, duties or responsibilities causing the Participant's authority, duties or responsibilities to be of materially lesser rank within the Company or an equivalent business unit of its parent, as measured against the Participant's authority, duties and responsibilities immediately prior to such diminution; (ii) a material reduction by the Company of the Participant's base salary, other than any such material reduction that occurs in connection with a reduction that is imposed on all Participants at the time of such reduction; or (iii) the relocation of the Participant's work place for the Company to a location that increases the Participant's regular one-way commute distance between the Participant's residence and work place by more than fifty (50) miles. The existence of Good Reason shall not be affected by the Participant's temporary incapacity due to physical or mental illness not constituting a Disability.

***(b) Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the ***"Acquiror"***), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

***(c) Cash-Out of Outstanding Stock-Based Awards.*** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

**13.2 Effect of Change in Control on Nonemployee Director Awards.** Subject to the requirements and limitations of Section 409A, if applicable, including as provided by Section 15.4(f), in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

**13.3 Federal Excise Tax Under Section 4999 of the Code**.

***(a) Excess Parachute Payment.*** If any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, then, provided such election would not subject the Participant to taxation under Section 409A, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

***(b) Determination by Independent Accountants.*** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by the professional firm engaged by the Company for general tax purposes, or, if the tax firm so engaged by the Company is serving as accountant or auditor for the Acquiror, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section. (the "***Tax Firm***"). As soon as practicable thereafter, the Tax Firm shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Tax Firm may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Tax Firm such information and documents as the Tax Firm may reasonably request in order to make its required determination. The Company shall bear all fees and expenses the Tax Firm charge in connection with its services contemplated by this Section.

**14. COMPLIANCE WITH SECURITIES LAW**.

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**15. COMPLIANCE WITH SECTION 409A**.

**15.1 Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this

Section 15 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

***(a)*** A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

***(b)*** Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term "***Short-Term Deferral Period***" means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "substantial risk of forfeiture" shall have the meaning provided by Section 409A.

**15.2 Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an "***Election***") that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

***(a)*** Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

***(b)*** Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to the Participant.

***(c)*** Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 15.3.

**15.3 Subsequent Elections.** Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

***(a)*** No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

***(b)*** Each subsequent Election related to a payment in settlement of an Award not described in Section 15.4(a)(ii), 15.4(a)(iii) or 15.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

***(c)*** No subsequent Election related to a payment pursuant to Section 15.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

***(d)*** Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 15.3.

**15.4 Payment of Section 409A Deferred Compensation***.*

***(a) Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

**(i)** The Participant's "separation from service" (as defined by Section 409A);

**(ii)** The Participant's becoming "disabled" (as defined by Section 409A);

**(iii)** The Participant's death;

**(iv)** A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 15.2 or 15.3, as applicable;

**(v)** A change in the ownership or effective control or the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

**(vi)** The occurrence of an "unforeseeable emergency" (as defined by Section 409A).

***(b) Installment Payments***. It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

***(c) Required Delay in Payment to Specified Employee Pursuant to Separation from Service.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 15.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a "specified employee" (as defined by Section 409A) as of the date of the Participant's separation from service before the date (the *"**Delayed Payment Date**"*) that is six (6) months after the date of such Participant's separation from service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

***(d) Payment Upon Disability.*** All distributions of Section 409A Deferred Compensation payable pursuant to Section 15.4(a)(ii) by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

***(e) Payment Upon Death*****.** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant's Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death.

***(f) Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 15.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

***(g) Payment Upon Unforeseeable Emergency.*** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment pursuant to Section 15.4(a)(vi) in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee's determination that an unforeseeable emergency has occurred. The Committee's decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

***(h) Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

***(i) No Representation Regarding Section 409A Compliance***. Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

**16. <u>TAX WITHHOLDING</u>**.

**16.1 Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

**16.2 Withholding in or Directed Sale of Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

**17. <u>AMENDMENT, SUSPENSION OR TERMINATION OF PLAN</u>**.

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Sections 4.2, 4.3 and 4.4), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the

Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

**18. MISCELLANEOUS PROVISIONS**.

**18.1 Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

**18.2 Forfeiture Events**.

***(a)*** The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service, or any accounting restatement due to material noncompliance of the Company with any financial reporting requirements of securities laws as a result of which, and to the extent that, such reduction, cancellation, forfeiture, or recoupment is required by applicable securities laws.

***(b)*** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

**18.3 Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

**18.4 Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

**18.5 Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.4 or another provision of the Plan.

**18.6 Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

**18.7 Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

**18.8 Retirement and Welfare Plans**. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit.

**18.9 Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

**18.10 Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

**18.11 No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

**18.12 Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

**18.13 Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of Nevada, without regard to its conflict of law rules.

**IN WITNESS WHEREOF**, the undersigned Secretary of the Company certifies that the foregoing sets forth the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan as duly adopted by the Board on March 8, 2017, and approved by the stockholders of the Company on May ____, 2017.

_______________________________________________

Juliet A. Lim, Secretary

# 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, 2016**

**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 Section 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☒ | Non-accelerated filer ☐<br>(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 Act). Yes ☐ No ☒

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $76.0 million.

There were 66,091,685 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2017.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's Definitive Proxy Statement for its 2017 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 2016 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, 2016**

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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 2016 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 realized by using our products and services; product development, including the release of new game features and additional game and system releases in the future; 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; future goodwill impairment charges; 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 inherent risks, uncertainties and change in circumstances that are often difficult to predict and many of which are beyond our control. Our actual results and financial condition may differ materially from those indicated in forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, without limitation, our ability to generate profits in the future; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions 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 security chip technology; 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 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1A. Risk Factors" of this Annual Report on Form 10-K. 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 not to place undue reliance on the forward-looking statements contained herein, which are based only on information currently available to us and speak only as of the date hereof.

The Company undertakes no obligation to update or publicly revise any forward-looking statement, whether written or oral, that may be made from time to time, 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").

## 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 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.

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.

### Impact of Merger with Everi Games Holding

In December 2014, Holdings acquired Everi Games Holding pursuant to the terms of an Agreement and Plan of Merger, dated as of September 8, 2014, for total consideration of approximately $1.1 billion in cash (the "Merger"). In connection with the Merger, we incurred additional indebtedness and completed a series of refinancing transactions, which are described in "Note 12. Long-Term Debt" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. For additional information regarding the Merger, see "Note 3. Business Combinations" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

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. Our consolidated results of operations for the years ended December 31, 2016 and 2015 were significantly impacted by the inclusion of the results of operations of Everi Games in our Games segment results of operations and by higher interest expense associated with the additional indebtedness incurred to finance the Merger. Results of operations for the year ended December 31, 2014 include Everi Games revenue only from the December 19, 2014 acquisition date, and, therefore, were not material to our Consolidated Financial Statements.

### Our Business Segments

We report our financial performance, and organize and manage our operations, across the following two business segments: (a) Games, and (b) Payments. For additional information on our segments see, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Segments" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Segment Reporting" included elsewhere in this Annual Report on Form 10-K.

A summary of our segment financial information is contained in "Note 18. Segment Information" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

### 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 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 1,850 units installed (representing approximately 14% of our installed base) since entering the category four years ago. Development of generally higher-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 gaming facilities. As of December 31, 2016, this central determinant system connected to approximately 17,600 VLTs and has the ability to interface with, provide outcomes to, and manage the VLTs. 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 gaming facilities or expands 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* and *Golden Pig*, and feature a unique take on traditional slot games with eye-catching features. *Super Jackpot Series* offers large linked progressives on the Player Classic packaged with the Foundation Sign to display rolling progressive meters and exciting win celebrations from across the casino floor. The premium *Skyline* mechanical reel series is a vintage-inspired bezel showcasing RGB lighting and a 24-inch LCD display, with successful titles including *Double Jackpot Gems, Kingmaker, and Blazin' Gems.* Everi's licensed brand strategy spans into *Skyline* with upcoming DreamWorks Animation® themes, *Smokin' Hot Stuff* and *Casper*.

*Video Reel Games*. We offer a growing range of dual-screen video reel games that provide a uniquely entertaining slot gaming experience. These games leverage the well-established *Player HD* and recently introduced, high-performing *Core HDX* cabinets to deliver eye-catching graphics and full, rich sound. *Everi Way Pays* games have been introduced to the market, in partnership with Lightning Box Games, for titles including *More Fire*, *Silver Pride*, and *Great Tiger*. A range of progressive features round out our game library, such as *Must-Hit Jackpots™* in *Dream Catcher*, *Money Frog*, and *Egypt Twins*; and the *Jackpot Jump™* feature in *Jackpot Inferno, Payday Jackpots, Golden Riches,* and *Fire Jewels*. Additional specialized game mechanics include The *Wild Pair™* feature on *Double Agent, Star Crossed*, and *King & Queen*; *Lightning Multipliers™* in *High Voltage Blackout; Sticky Stacks™* in *Butterfly Kingdom*, *Pixie Power*, and *Tiger Queen*; and the *Quad Burst* feature in *Quad Burst Tiger Strike*.

*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 maximum returns. The vast majority of our standard video library on our MForce platform is designed to be playable on the *Core HDX*.

*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.

*Wide Area Progressive.* Everi is debuting its first Wide Area Progressive, or WAP, in Class II markets in 2017. Spanning two product lines, WAP will be delivered to customers on Player Classic and Empire MPX, Everi's premier single screen cabinet. The mechanical offering, Jackpot Lockdown, debuts with two themes: Jackpot Lockdown Mega Meltdown and Jackpot Lockdown High Voltage. Empire MPX will feature branded video content with Casablanca and Penn & Teller, all hitting the casino floor in 2017.

*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. For more than a decade, *TournEvent* has standardized tournament system functionality and transformed everyday players into slot superstars at hundreds of top casinos worldwide. *TournEvent's* expansive tournament game library helps operators customize their tournaments, including providing unique bonus opportunities that improve scores or automatically move a player to first place. Casino operators can easily design and build a variety of flexible tournament formats, such as solo or team tournament play, session or round winner advancement, and cumulative or maximum scoring. The latest *TournEvent* 5.0 version includes new system enhancements that improve operator efficiencies and hardware and engaging tournament games that attracts players. New *TournEvent* 5.0 features include:

- Automated *Wild Card* drawing and round feature that automates current tournament procedure and facilitates a smooth player selection process, utilizing overhead signage to quickly identify players who were randomly selected to advance.
- *Find Your Seat Helper* that allows operators to preset a color for tournament banks/electronic gaming machines ("EGMs"), auto assign colors to players, and display player names on EGM screens, allowing players to quickly locate their assigned seats.
- Automated *VIP Filter* that allows operators to filter a player database so that only select players will be automatically registered into tournaments when a player card is swiped.
- *On Deck Display* feature that consists of three session panes, which continuously display player registrations in real-time and allow players to see who is in the current and future sessions.
- *New Skill Tournament Games* with interactive bonuses:
    - *Fruit Ninja*® is an interactive game, much like the popular mobile app game that brings skill into slot tournaments.
    - *Electric Diamonds* features two new interactive bonuses, *Pop Frenzy* and *Reel Frenzy*.

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. *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 ATM cash withdrawals, credit card cash access transactions and POS debit card cash access 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 markets we address with our principal Payments products and services are:

*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 transaction, 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, as applicable. 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, as applicable), 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 demand deposit 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 card issuer'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 Cash Access Transactions*. Patrons can perform credit card cash access transactions and POS debit card cash access 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 cash access 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 POS 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 satellite cage ("financial services center"), to complete the transaction because credit card cash access and POS debit card cash access 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 gaming establishment's cashier or at our financial services center, the patron acknowledges acceptance of the fee. We reimburse the gaming establishment for the amount of cash that it provided to the patron by 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 cash access 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, inquiring 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, LLC ("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 cash access 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 some 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 a relationship with a third-party check warranty service provider to market check warranty services to gaming establishments.

CashClub® provides gaming establishments with a single dashboard interface that streamlines credit and debit card cash access transaction processing and check warranty transactions. It allows for electronic signature capture and dynamic currency conversion. It also interfaces with Everi Compliance to meet Title 31 regulatory requirements.

*Fully Integrated Kiosks* are a complete line of products that provide multiple functions to the casino floor. This includes cash access functionality, such as our 3-in-1 Rollover, which provides casino patrons access to perform cash advance, POS debit and ATM transactions. The kiosks also provide functionality to perform check cashing transactions, slot machine ticket redemption, bill breaking and loyalty program access as well as integration with mobile and wallet technology. The availability of our cash access platform on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are usually closer to gaming devices than traditional cash access devices that are typically located on the periphery of the gaming area within the casino floor and also provides gaming patrons with more opportunities to access their cash with less cashier involvement.

*Other Integrated Kiosk Solutions* provide casinos with more efficient and streamlined methods for cash handling and transaction processing. They allow casino personnel to immediately process and dispense taxable jackpots in the form of cash, tickets or a combination of both. They also help to improve cage security and accuracy while reducing count and balancing times. These products are designed to be integrated with our suite of cage compliance software to ensure compliance with anti-money laundering regulations and provide an automated way to process common tax forms such as the Internal Revenue Service Form W-2G or Form 1042-S.

*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 by casinos ("CTRCs") 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 cash access 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 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, 2016, 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, 2016, 2015, and 2014, our revenues from our operations outside the United States were 3.7%, 2.9%, and 2.7% of our total revenue, respectively. All of our long-lived assets outside of the United States were immaterial for each of fiscal 2016, 2015, and 2014.

In our Payments business, we sell and market Cash Access (Cash Advance, ATM and Check Services), fully integrated Kiosks, Everi Compliance and Central Credit services. Approximately 96% of our revenues are earned from North American sources while the remaining 4% is derived internationally.

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 service and 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 service and 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 continually work 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. We also face increased competition from (a) independent sales organizations, which provide basic services and aggressive pricing, (b) other manufacturers that provide similar good and services, and (c) 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 250 patents issued related to games and systems and processes, and have more than 50 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 the 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, 2016, 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 other integrated kiosk solutions, 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 other integrated kiosk solutions, 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.

***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, 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 (the "Dodd-Frank Act") 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 financial services centers 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 financial services center, are required to file a CTRC 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 CashClub® 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 cash access transactions, credit card cash access 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***. Many states where we complete credit card cash access and POS debit card cash access 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, compliance services, receivables relating to the sale and service of our fully integrated kiosks and other integrated kiosk solutions, 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.

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. In October 2015, the network and card associations began shifting liability for fraudulent POS and ATM transactions generated through EMV-capable cards onto merchants whose devices are not capable of processing chip-based smart-card EMV transactions. This shifts the responsibility for chargebacks due to fraudulent transactions on such cards from the card issuer onto the merchant.

As a merchant of cash access transactions processed through MasterCard, Visa, Discover, and American Express, all who have adopted the EMV standard, and as an operator of ATMs, our POS, fully integrated kiosk and ATM devices are subject to the EMV standard. This requires us to maintain our fleet of U.S.-based POS, fully integrated kiosk and ATM devices to support the EMV standard.

**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 "Item 7. 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 have recorded net losses in each of the last two fiscal years and we may not generate profits in the future.***

We had net loss of $249.5 million and $105.0 million for the years ended December 31, 2016 and 2015, 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 generate profits 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 2017 or subsequent years. Our ability to generate net profits in the future will depend, in part, on our ability to:

- 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;
- continue to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; 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), the Unsecured Notes or the Refinanced Secured Notes (each defined herein and collectively, the "Notes").

***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, 2016, our total indebtedness was approximately $1.1 billion, which included the Credit Facilities and the Notes, each of which contain 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, 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, 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, 2016, we had tax effected federal and state net operating loss ("NOL") carry forwards of approximately $92.8 million and $10.4 million, respectively, a federal research and development credit carry forward of approximately $4.8 million, and a federal alternative minimum tax credit carry forward of approximately $1.6 million. The net operating losses begin expiring starting in 2017. 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 available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized, we must consider recording a valuation allowance. Greater weight is given to evidence that is objectively verifiable, most notably historical results. As we are in a cumulative loss position, we increased our valuation allowance for deferred tax assets by $59.6 million during the fourth quarter of 2016, related to these NOL and other tax credit carry-forwards. Our ability to utilize the remaining NOL and other tax credit carry forwards to reduce taxable income in future years may be further limited, including the possibility that projected future taxable income is insufficient to realize the benefit of these NOL carry forwards prior to their expiration. To the extent our results of operations do not improve, we may not have the ability to overcome the more likely than not accounting standard that would allow us to reverse the valuation allowance and may be subject to record an additional valuation allowance in the future.

Our ability to use these tax assets could be adversely affected by the limitations of Sections 382, 383 and 384 of the Internal Revenue Code. In addition, a portion of our NOL's include amortization of goodwill for tax purposes associated with a restructuring that occurred in 2004, which could be subject to audit by the IRS and thus may have an adverse effect on our NOL carry forwards.

***Changes in certain federal corporate tax laws could have an adverse effect on our cash flows, results of operations or financial condition overall.***

We currently benefit from the possession of a deferred tax asset, which would serve to offset any future taxable income. If changes to federal income tax legislation are enacted which reduce the current statutory federal corporate income tax rate, the alternative minimum tax rate, or other applicable tax rates, a material impairment to our deferred tax asset is likely. We would be required to recognize in full any such impairment as a reduction to our net income in the period that the change becomes effective, which could adversely affect our financial position and results of operations.

***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 and Payments businesses, 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. 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 periods of (i) economic growth, due to changes in consumers' spending habits, (ii) economic downturns, due to decreases in our customers' disposable income or general tourism activities, and (iii) 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 leased 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 leased 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.

***Our installed base of leased gaming devices includes many games provided by third-party manufacturers that are being removed from existing gaming customers, and if we are unable replace these units with our own units or these replaced units perform at substantially less economic terms, our business, financial condition, operations or cash flows may suffer a material adverse effect.***

As of December 31, 2016 and 2015, we had 1,333 and 2,554 Class III gaming units, respectively, under lease or daily fixed fee arrangements to our customers that were provided by third-party equipment manufacturers. These units typically perform at daily win per units in excess of our portfolio average daily win per unit. Given the age of these units, our gaming customers have been removing these units and replacing them with other Everi provided Class II gaming units or by entering into new arrangements with other providers of gaming equipment. If we are unable to replace these units with our proprietary Class II or Class III units, or we replace these units with our games and their performance is not as high as the performance experienced on the third-party Class III unit that it replaced, our business, financial condition, operations or cash flows could suffer a material adverse effect.

***Tribal gaming customers who have historically operated large quantities of Class II gaming units may negotiate into arrangements with state governments or renegotiate existing gaming compacts that could impact the amount of Class II gaming devices currently supplied by the Company. If we are unable maintain our existing placement of units, then our business, financial condition, operations or cash flows may suffer an adverse effect.***

As of December 31, 2016, we operated 8,234 Class II gaming units under lease or daily fixed fee arrangements to our customers. Customers who enter into compacts with state governments may desire to change from Class II gaming units to Class III gaming units, as Class III units generally perform better than Class II units. This may result in the loss of placements under lease or daily fixed fee arrangements as customers purchase Class III units from other equipment suppliers to replace our existing Class II units. Several tribes in California have recently renegotiated their Tribal Compact and have removed our Class II units from their gaming floors. If we are unable to replace these lost units with our proprietary Class III units, then our business, financial condition, operations or cash flows may suffer an adverse effect.

***If we are unable to renew our contract with the New York Lottery, our revenues, financial condition, operations or cash flows may suffer a material adverse effect.***

Our contract to provide an accounting and central determinant system for the VLTs in the State of New York expires in late December 2017, and has provided Games segment revenues of approximately $18.1 million and $17.5 million for the years ended December 31, 2016 and 2015, respectively. We are actively working to extend the term of this agreement; however, if we are unsuccessful in renewing the contract, our business, financial condition, operations or cash flows may 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 placement fee agreements typically to secure a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility.  These placement fee arrangements may provide for the removal of our player terminal placements in the event of poor game performance with no further obligation of the gaming customer.  Additionally, we have historically entered into development fee arrangements and may continue to do so in the future.  Under the development fee arrangements, we provide financing for construction, expansion or remodeling of gaming facilities in exchange for a long-term revenue share percentage and a fixed number of player terminal placements in the gaming facility until the development fee is repaid to us. 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 EFT 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 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 EFT 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, third-party data center providers, telecommunication networks and other third-party technology vendors 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, data center providers, telecommunication networks and other third-party technology vendors that we use. Any significant interruptions in, or degradation of, the quality of the services, including infrastructure storage and support, that these third parties provide to us could severely harm our business and reputation and lead to the loss of customers and revenue. Our internal network, systems and related infrastructure as well as third-party providers and their networks, systems and related infrastructure 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 currently do not incur such costs as we are compliant with the EMV regulations. However, if we are unable to maintain such status, our cash access business may be adversely affected.

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.

***Our 3-in-1 Rollover patent expires in early 2018 and our business, financial condition, operations or cash flows may suffer an adverse effect from our competitors' use of this technology.***

We no longer have the ability to extend our existing 3-in-1 Rollover patent, which allows a patron that has reached his or her daily ATM limit to obtain funds via a POS debit card cash access transaction or a credit card cash access transaction instead. As a result of the patent expiration, our competitors will have the ability to use this technology; and our business, financial condition, operations or cash flows may suffer an adverse effect.

***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 other integrated kiosk solutions. 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. 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.

## 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 EFT 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 cash access 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, 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 where we provide our cash access services through a financial services center. 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 CTRCs 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 EFT 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. In addition, proposed changes to the Dodd-Frank Act, such as the repeal of the Durbin Amendment, if adopted, or other regulation that could be implemented to limit the amount of surcharge or service fees charged for our cash access transactions could have a negative impact on revenue and gross margins (exclusive of depreciation and amortization) as a result of reduced service fee revenue and potential increases in interchange rates merchants pay for debit card transactions.

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, 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, 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;
- departures of key personnel or our inability to attract or retain 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 addition, we have approximately 83,000 square feet of office space in Austin, Texas, which is under a lease through June 2021. We also lease facilities with approximately 17,000 square feet in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. These design studios are under lease through January 2023 and April 2021 for the Chicago and Reno offices, respectively. 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.**

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, 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.

**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, 2017, there were five 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 |
| **2016** | | |
| First Quarter | $ 4.50 | $ 1.73 |
| Second Quarter | 2.29 | 1.13 |
| Third Quarter | 2.64 | 1.16 |
| Fourth Quarter | 2.60 | 1.21 |
| **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 |

On March 1, 2017, the closing sale price of our common stock on the New York Stock Exchange was $3.34.

### 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, purchase agreement governing the Refinanced Secured Notes and indenture governing the Unsecured Notes limit our ability to declare and pay cash dividends.

### Common Stock Repurchases

We did not have a share repurchase program in effect for the years ended December 31, 2016 and 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 18,717, 32,617, and 55,502 shares of our common stock at an aggregate purchase price of $41,528, $0.2 million, and $0.5 million, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards for the years ended December 31, 2016, 2015, and 2014, respectively. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2016:

| | Total Number of Shares Purchased (1) (in thousands) | Average Price per Share (2) |
|---|---|---|
| **Tax Withholdings** | | |
| 10/1/16 - 10/31/16 | 10.1 | $ 2.13 |
| 11/1/16 - 11/30/16 | 0.8 | $ 1.97 |
| 12/1/16 - 12/31/16 | 0.7 | $ 2.28 |
| **Total** | 11.6 | $ 2.13 |

(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.

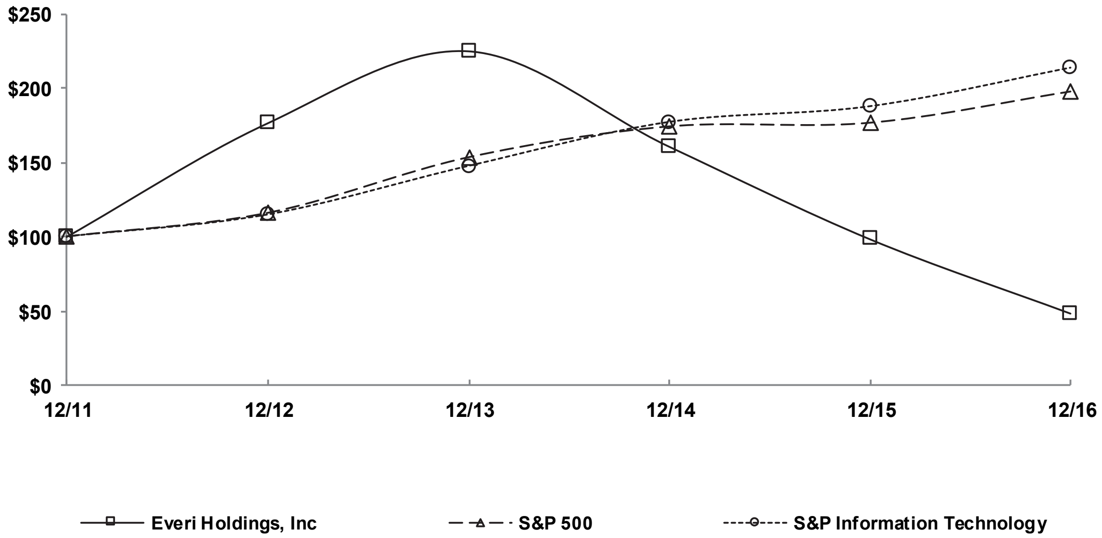
(2) Represents the average price per share of common stock withheld from restricted stock awards on the date of withholding.

**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, 2016.

The graph assumes that $100 was invested on December 31, 2011 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 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.



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, | | | | |
|---|---|---|---|---|---|
| | 2016(1) | 2015(2) | 2014(4) | 2013 | 2012 |
| **Income Statement Data** | | | | | |
| Revenues | $ 859,456 | $ 826,999 | $ 593,053 | $ 582,444 | $ 584,486 |
| Operating (loss) income | (118,555) | (9,730) | 33,782 | 49,150 | 55,982 |
| Net (loss) income | (249,479) | (104,972) | 12,140 | 24,398 | 25,689 |
| Basic (loss) earnings per share | (3.78) | (1.59) | 0.18 | 0.37 | 0.39 |
| Diluted (loss) earnings per share | (3.78) | (1.59) | 0.18 | 0.36 | 0.38 |
| Weighted average common shares outstanding | | | | | |
| Basic | 66,050 | 65,854 | 65,780 | 66,014 | 65,933 |
| Diluted | 66,050 | 65,854 | 66,863 | 67,205 | 67,337 |

| | At and For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2016(1) | 2015(2)(3) | 2014(4) | 2013 | 2012 |
| **Balance sheet data** | | | | | |
| Cash and cash equivalents | $ 119,051 | $ 102,030 | $ 89,095 | $ 114,254 | $ 153,020 |
| Working capital(5) | (1,875) | 2,452 | 12,550 | (1,682) | — |
| Total assets | 1,408,163 | 1,550,385 | 1,707,285 | 527,327 | 553,895 |
| Total borrowings | 1,121,880 | 1,139,899 | 1,188,787 | 103,000 | 121,500 |
| Stockholders' (deficit) equity | (107,793) | 137,420 | 231,473 | 218,604 | 198,759 |
| **Cash flow data** | | | | | |
| Net cash provided by operating activities | $ 131,711 | $ 124,587 | $ 24,531 | $ 4,334 | $ 157,488 |
| Net cash used in investing activities | (88,054) | (85,549) | (1,085,847) | (13,990) | (12,531) |
| Net cash (used in) provided by financing activities | (24,922) | (24,551) | 1,037,423 | (29,183) | (46,783) |

(1) During 2016, the Games reporting unit had a goodwill impairment of $146.3 million.

(2) 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.

(3) We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of Accounting Standards Update ("ASU") No. 2015-03 in 2016. This reclassification decreased the December 31, 2015 balance of both total assets and total borrowings.

(4) 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.

(5) As a result of the Merger on December 19, 2014, we provide a classified balance sheet, for which 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 1. Business," "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, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosure and information contained and referenced in "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" included elsewhere in this Annual Report on Form 10-K.*

### 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 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 cash access 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.

### Impact of the Merger with Everi Games Holding and Other Items Impacting Comparability of Results of Operations

#### *Merger with Everi Games Holding*

In December 2014, Holdings acquired Everi Games Holding in the Merger for approximately $1.1 billion in cash. In connection with the Merger, we incurred additional indebtedness and completed a series of refinancing transactions, which are described in "Note 12. Long-Term Debt" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. For additional information regarding the Merger, see "Note 3. Business Combinations" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

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 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. 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.

#### *Other Items Impacting 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 of each year, we conduct our annual impairment test for our reporting units. Based on the results of our testing, a portion of our goodwill was impaired by approximately $146.3 million and $75.0 million for the years ended December 31, 2016 and 2015, respectively.

- During the fourth quarter of 2016, we increased our valuation allowance by approximately $59.6 million for our deferred tax assets due to recording a valuation allowance of approximately $53.7 million on deferred tax assets relating to our federal net operating losses and tax credits, and approximately $5.9 million related to our state and foreign net operating losses.

- In April 2015, we redeemed, in full, the Secured Notes (defined herein) and issued the Refinanced Secured Notes. As a result, we expensed $13.0 million of debt issuance costs and fees to loss on extinguishment of debt in 2015.

- In January 2015, we entered into a settlement agreement in connection with a lawsuit we participated in as plaintiffs, pursuant to which we received and recorded the settlement proceeds of $14.4 million 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 31, 2015. The Company utilized the proceeds along with cash on hand to make a $15.0 million principal reduction payment on the Secured Notes (defined herein) in the first quarter of 2015. For additional information regarding this settlement, see "Note 13. Commitments and Contingencies — Gain Contingency Settlement" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

- In December 2014, to effect the Merger, we entered into the Credit Facilities and issued the Secured Notes and the Unsecured Notes and 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.

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.

***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. Global economic uncertainty in the marketplace may have an impact on casino gaming and ultimately the demand for new gaming equipment.

- The total North American installed slot base in 2016 remained relatively flat to 2015. We expect flat to moderate growth in the forward replacement cycle for EGMs.

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

- 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.

- Governmental oversight related to the cost of transaction processing and related fees to the consumer has increased in recent years. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our 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 for games.

### 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.

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. We have reported our financial performance based on our segments in both the current and prior periods. 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 POS debit card cash access 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, 2016 compared to the year ended December 31, 2015***

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

| | Year Ended | | | | December 31, 2016 vs 2015 | |
|---|---|---|---|---|---|---|
| | December 31, 2016 | | December 31, 2015 | | | |
| | $ | % | $ | % | $ Variance | % Variance |
| **Revenues** | | | | | | |
| Games | $ 213,253 | 25 % | $ 214,424 | 26 % | $ (1,171) | (1)% |
| Payments | 646,203 | 75 % | 612,575 | 74 % | 33,628 | 5 % |
| **Total revenues** | 859,456 | 100 % | 826,999 | 100 % | 32,457 | 4 % |
| **Costs and expenses** | | | | | | |
| Games cost of revenue (exclusive of depreciation and amortization) | 50,308 | 6 % | 47,017 | 6 % | 3,291 | 7 % |
| Payments cost of revenue (exclusive of depreciation and amortization) | 498,706 | 58 % | 463,380 | 56 % | 35,326 | 8 % |
| Operating expenses | 118,709 | 14 % | 101,202 | 12 % | 17,507 | 17 % |
| Research and development | 19,356 | 2 % | 19,098 | 2 % | 258 | 1 % |
| Goodwill impairment | 146,299 | 17 % | 75,008 | 9 % | 71,291 | 95 % |
| Depreciation | 49,995 | 6 % | 45,551 | 6 % | 4,444 | 10 % |
| Amortization | 94,638 | 11 % | 85,473 | 10 % | 9,165 | 11 % |
| **Total costs and expenses** | 978,011 | 114 % | 836,729 | 101 % | 141,282 | 17 % |
| **Operating loss** | (118,555) | (14)% | (9,730) | (1)% | (108,825) | 1,118 % |
| **Other expenses** | | | | | | |
| Interest expense, net of interest income | 99,228 | 12 % | 100,290 | 12 % | (1,062) | (1)% |
| Loss on extinguishment of debt | — | — % | 13,063 | 2 % | (13,063) | (100)% |
| **Total other expenses** | 99,228 | 12 % | 113,353 | 14 % | (14,125) | (12)% |
| **Loss before income tax** | (217,783) | (25)% | (123,083) | (15)% | (94,700) | 77 % |
| Income tax provision (benefit) | 31,696 | 4 % | (18,111) | (2)% | 49,807 | (275)% |
| **Net loss** | $ (249,479) | (29)% | $ (104,972) | (13)% | $ (144,507) | 138 % |

* Rounding may cause variances.

### Total Revenues

Total revenues increased by $32.5 million, or 4%, to $859.5 million for the year ended December 31, 2016, as compared to the prior year period. This was due to increased Payments revenues, slightly offset by lower Games revenues.

Games revenues decreased by $1.2 million, or 1%, to $213.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to a lower daily win per unit on leased games, partially offset by an increase in unit sales and average sales price per unit.

Payments revenues increased by $33.6 million, or 5%, to $646.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher ATM transaction volume and fees, including an increase in transaction volume from ATM portfolios acquired in late 2015.

**Costs and Expenses**

Games cost of revenues (exclusive of depreciation and amortization) increased by $3.3 million, or 7%, to $50.3 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to higher costs associated with the increased unit sales volume.

Payments cost of revenues (exclusive of depreciation and amortization) increased by $35.3 million, or 8%, to $498.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the ATM portfolio acquisitions and higher commission expense on ATM revenues.

Operating expenses increased by $17.5 million, or 17%, to $118.7 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the impact of a $14.4 million gain contingency settlement during the prior year and a $4.3 million write-down of a note receivable and warrant associated with Bee Cave Games, Inc.

Goodwill impairment increased by $71.3 million, or 95%, to $146.3 million for the year ended December 31, 2016, as compared to the prior year period. This non-cash charge was a result of our October 1, 2016 annual goodwill assessment and attributable to our Games reporting unit.

Depreciation increased by $4.4 million, or 10%, to $50.0 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to increased fixed assets being placed in service.

Amortization increased by $9.2 million, or 11%, to $94.6 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to an increase in intangible assets being placed in service related to developed technology and software.

Primarily as a result of the factors described above, operating loss increased by $108.8 million, or 1,118%, to an operating loss of $118.6 million for the year ended December 31, 2016, as compared to the prior year period. The operating loss margin increased to 14% for the year ended December 31, 2016, as compared to 1% for the prior year period. Excluding the goodwill impairment charge in 2016 and 2015, the operating margin would have been approximately 3% and 8%, respectively.

Interest expense, net of interest income, decreased by $1.1 million, or 1%, to $99.2 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily related to lower outstanding debt balances, the write-off of debt issuance costs related to our Refinanced Secured Notes, partially offset by a higher interest rate under the Contract Cash Solutions Agreement with Wells Fargo.

There was no loss on extinguishment of debt for the year ended December 31, 2016, as compared to a loss on extinguishment of debt of $13.1 million in the prior year period.

Income tax provision was $31.7 million for the year ended December 31, 2016, as compared to an income tax benefit in the prior year period. This was primarily due to an increase in our valuation allowance for deferred tax assets. The income tax provision reflected a negative effective income tax rate of 14.6% for the year ended December 31, 2016, which was less than the statutory federal rate of 35.0% primarily due to an increase in our valuation allowance for deferred tax assets and the impairment of goodwill, for which no tax benefit is provided for book purposes. The income tax benefit reflected an effective income tax rate of 14.7% for the prior year, which was greater 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.

Primarily as a result of the foregoing, net loss increased by $144.5 million, or 138%, to $249.5 million for the year ended December 31, 2016, as compared to the prior year period.

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

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

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | 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 before income 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 prior year period.

Games revenues increased to $207.0 million, or 2,795%, to $214.4 million for the year ended December 31, 2015, as a result of a full year of operations related to the acquired Games business in December 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 prior year period. 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 period. 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 period. 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 period. 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 period. 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 period. 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 period. 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 period. The operating (loss) income margin decreased to (1%) for the year ended December 31, 2015, as compared to 6% for the prior year period. 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 period. 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 period. This was related to the loss on extinguishment on the refinancing of our 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 period. This was primarily due to the decrease in income before income tax of $143.4 million, excluding the goodwill impairment for which no tax benefit is provided. The income tax benefit 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 period.

### Games Revenues and Participation Units

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

| | Year Ended December 31, 2016 | | | Year Ended December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|
| | Total EGMs | Revenue | % of Games Revenue | Total EGMs | Revenue | % of Games Revenue | % Variance |
| **Games revenues and participation units** | | | | | | | |
| Contractual agreement | 5,040 | $ 35,261 | 17 % | 5,528 | $ 42,230 | 20 % | (17)% |
| Participation revenue | 8,224 | 98,695 | 46 % | 7,812 | 96,777 | 45 % | 2 % |
| Sales | — | 56,277 | 26 % | — | 51,142 | 24 % | 10 % |
| NY Lottery | — | 18,060 | 9 % | — | 17,510 | 8 % | 3 % |
| Other | — | 4,960 | 2 % | — | 6,765 | 3 % | (27)% |
| **Total** | 13,264 | $ 213,253 | 100 % | 13,340 | $ 214,424 | 100 % | (1)% |

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

### Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. 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 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 its 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 "Note 2. Basis of Presentation and Summary of Significant Accounting Policies" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K 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 (the "FASB") Accounting Standards 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, ASC 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 FASB 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, 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 $98.4 million in net property, equipment and leased assets on our Consolidated Balance Sheets at December 31, 2016. 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 two 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 $640.5 million of goodwill on our Consolidated Balance Sheets at December 31, 2016 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, 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.

In connection with our annual goodwill impairment testing process for 2016 and 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 $146.3 million and $75.0 million for the years ended December 31, 2016 and 2015, respectively. The fair value substantially exceeded the carrying value for each of the Cash Access, Kiosk Sales and Services, Central Credit and Everi Compliance reporting units as of December 31, 2016 and 2015, respectively. The Company’s aggregate goodwill impairment balance was $221.3 million and $75.0 million, as of December 31, 2016 and 2015, respectively. The impairment analysis 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 forecasted operating profits and cash flows in 2016 and 2015. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit.

Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

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 its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base 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 as of the time of 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.

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, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Services, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access reporting unit to be consistent with the current corporate structure and segment management. 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.

***Other Intangible Assets.*** We have approximately $318.0 million in net unamortized other intangible assets on our Consolidated Balance Sheets at December 31, 2016. 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 or taxes. 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.

***Income Taxes.*** We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is our 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 our GCA (Macau) S.A. subsidiary. 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.

Our 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. The effect on the income tax provision or benefit 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.

When measuring deferred tax assets, certain estimates and assumptions are required to assess whether a valuation allowance should be established by evaluating both positive and negative factors in accordance with accounting guidance. This evaluation requires that we exercise judgment in determining the relative significance of each factor. The assessment of valuation allowance involves significant estimates regarding future taxable income and when it is recognized, the amount and timing of taxable differences, the reversal of temporary differences and the implementation of tax-planning strategies. A valuation allowance is established based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized. Greater weight is given to evidence that is objectively verifiable, most notably historical results. If we report a cumulative loss from continuing operations before income taxes for a reasonable period of time, this form of negative evidence is difficult to overcome. Therefore, we include certain aspects of our historical results in our forecasts of future taxable income, as we do not have the ability to solely rely on forecasted improvements in earnings to recover deferred tax assets. If we no longer report a cumulative loss position, to the extent our results of operations improve, such that we have the ability to overcome the more likely than not accounting standard, we expect to be able to reverse the valuation allowance in the applicable period of determination. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary timing difference is anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

We also account for uncertainty in income taxes as recognized in our consolidated financial statements. The accounting standard creates a single model to address uncertainty in income tax positions and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The standard also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under this standard, we may recognize tax benefits from an uncertain position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed.

***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 are 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 “Note 2. Basis of Presentation and Summary of Significant Accounting Policies — Development and Placement Fee Agreements” of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. 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 cash access 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 cash access 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 and reverse interchange are recognized as revenue when a transaction is initiated. 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**

For a description of our recently adopted accounting guidance and recent accounting guidance not yet adopted, see "Note 2 Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance" of our Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

## Liquidity and Capital Resources

### *Overview*

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

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Balance sheet data** | | |
| Total assets | $ 1,408,163 | $ 1,550,385 |
| Total borrowings | $ 1,121,880 | $ 1,139,899 |
| Total stockholders' (deficit) equity | $ (107,793) | $ 137,420 |
| **Cash available** | | |
| Cash and cash equivalents | $ 119,051 | $ 102,030 |
| Settlement receivables | 128,821 | 44,933 |
| Settlement liabilities | (239,123) | (139,819) |
| **Net cash position**(1) | 8,749 | 7,144 |
| Undrawn revolving credit facility | 50,000 | 50,000 |
| **Net cash available**(1) | $ 58,749 | $ 57,144 |

(1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Annual Report on Form 10-K net cash position and net cash available, which are not measures of our financial performance or position under GAAP. Accordingly, these measures should not be considered in isolation or as a substitute for, and should be read in conjunction with, our cash and cash equivalents prepared in accordance with GAAP. We define (i) net cash position as cash and cash equivalents plus settlement receivables less settlement liabilities and (ii) net cash available as net cash position plus undrawn amounts available under our Revolving Credit Facility (defined herein). We present net cash position because our cash position, as measured by cash and cash equivalents, depends upon changes in settlement receivables and the timing of payments related to settlement liabilities. As such, our cash and cash equivalents can change substantially based upon the timing of our receipt of payments for settlement receivables and payments we make to customers for our settlement liabilities. We present net cash available as management monitors this amount in connection with its forecasting of cash flows and future cash requirements.

### *Cash Resources*

Our cash balance, cash flows and line of credit 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, 2016 included cash in non-U.S. jurisdictions of approximately $21.5 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 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.

We provide cash settlement services to our customers related to our cash access products. 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 for the face amount provided to patrons plus the service fee charged to those patrons 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 for the face amount provided to patrons that we remit over the next few business days and classify as settlement liabilities. As of December 31, 2016, we had $128.8 million in settlement receivables for which we generally receive payment within one week. As of December 31, 2016, we had $239.1 million in settlement liabilities due to our customers for these settlement services that are generally paid within the next month. 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.

Our cash and cash equivalents was $119.1 million and $102.0 million as of December 31, 2016 and December 31, 2015, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was $8.7 million and $7.1 million as of December 31, 2016 and December 31, 2015, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately $58.7 million and $57.1 million as of December 31, 2016 and December 31, 2015, respectively.

***Cash Flows***

The following table summarizes our cash flows for the years ended December 31, 2016, 2015 and 2014 (in thousands):

| | Year Ended December 31, | | | Increase/(Decrease) | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2016 Vs 2015 | 2015 Vs 2014 |
| **Cash flow activities** | | | | | |
| Net cash provided by operating activities | $ 131,711 | $ 124,587 | $ 24,531 | $ 7,124 | $ 100,056 |
| Net cash used in investing activities | $ (88,054) | $ (85,549) | $ (1,085,847) | $ (2,505) | $ 1,000,298 |
| Net cash (used in) provided by financing activities | $ (24,922) | $ (24,551) | $ 1,037,423 | $ (371) | $ (1,061,974) |
| Effect of exchange rates on cash | $ (1,714) | $ (1,552) | $ (1,266) | $ (162) | $ (286) |
| **Cash and cash equivalents** | | | | | |
| Net increase (decrease) for the period | 17,021 | 12,935 | (25,159) | 4,086 | 38,094 |
| Balance, beginning of the period | 102,030 | 89,095 | 114,254 | 12,935 | (25,159) |
| **Balance, end of the period** | $ 119,051 | $ 102,030 | $ 89,095 | $ 17,021 | $ 12,935 |

Cash flows provided by operating activities were $131.7 million, $124.6 million, and $24.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Cash flows provided by operating activities increased by $7.1 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to the timing of the settlement of cash access transactions. Cash flows provided by operating activities increased by $100.1 million for the year ended December 31, 2015, as compared to the prior year period. This was primarily due to increased operations from the acquisition of our Games business in December 2014.

Cash flows used in investing activities were $88.1 million, $85.5 million, and $1.1 billion for the years ended December 31, 2016, 2015 and 2014, respectively. Cash flows used in investing activities increased by $2.5 million for the year ended December 31, 2016, as compared to the prior year period. This was primarily due to an increase in capital expenditures in our Games segment related to our installed base of leased gaming assets and placement fee arrangements, partially offset by a reduction in capital expenditures in our Payments segment. Cash flows used in investing activities increased by $1.0 billion for the year ended December 31, 2015, as compared to the prior year period. 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 financing activities were relatively consistent for the years ended December 31, 2016 and 2015. This was primarily associated with the repayments of debt. Cash flows provided by financing activities were $1.0 billion for the year ended December 31, 2014. 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 (in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Long-term debt** | | |
| Senior secured term loan | $ 465,600 | $ 490,000 |
| Senior secured notes | 335,000 | 335,000 |
| Senior unsecured notes | 350,000 | 350,000 |
| **Total long-term debt** | 1,150,600 | 1,175,000 |
| Less: original issue and warrant discount | (28,720) | (35,101) |
| **Total long-term debt after debt issuance costs and discount** | 1,121,880 | 1,139,899 |
| Less: current portion of long-term debt | (10,000) | (10,000) |
| **Long-term debt, less current portion** | $ 1,111,880 | $ 1,129,899 |

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance cost included in the non-current portion of other assets relates to line-of-credit arrangements and was not reclassified consistent with ASU No. 2015-15.

*Credit Facilities*

In December 2014, Everi Payments, as borrower, and Holdings entered into the Credit Agreement with 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 (the “Credit Agreement”). The Credit Agreement consists of the $500.0 million six-year senior secured term loan facility that matures in 2020 (the “Term Loan”) and the $50.0 million, five-year senior secured revolving credit facility that matures in 2019 (the “Revolving Credit Facility” and together with the Term Loan, the “Credit Facilities”). 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, 2016 and December 31, 2015, which represents LIBOR plus a 5.25% margin.

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. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR. 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, 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, certain 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, including Everi Games Holding 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 maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At December 31, 2016, our consolidated secured leverage ratio was 3.80, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately $14.4 million was made during the year ended December 31, 2016.

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 Holdings 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, 2016, we had approximately $465.6 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had $50.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the year ended December 31, 2016.

We were in compliance with the terms of the Credit Facilities as of December 31, 2016 and 2015.

*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 "Secured Notes"). 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 a note purchase agreement with Everi Payments, CPPIB Credit Investments III Inc. (the "Purchaser"), and Deutsche Bank Trust Company Americas, as collateral agent (the "Note Purchase Agreement"), and issued $335.0 million in aggregate principal amount of 7.25% Secured Notes due 2021 (the "Refinanced Secured Notes") to the Purchaser. 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 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 a warrant to purchase shares of the Company's common stock (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, 2016 and 2015.

*Senior Unsecured Notes*

In December 2014, we issued $350.0 million in aggregate principal amount of 10.00% Unsecured Notes due 2022 (the "Unsecured Notes"). 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 December 2015, we completed an exchange offer in which all of the unregistered Unsecured Notes were exchanged for a like amount of Unsecured Notes that had been registered under the Securities Act.

We were in compliance with the terms of the Unsecured Notes as of December 31, 2016 and 2015.

### *Contractual Obligations*

The following summarizes our contractual cash obligations (in thousands):

| | At December 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Total** | **2017** | **2018** | **2019** | **2020** | **2021** | **Thereafter** |
| **Contractual obligations** | | | | | | | |
| Debt obligations[1] | $ 1,150,600 | $ 10,000 | $ 10,000 | $ 10,000 | $ 435,600 | $ 335,000 | $ 350,000 |
| Estimated interest obligations[2] | 390,871 | 88,553 | 87,919 | 87,285 | 85,761 | 39,992 | 1,361 |
| Operating lease obligations | 23,507 | 4,803 | 4,408 | 4,462 | 4,148 | 3,254 | 2,432 |
| Purchase obligations[3] | 47,325 | 47,099 | 79 | 14 | — | 59 | 74 |
| **Total contractual obligations** | $ 1,612,303 | $ 150,455 | $ 102,406 | $ 101,761 | $ 525,509 | $ 378,305 | $ 353,867 |

(1) We are required to make principal payments of 2% annually under the Term Loan and may also be required to make an excess cash flow payment that is based on full year end earnings and our consolidated secured leverage ratio in effect at that time. The above table does not reflect any future payments related to excess cash flow payments.

(2) Estimated interest payments were computed using the interest rate in effect at December 31, 2016 multiplied by the principal balance outstanding after scheduled principal amortization payments. For the Credit Facilities, the weighted average rate assumed was approximately 7.72% 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 purchase orders related to our Games business.

### *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., the subsidiary through which we operate our Payments business 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 $3.1 million, $2.3 million and $2.3 million for the years ended December 31, 2016, 2015 and 2014, 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 $285.4 million and $364.5 million as of December 31, 2016 and 2015, respectively.

The Contract Cash Solutions Agreement, as amended, provides us with cash in the maximum amount of $425.0 million during the term of the agreement, which expires on June 30, 2019.

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, 2016 and 2015.

### *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. The currency supplied by Wells Fargo was $285.4 million as of December 31, 2016. Based upon this outstanding amount of currency supplied by Wells

Fargo, each 1% increase in the applicable LIBOR would have a $2.9 million impact on income before taxes over a 12-month period. Foreign gaming establishments or third-party vendors 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. 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 6.25% for the year ended December 31, 2016. Based upon the outstanding balance on the Credit Facilities of $465.6 million as of December 31, 2016, each 1% increase in the applicable LIBOR would have a $4.7 million impact on interest expense over a 12-month period. The interest rates on the Refinanced Secured Notes and the Unsecured 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. and subsidiaries
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of loss and comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2016. 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, 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, 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, 2016 and 2015, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, 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), Everi Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, 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 14, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 14, 2017

## 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 statements of income and comprehensive income, stockholders' equity, and cash flows of Global Cash Access Holdings, Inc. (now known as Everi Holdings Inc.) and subsidiaries (the "Company") for the year 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 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. 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Global Cash Access Holdings, Inc. and subsidiaries for the year 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 18 and 20 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, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Revenues** | | | |
| Games | $ 213,253 | $ 214,424 | $ 7,406 |
| Payments | 646,203 | 612,575 | 585,647 |
| **Total revenues** | 859,456 | 826,999 | 593,053 |
| **Costs and expenses** | | | |
| Games cost of revenue (exclusive of depreciation and amortization) | 50,308 | 47,017 | 1,753 |
| Payments cost of revenue (exclusive of depreciation and amortization) | 498,706 | 463,380 | 438,318 |
| Operating expenses | 118,709 | 101,202 | 95,452 |
| Research and development | 19,356 | 19,098 | 804 |
| Goodwill impairment | 146,299 | 75,008 | — |
| Depreciation | 49,995 | 45,551 | 8,745 |
| Amortization | 94,638 | 85,473 | 14,199 |
| **Total costs and expenses** | 978,011 | 836,729 | 559,271 |
| **Operating (loss) income** | (118,555) | (9,730) | 33,782 |
| **Other expenses** | | | |
| Interest expense, net of interest income | 99,228 | 100,290 | 10,756 |
| Loss on extinguishment of debt | — | 13,063 | 2,725 |
| **Total other expenses** | 99,228 | 113,353 | 13,481 |
| **(Loss) income before income tax** | (217,783) | (123,083) | 20,301 |
| Income tax provision (benefit) | 31,696 | (18,111) | 8,161 |
| **Net (loss) income** | (249,479) | (104,972) | 12,140 |
| Foreign currency translation | (2,427) | (1,251) | (1,258) |
| **Comprehensive (loss) income** | $ (251,906) | $ (106,223) | $ 10,882 |
| **(Loss) earnings per share** | | | |
| **Basic** | $ (3.78) | $ (1.59) | $ 0.18 |
| **Diluted** | $ (3.78) | $ (1.59) | $ 0.18 |
| **Weighted average common shares outstanding** | | | |
| **Basic** | 66,050 | 65,854 | 65,780 |
| **Diluted** | 66,050 | 65,854 | 66,863 |

See notes to consolidated financial statements.

## EVERI HOLDINGS INC. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
### (In thousands, except par value amounts)

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 119,051 | $ 102,030 |
| Settlement receivables | 128,821 | 44,933 |
| Trade receivables, net of allowances for doubtful accounts of $4.7 million and $3.9 million at December 31, 2016 and December 31, 2015, respectively | 51,651 | 52,382 |
| Other receivables | 5,000 | 4,928 |
| Inventory | 19,068 | 28,738 |
| Prepaid expenses and other assets | 18,048 | 20,772 |
| **Total current assets** | 341,639 | 253,783 |
| **Non-current assets** | | |
| Property, equipment and leased assets, net | 98,439 | 106,308 |
| Goodwill | 640,546 | 789,803 |
| Other intangible assets, net | 317,997 | 382,462 |
| Other receivables | 2,020 | 6,655 |
| Other assets | 7,522 | 11,374 |
| **Total non-current assets** | 1,066,524 | 1,296,602 |
| **Total assets** | $ 1,408,163 | $ 1,550,385 |
| **LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY** | | |
| **Current liabilities** | | |
| Settlement liabilities | $ 239,123 | $ 139,819 |
| Accounts payable and accrued expenses | 94,391 | 101,512 |
| Current portion of long-term debt | 10,000 | 10,000 |
| **Total current liabilities** | 343,514 | 251,331 |
| **Non-current liabilities** | | |
| Deferred tax liability | 57,611 | 27,644 |
| Long-term debt, less current portion | 1,111,880 | 1,129,899 |
| Other accrued expenses and liabilities | 2,951 | 4,091 |
| **Total non-current liabilities** | 1,172,442 | 1,161,634 |
| **Total liabilities** | 1,515,956 | 1,412,965 |
| **Commitments and contingencies (Note 13)** | | |
| **Stockholders' (deficit) equity** | | |
| Common stock, $0.001 par value, 500,000 shares authorized and 90,952 and 90,877 shares issued at December 31, 2016 and December 31, 2015, respectively | 91 | 91 |
| Convertible preferred stock, $0.001 par value, 50,000 shares authorized and 0 shares outstanding at December 31, 2016 and December 31, 2015, respectively | — | — |
| Additional paid-in capital | 264,755 | 258,020 |
| Retained (deficit) earnings | (194,299) | 55,180 |
| Accumulated other comprehensive (loss) income | (2,109) | 318 |
| Treasury stock, at cost, 24,867 and 24,849 shares at December 31, 2016 and December 31, 2015, respectively | (176,231) | (176,189) |
| **Total stockholders' (deficit) equity** | (107,793) | 137,420 |
| **Total liabilities and stockholders' (deficit) equity** | $ 1,408,163 | $ 1,550,385 |

See notes to consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| **Cash flows from operating activities** | | | |
| Net (loss) income | $ (249,479) | $ (104,972) | $ 12,140 |
| Adjustments to reconcile net loss to cash provided by operating activities: | | | |
| Depreciation and amortization | 144,633 | 131,024 | 22,944 |
| Amortization of financing costs | 6,695 | 7,109 | 2,035 |
| Loss (gain) on sale or disposal of assets | 2,563 | (2,789) | 55 |
| Accretion of contract rights | 8,692 | 7,614 | 301 |
| Provision for bad debts | 9,908 | 10,135 | 8,991 |
| Reserve for obsolescence | 3,581 | 1,243 | 270 |
| Other asset impairment | 4,289 | — | 3,129 |
| Goodwill impairment | 146,299 | 75,008 | — |
| Loss on early extinguishment of debt | — | 13,063 | 2,725 |
| Stock-based compensation | 6,735 | 8,284 | 8,876 |
| Other non-cash items | (38) | (149) | (19) |
| Changes in operating assets and liabilities: | | | |
| Settlement receivables | (83,998) | (1,830) | (5,156) |
| Trade and other receivables | (8,169) | (5,070) | (12,256) |
| Inventory | 5,600 | (1,075) | (1,120) |
| Prepaid and other assets | 4,480 | (5,553) | 904 |
| Deferred income taxes | 29,940 | (19,878) | 6,613 |
| Settlement liabilities | 99,245 | 21,229 | (25,523) |
| Accounts payable and accrued expenses | 735 | (8,806) | (378) |
| **Net cash provided by operating activities** | 131,711 | 124,587 | 24,531 |
| **Cash flows from investing activities** | | | |
| Capital expenditures | (80,741) | (76,988) | (18,442) |
| Acquisitions, net of cash acquired | (694) | (10,857) | (1,068,000) |
| Proceeds from sale of fixed assets | 4,599 | 2,102 | 421 |
| Placement fee agreements | (11,312) | (2,813) | — |
| Repayments under development agreements | — | 3,104 | 276 |
| Changes in restricted cash and cash equivalents | 94 | (97) | (102) |
| **Net cash used in investing activities** | (88,054) | (85,549) | (1,085,847) |
| **Cash flows from financing activities** | | | |
| Repayments of prior credit facility | — | — | (103,000) |
| Repayments of credit facility | (24,400) | (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 | (480) | (1,221) | (52,735) |
| Proceeds from exercise of stock options | — | 1,839 | 5,338 |
| Purchase of treasury stock | (42) | (169) | (12,180) |
| **Net cash (used in) provided by financing activities** | (24,922) | (24,551) | 1,037,423 |
| Effect of exchange rates on cash | (1,714) | (1,552) | (1,266) |
| **Cash and cash equivalents** | | | |
| Net increase (decrease) for the period | 17,021 | 12,935 | (25,159) |
| Balance, beginning of the period | 102,030 | 89,095 | 114,254 |
| **Balance, end of the period** | $ 119,051 | $ 102,030 | $ 89,095 |

See notes to consolidated financial statements.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Supplemental cash disclosures** | | | |
| Cash paid for interest | $ 93,420 | $ 98,361 | $ 59,274 |
| Cash paid for income tax | $ 1,703 | $ 2,098 | $ 962 |
| Cash refunded for income tax | $ 171 | $ 14,477 | $ — |
| **Supplemental non-cash disclosures** | | | |
| Accrued and unpaid capital expenditures | $ 2,104 | $ 5,578 | $ 731 |
| Accrued and unpaid contingent liability for acquisitions | $ (3,169) | $ 4,681 | $ 2,463 |
| Transfer of leased gaming equipment to inventory | $ 9,042 | $ 4,698 | $ — |
| Issuance of warrant | $ — | $ 2,246 | $ — |

See notes to consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY**
**(In thousands)**

| | Common Stock— Series A Number of Shares | Common Stock— Series A Amount | Additional Paid-in Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total (Deficit) Equity |
|---|---|---|---|---|---|---|---|
| **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 |
| Net loss | — | — | — | (249,479) | — | — | (249,479) |
| Foreign currency translation | — | — | — | — | (2,427) | — | (2,427) |
| Stock-based compensation expense | — | — | 6,735 | — | — | — | 6,735 |
| Restricted share vesting withholdings | — | — | — | — | — | (42) | (42) |
| Restricted shares vested | 75 | — | — | — | — | — | — |
| **Balance, December 31, 2016** | 90,952 | $ 91 | $ 264,755 | $ (194,299) | $ (2,109) | $ (176,231) | $ (107,793) |

See notes to consolidated financial statements.

**EVERI HOLDINGS INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. BUSINESS

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.) (“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 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 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.

## 2. BASIS OF PRESENTATION AND 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 (the “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, 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.

**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 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 owed 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 trade 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 two 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, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Service, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a Cash Access reporting unit to be consistent with the current corporate structure and segment management.

**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 or taxes. 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 as contra-liabilities 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 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 are 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 cash access 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 cash access 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 and reverse interchange are recognized as revenue when a transaction is initiated. 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 $1.2 million, $0.9 million and $1.1 million for the years ended December 31, 2016, 2015 and 2014, 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 $19.4 million, $19.1 million and $0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

**Income Taxes**

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. In accordance with accounting guidance, our income taxes include amounts from domestic and international jurisdictions, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is our 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 our GCA (Macau) S.A. subsidiary. 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.

Our 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. The effect on the income tax provision or benefit 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.

When measuring deferred tax assets, certain estimates and assumptions are required to assess whether a valuation allowance should be established by evaluating both positive and negative factors in accordance with accounting guidance. This evaluation requires that we exercise judgment in determining the relative significance of each factor. The assessment of valuation allowance involves significant estimates regarding future taxable income and when it is recognized, the amount and timing of taxable differences, the reversal of temporary differences and the implementation of tax-planning strategies. A valuation allowance is established based on the weight of available evidence, including both positive and negative indicators, if it is more likely than not that a portion, or all, of the deferred tax assets will not be realized. Greater weight is given to evidence that is objectively verifiable, most notably historical results. If we report a cumulative loss from continuing operations before income taxes for a reasonable period of time, this form of negative evidence is difficult to overcome. Therefore, we include certain aspects of our historical results in our forecasts of future taxable income, as we do not have the ability to solely rely on forecasted improvements in earnings to recover deferred tax assets. When we report a cumulative loss position, to the extent our results of operations improve, such that we have the ability to overcome the more likely than not accounting standard, we expect to be able to reverse the valuation allowance in the applicable period of determination. In addition, we rely on deferred tax liabilities in our assessment of the realizability of deferred tax assets if the temporary timing difference is anticipated to reverse in the same period and jurisdiction and the deferred tax liabilities are of the same character as the temporary differences giving rise to the deferred tax assets.

We also follow accounting guidance to account for uncertainty in income taxes as recognized in our consolidated financial statements. The accounting standard creates a single model to address uncertainty in income tax positions and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The standard also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under this standard, we may recognize tax benefits from an uncertain position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the issue. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed.

**Employee Benefits Plan**

In connection with the acquisition of Everi Games Holding, we merged the Everi Payments 401(k) Plan ("Merged 401(k) Plan") into the Everi Games Holding 401(k) Plan ("Surviving 401(k) Plan"), which was adopted for domestic employees of Everi Games and Everi Payments and their domestic subsidiaries. The Surviving 401(k) Plan Participant investment elections were not mapped from the current provider as the Merged 401(k) 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 Surviving 401(k) 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 Surviving 401(k) Plan were $1.9 million, $1.3 million and $0.5 million for the years ended December 31, 2016, 2015 and 2014, 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.

| | Level of Hierarchy | Fair Value | Outstanding Balance |
|---|---|---|---|
| **December 31, 2016** | | | |
| Term loan | 1 | $ 451,632 | $ 465,600 |
| Senior secured notes | 3 | $ 324,950 | $ 335,000 |
| Senior unsecured notes | 1 | $ 350,000 | $ 350,000 |
| **December 31, 2015** | | | |
| 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 as there was no market activity or observable inputs as of December 31, 2016 and December 31, 2015. The fair value of the senior secured notes was derived using the same rate as the term loan given that both were treated similarly as of December 31, 2016. The fair value of the senior secured notes was derived using a Level 3 input by evaluating the trading activities of similar debt instruments as of December 31, 2015.

**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 and final 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 estimated reserve for bad debt expense associated with our trade receivables;
- the estimated reserve for inventory obsolescence;
- 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.
- the estimated liability for health care claims under our self-insured health care program.

**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 were measured at fair value on the grant date using the Black Scholes model. Our restricted stock awards 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 options granted in 2016 under our 2014 Equity Incentive Plan (the "2014 Plan") and 2012 Equity Incentive Plan (as amended, the "2012 Plan") vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company's shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 50% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle.

Our market-based stock options granted in 2015 under the 2014 Plan 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 (as defined in the 2014 Plan) of the Company, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control transaction.

All market-based 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 April 2015, the FASB issued Accounting Standards Update ("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 adopted the guidance in ASU Nos. 2015-03 and 2015-15 retrospectively to reclassify all debt issuance costs not associated with line-of-credit arrangements from the non-current portion of other assets to contra-liabilities and presented them as reductions to the face amount of each respective long-term debt instrument on our Consolidated Balance Sheets and related notes during the current period.

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 adopted this guidance during the current period. There was no impact on our Consolidated Financial Statements, as we do not have any extraordinary items.

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 adopted this guidance during the current period. There was no impact on our 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 adopted this guidance during the current period. There was no impact on our Consolidated Financial Statements.

*Recent Accounting Guidance Not Yet Adopted*

In January 2017, the FASB issued ASU No. 2017-04, which provides updated guidance on the goodwill impairment test and the method by which an entity recognizes an impairment charge. These amendments eliminate Step 2 from the current goodwill impairment process and require that an entity recognize an impairment charge equal to the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, a company should also take into consideration income tax effects from tax deductible goodwill on the carrying amount of a reporting unit when recording an impairment loss. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a prospective approach. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a prospective approach as of the beginning of the first period of adoption. Early adoption is permitted for acquisitions, or disposals that occur before the issuance date or effectiveness date of the amendments when the transaction has not been reported in financial statements that have been issued or made available for issuance. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In October 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach to each period presented. Early adoption is permitted and adoption in an interim period should reflect adjustments as of the beginning of the fiscal year that includes that interim period. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted during the first interim period of the year this guidance is adopted. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance will be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted including adoption in an interim period. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, which provides updated guidance on credit losses for financial assets measured at amortized cost basis and available-for sale debt securities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach for the cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective and using a prospective approach for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. 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 Consolidated Financial Statements.

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. While we are currently assessing the impact of this ASU on our Consolidated Financial Statements, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases on our Consolidated Balance Sheets, which will result in the recording of right of use assets and lease obligations and are currently discussed in "Note 13 Commitments and Contingencies."

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 last-in, first-out ("LIFO") or the retail inventory method. The amendments do not apply to inventory that is measured using 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 Consolidated Financial Statements.

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. The guidance in ASU 2014-09 was further updated by ASU 2016-08 in March 2016, which provides clarification on the implementation of the principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which provides clarification on the implementation of performance obligations and licensing in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which amends guidance provided in two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting over various topics relating to ASU 606. In May 2016, the FASB issued ASU 2016-12, which clarified various topics in ASU 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASU 606. 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 will likely adopt this guidance using the retrospective method beginning in the first quarter of 2018. We performed an initial review of the requirements of the standard and are monitoring the activity of the FASB and the transition resource group as it relates to specific interpretive guidance that may impact us. We are currently completing detailed contract reviews to determine necessary adjustments to existing accounting policies and procedures and to support an evaluation of the standard's impact on our Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements. Based on reviews performed, we do not expect our Payments revenues to be materially impacted by the implementation of this guidance. We are still evaluating Games revenues and equipment and systems revenues to determine the extent, if any, of changes to the timing and amount of revenue recorded in each reporting period. Additionally, the new guidance will require enhanced disclosures, including additions to our revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We may identify other impacts from the implementation of this guidance as we continue our assessment.

## 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.

### Everi Games Holding Inc.

On December 19, 2014, Holdings completed its acquisition of Everi Games Holding Inc. Pursuant to the terms of the Agreement and Plan of Merger, dated as of September 8, 2014, 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, together with the acceleration and full vesting of Everi Games Holding equity awards.

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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 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. 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 |
|---|---|
| **Unaudited pro forma results of operations (in thousands, except per share amounts)** | |
| Revenues | $ 800,732 |
| Net loss | (5,083) |
| Basic loss per share | $ (0.08) |
| Diluted loss per share | $ (0.08) |

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 Holding 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 $13.3 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. As of September 30, 2016, a payment of approximately $0.7 million was remitted, with a remaining estimate of approximately $1.0 million to be potentially paid under the provisions of the agreement over the remaining term. Resort Advantage is a supplier of anti-money laundering compliance, audit and data efficiency software 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.

## 4. 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 $3.1 million, $2.3 million and $2.3 million for the years ended December 31, 2016, 2015 and 2014, 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 $285.4 million and $364.5 million as of December 31, 2016 and 2015, respectively.

The Contract Cash Solutions Agreement, as amended, provides us with cash in the maximum amount of $425.0 million during the term of the agreement, which expires on June 30, 2019.

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, 2016 and 2015.

### *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 $151.0 million and $84.9 million as of December 31, 2016 and 2015, respectively.

### *Prefunded Cash Access Agreements*

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately $8.5 million and $8.8 million at December 31, 2016 and 2015, respectively, and is included in prepaid expenses and other assets on our Consolidated Balance Sheets.

## 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, 2016 | At December 31, 2015 |
|---|---|---|
| **Trade receivables, net** | | |
| Games trade receivables | $ 44,410 | $ 38,064 |
| Payments trade receivables | 7,241 | 14,318 |
| **Total trade receivables, net** | $ 51,651 | $ 52,382 |

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the face amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables includes reserves for both Games and Payments receivables. The provision for doubtful accounts is generally included within operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. We also have a provision for doubtful accounts specifically associated with our outstanding check warranty receivables, which is included within Payments cost of revenues (exclusive of depreciation and amortization) in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. The outstanding balances of the check warranty and general reserves were $2.7 million and $2.0 million, respectively, as of December 31, 2016 and $3.0 million and $0.9 million, respectively, as of December 31, 2015.

A summary activity of the reserve for warranty losses is as follows (in thousands):

| | Amount |
|---|---|
| **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 |
| Warranty expense provision | 8,694 |
| Charge-offs against reserve | (8,972) |
| **Balance, December 31, 2016** | $ 2,695 |

## 6. OTHER RECEIVABLES

Other receivables include the balance of notes and loans receivable on our games and fully integrated kiosk products; and development agreements, which are generated from reimbursable amounts advanced to tribal customers generally used by the customer to build, expand or renovate its facility.

In addition, we had a note receivable with Bee Cave Games, Inc. ("Bee Cave"), which was established prior to our acquisition of Everi Games Holding in December 2014 pursuant to a secured promissory note in the amount of $4.5 million, which bears annual interest at 7%. The note required interest only payments for the first 24 months followed by repayments of principal and interest in 48 equal monthly installments. In connection with the promissory note, the Company received a warrant to purchase the common stock of Bee Cave and recorded a discount to the note for the fair value of the warrant received.

In May 2016, Bee Cave failed to pay its scheduled interest-only payment that was due related to its $4.5 million secured promissory note payable to Everi Games, for which we issued a Notice of Default and Acceleration to Bee Cave of our intent to foreclose on its assets in full settlement of the outstanding note obligation under the terms of the promissory note. At such time, we recorded a write-down of approximately $4.3 million related to the Bee Cave note receivable and warrant in operating expenses on the Condensed Consolidated Statements of Loss and Comprehensive Loss. During the third quarter of 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded $0.5 million of developed technology and software within other intangible assets, net on the Condensed Consolidated Balance Sheets at that time.

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, 2016 | At December 31, 2015 |
|---|---|---|
| **Other receivables** | | |
| Notes and loans receivable, net of discount of $0 and $699 at December 31, 2016 and December 31, 2015, respectively | $ 5,096 | $ 9,930 |
| Federal and state income tax receivable | 243 | 421 |
| Other | 1,681 | 1,232 |
| **Total other receivables** | 7,020 | 11,583 |
| Less: non-current portion of notes and loans receivable | 2,020 | 6,655 |
| **Total other receivables, current portion** | $ 5,000 | $ 4,928 |

## 7. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our Revolving Credit Facility (defined herein), restricted cash and other assets. The current portion of these assets is included in prepaid and other assets and the non-current portion is included in other assets, both of which are contained within the Consolidated Balance Sheets.

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance costs included in the non-current portion of other assets relate to our line-of-credit arrangements and were not reclassified consistent with our adoption of ASU No. 2015-15.

The balance of prepaid and other assets, current consisted of the following (in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Prepaid expenses and other assets** | | |
| Deposits | $ 8,622 | $ 8,946 |
| Prepaid expenses | 5,937 | 8,255 |
| Other | 3,489 | 3,571 |
| **Total prepaid expenses and other assets** | $ 18,048 | $ 20,772 |

The balance of other assets, non-current consisted of the following (in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Other assets** | | |
| Prepaid expenses and deposits | $ 3,399 | $ 4,521 |
| Debt issuance costs of revolving credit | 689 | 919 |
| Other | 3,434 | 5,934 |
| **Total other assets** | $ 7,522 | $ 11,374 |

## 8. INVENTORY

Our inventory primarily consists of component parts as well as work-in-progress and finished goods. 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 FIFO method.

Inventory consisted of the following (in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Inventory** | | |
| Raw materials and component parts, net of reserves of $2,155 and $912 at December 31, 2016 and December 31, 2015, respectively | $ 12,570 | $ 23,663 |
| Work-in-progress | 1,502 | 1,495 |
| Finished goods | 4,996 | 3,580 |
| **Total inventory** | $ 19,068 | $ 28,738 |

## 9. PROPERTY, EQUIPMENT AND LEASED ASSETS

Property, equipment and leased assets consist of the following (amounts in thousands):

| | | At December 31, 2016 | | | At December 31, 2015 | | |
|---|---|---|---|---|---|---|---|
| | Useful Life (Years) | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| **Property, equipment and leased assets** | | | | | | | |
| Rental pool — deployed | 2 - 4 | $ 123,812 | $ 59,188 | $ 64,624 | $ 91,743 | $ 29,993 | $ 61,750 |
| Rental pool — undeployed | 2 - 4 | 13,456 | 5,721 | 7,735 | 11,950 | 3,361 | 8,589 |
| ATM equipment | 5 | 16,537 | 11,189 | 5,348 | 20,601 | 12,885 | 7,716 |
| Leasehold and building improvements | Lease Term | 10,023 | 3,698 | 6,325 | 7,564 | 2,038 | 5,526 |
| Cash advance equipment | 3 | 8,590 | 4,499 | 4,091 | 7,662 | 2,711 | 4,951 |
| Machinery, office and other equipment | 2 - 5 | 30,424 | 20,108 | 10,316 | 32,313 | 14,537 | 17,776 |
| **Total** | | $ 202,842 | $ 104,403 | $ 98,439 | $ 171,833 | $ 65,525 | $ 106,308 |

In the second quarter of 2016, our corporate aircraft was classified as held for sale and sold for $4.8 million during the period. We recognized a $0.9 million loss on the sale of the aircraft, which was included in operating expenses in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the year ended December 31, 2016. The aircraft was included in machinery, office and other equipment.

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 for such period.

Depreciation expense related to other property, equipment and leased assets totaled approximately $50.0 million, $45.6 million and $8.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

There was no material impairment of our property, equipment and leased assets for the year ended December 31, 2016. In connection with our fourth quarter 2015 annual financial statement review, we determined that certain of our Games 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; 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. Our property, equipment and leased assets were not impaired for the year ended December 31, 2014.

## 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 are identified as operating segments or one level below, 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.

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.

*Goodwill Testing*

In performing our annual goodwill impairment tests, we utilize 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 an income valuation approach and a market valuation 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 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 interest, 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 and 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.

We had approximately $640.5 million of goodwill on our Consolidated Balance Sheets at December 31, 2016 resulting from acquisitions of other businesses. All of our goodwill was subject to our annual goodwill impairment testing.

In connection with our annual goodwill impairment testing process for 2016 and 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 $146.3 million and $75.0 million for the years ended December 31, 2016 and 2015, respectively. The fair value substantially exceeded the carrying value for each of the Cash Access, Kiosk Sales and Services, Central Credit and Everi Compliance reporting units as of December 31, 2016 and 2015, respectively. The Company's aggregate goodwill impairment balance was $221.3 million and $75.0 million as of December 31, 2016 and 2015, respectively. The impairment analysis 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 forecasted operating profits and cash flows in 2016 and 2015. Based on these indicators, we revised our estimates and assumptions for the Games reporting unit. Management performs its annual forecasting process, which, among other factors, includes reviewing recent historical results, company-specific variables and industry trends. This process is generally completed in the fourth quarter and considered in conjunction with the annual goodwill impairment evaluation.

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 its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect our results of operations. The estimate of fair value requires significant judgment and we base 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 as of the time of 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.

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, 2016, our reporting units included: Games, Cash Access, Kiosk Sales and Services, Central Credit, and Everi Compliance. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access reporting unit to be consistent with the current corporate structure and segment management. 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.

The Company determined, based on changes to our structure and the overall management of the business, that the Cash Advance, ATM, and Check Services reporting units would be combined into a single Cash Access reporting unit. Prior to combining these reporting units, we performed a separate impairment test for each of these former reporting units in addition to the test performed on the combined Cash Access reporting unit during our 2016 assessment. There was no indicated impairment for any of these three reporting units prior to combining them into a single unit.

Key assumptions used in estimating fair value of the Games reporting unit under the income approach included a discount rate 10.0% and a terminal value growth rate of approximately 3.0% for the years ended December 31, 2016 and 2015. Projected compound average revenue growth rates of approximately 5.2% and 7.5% were used for the years ended December 31, 2016 and 2015, respectively. The discounted cash flow analyses included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures.

Key assumptions used in estimating fair value of the Games reporting unit 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 3.1 to 3.4 times and multiples of EBITDA of 6.5 to 8.3 times for the year ended December 31, 2016. We selected multiples of revenue of approximately 3.6 to 4.8 times and multiples of EBITDA of 7.4 to 8.7 times for the year ended December 31, 2015.

Our goodwill was not impaired for the year ended December 31, 2014 based upon the results of our testing.

The changes in the carrying amount of goodwill are as follows (in thousands):

| | Cash Access | Games | Other | Total |
|---|---|---|---|---|
| **Goodwill** | | | | |
| **Balance, December 31, 2014** | $ 157,150 | $ 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[(1)] | — | 896 | — | 896 |
| **Balance, December 31, 2015** | $ 157,035 | $ 595,340 | $ 37,428 | $ 789,803 |
| Goodwill impairment | — | (146,299) | — | (146,299) |
| Foreign translation adjustment | 20 | — | — | 20 |
| Other[(2)] | — | — | (2,978) | (2,978) |
| **Balance, December 31, 2016** | $ 157,055 | $ 449,041 | $ 34,450 | $ 640,546 |

(1) Includes the final 2015 measurement period adjustments associated with the acquisition of our Games business in late 2014.

(2) Includes the final 2016 measurement period adjustments associated with the acquisition of certain assets of Resort Advantage in late 2015.

**Other Intangible Assets**

Other intangible assets consist of the following (in thousands):

| | | At December 31, 2016 | | | At December 31, 2015 | | |
|---|---|---|---|---|---|---|---|
| | 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 | $ 17,742 | $ 6,281 | $ 11,461 | $ 16,453 | $ 7,612 | $ 8,841 |
| Customer contracts | 7 - 14 | 50,975 | 40,419 | 10,556 | 50,177 | 34,755 | 15,422 |
| Customer relationships | 8 - 12 | 231,100 | 42,688 | 188,412 | 231,100 | 21,723 | 209,377 |
| Developed technology and software | 1 - 6 | 224,265 | 126,721 | 97,544 | 197,658 | 63,591 | 134,067 |
| Patents, trademarks and other | 1 - 17 | 27,771 | 17,747 | 10,024 | 28,240 | 13,485 | 14,755 |
| **Total** | | $ 551,853 | $ 233,856 | $ 317,997 | $ 523,628 | $ 141,166 | $ 382,462 |

Amortization expense related to other intangible assets totaled approximately $94.6 million, $85.5 million and $14.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized $24.2 million and $21.0 million of internal software development costs for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015. 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.

The anticipated amortization expense related to other intangible assets, assuming no subsequent impairment of the underlying assets, is as follows (in thousands):

| Anticipated amortization expense | Amount |
|---|---|
| 2017 | $ 68,765 |
| 2018 | 50,899 |
| 2019 | 40,693 |
| 2020 | 35,978 |
| 2021 | 23,396 |
| Thereafter | 84,293 |
| **Total**[(1)] | $ 304,024 |

(1) For the year ended December 31, 2016, the Company had $14.0 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. There were no receivables related to development agreements at December 31, 2016 and 2015, respectively. 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. We paid approximately $11.3 million and $2.8 million to extend the term of placement fee agreements with a customer for certain of its locations for the years ended December 31, 2016 and 2015, respectively.

During the year ended December 31, 2016, we foreclosed on the Bee Cave assets, evaluated its platform, and began to utilize these assets in connection with our social gaming strategy to deliver content from our existing game library. Consequently, we extinguished the note receivable and recorded $0.5 million of developed technology and software within other intangible assets, net on the Consolidated Balance Sheets during the period.

## 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table presents our accounts payable and accrued expenses (amounts in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Accounts payable and accrued expenses** | | |
| Trade accounts payable | $ 55,352 | $ 69,182 |
| Payroll and related expenses | 12,305 | 8,565 |
| Deferred and unearned revenues | 9,222 | 10,836 |
| Cash access processing and related expenses | 7,001 | 4,662 |
| Accrued taxes | 2,587 | 1,654 |
| Accrued interest | 82 | 73 |
| Other | 7,842 | 6,540 |
| **Total accounts payable and accrued expenses** | $ 94,391 | $ 101,512 |

## 12. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

| | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Long-term debt** | | |
| Senior secured term loan | $ 465,600 | $ 490,000 |
| Senior secured notes | 335,000 | 335,000 |
| Senior unsecured notes | 350,000 | 350,000 |
| **Total debt** | 1,150,600 | 1,175,000 |
| Less: debt issuance costs and warrant discount | (28,720) | (35,101) |
| **Total debt after debt issuance costs and discount** | 1,121,880 | 1,139,899 |
| Less: current portion of long-term debt | (10,000) | (10,000) |
| **Long-term debt, less current portion** | $ 1,111,880 | $ 1,129,899 |

We reclassified $23.7 million of debt issuance costs related to our outstanding debt from the non-current portion of other assets to contra-liabilities included in long-term debt as of December 31, 2015 in connection with our retrospective adoption of ASU No. 2015-03. The remaining debt issuance costs included in the non-current portion of other assets relates to our line-of-credit arrangements and were not reclassified consistent with our adoption of ASU No. 2015-15.

### Credit Facilities

In December 2014, Everi Payments, as borrower, and Holdings entered into a credit facility with 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 (the "Credit Agreement"). The Credit Agreement consists of the $500.0 million, six-year senior secured term loan facility that matures in 2020 (the "Term Loan") and the $50.0 million, five-year senior secured revolving credit facility that matures in 2019 (the "Revolving Credit Facility," and together with the Term Loan, the "Credit Facilities"). 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, 2016 and 2015, which represents LIBOR plus a 5.25% margin

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. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR. 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, 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, including Everi Games Holdings 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 maximum consolidated secured leverage ratio as well as an annual excess cash flow requirement. At December 31, 2016, our consolidated secured leverage ratio was 3.80, with a maximum allowable ratio of 4.25. Our consolidated secured maximum leverage ratio will be 4.00, 3.75 and 3.50 as of December 31, 2017, 2018 and 2019 and thereafter, respectively. Based on our excess cash flow calculation at December 31, 2015, an excess cash flow payment of approximately $14.4 million was made during the year ended December 31, 2016.

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 (each defined below)). 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 Holdings 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, 2016, we had approximately $465.6 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Credit Facility. We had $50.0 million of additional borrowing availability under the Revolving Credit Facility as of December 31, 2016. The weighted average interest rate on the Credit Facilities was approximately 6.25% for the year ended December 31, 2016.

We were in compliance with the terms of the Credit Facilities as of December 31, 2016 and 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 "Secured Notes"). 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 a note purchase agreement with Everi Payments, CPPIB Credit Investments III Inc. (the "Purchaser"), and Deutsche Bank Trust Company Americas, as collateral agent (the "Note Purchase Agreement"), and issued $335.0 million in aggregate principal amount of the 7.25% Secured Notes due 2021 (the "Refinanced Secured Notes") 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 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 a warrant to purchase shares of the Company's common stock (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, 2016 and 2015.

**Senior Unsecured Notes**

In December 2014, we issued $350.0 million in aggregate principal amount of 10.0% Unsecured Notes due 2022 (the "Unsecured Notes"). 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% participation.

We were in compliance with the terms of the Unsecured Notes as of December 31, 2016 and 2015.

**Principal Repayments**

The maturities of our borrowings at December 31, 2016 are as follows (in thousands):

| | Amount |
|---|---|
| **Maturities of borrowings** | |
| 2017 | $ 10,000 |
| 2018 | 10,000 |
| 2019 | 10,000 |
| 2020 | 435,600 |
| 2021 | 335,000 |
| Thereafter | 350,000 |
| **Total** | $ 1,150,600 |

## 13. COMMITMENTS AND CONTINGENCIES

**Lease Obligations**

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately $6.8 million, $5.9 million and $1.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We have a long-term lease agreement related to office space for our corporate headquarters located in Las Vegas, Nevada that expires in April 2023.

In September 2014, the long-term lease agreement for office space in Austin, Texas, was extended through June 2021.

We also have leased facilities in Chicago, Illinois and Reno, Nevada, which support the design, production and expansion of our gaming content. The long-term lease agreement for our Chicago facilities commenced in November 2015 and expires in January 2023. The long-term lease agreement for our Reno facilities commenced in October 2015 and expires in April 2021.

As of December 31, 2016, the minimum aggregate rental commitment under all non-cancelable operating leases were as follows (in thousands):

| | Amount |
|---|---|
| **Minimum aggregate rental commitments** | |
| 2017 | $ 4,803 |
| 2018 | 4,408 |
| 2019 | 4,462 |
| 2020 | 4,148 |
| 2021 | 3,254 |
| Thereafter | 2,432 |
| **Total** | $ 23,507 |

**Litigation Claims and Assessments**

We are subject to 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.

***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 reached as of January 16, 2015. On January 22, 2015, the settlement agreement was executed and delivered for 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) and Comprehensive (Loss) Income for the year ended December 31, 2015.

**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, 2016 and 2015, 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, 2016 and 2015, we had 90,952,185 and 90,877,273 shares of common stock issued, respectively.

***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 18,717 and 32,617 shares of common stock at an aggregate purchase price of $41,528 and $0.2 million for the years ended December 31, 2016 and 2015, 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, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| **Weighted average shares** | | | |
| **Weighted average number of common shares outstanding — basic** | 66,050 | 65,854 | 65,780 |
| Potential dilution from equity grants[1] | — | — | 1,083 |
| **Weighted average number of common shares outstanding — diluted** | 66,050 | 65,854 | 66,863 |

(1) The Company was in a net loss position for the years ended December 31, 2016 and 2015, respectively, and therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 15.7 million and 14.2 million shares of common stock for the years ended December 31, 2016 and 2015, respectively, were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

## 16. SHARE-BASED COMPENSATION

### Equity Incentive Awards

Our 2014 Equity Incentive Plan (the "2014 Plan") and our 2012 Equity Incentive Plan (as amended, the "2012 Plan") are 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 2012 Plan was assumed in connection with our acquisition of Everi Games Holding and conformed to include similar provisions to those as set forth in the 2014 Plan. Our equity incentive plans are administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to: the vesting provisions and exercise prices.

Generally, we grant the following award types: (a) time-based options, (b) market-based options and (c) restricted stock. These awards have varying vesting provisions and expiration periods. For the year ended December 31, 2016, we granted time- and market-based options.

Our time-based stock options generally vest at a rate of 25% per year on each of the first four anniversaries of the grant dates and expire after a ten-year period.

Our market-based options granted in 2016 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of the Company's shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 50% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

Our market-based stock options granted in 2015 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. 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, 2015** | 17,440 | 310 |
| Additional authorized shares | — | — |
| Granted | 4,383 | — |
| Exercised options or vested shares | — | (75) |
| Cancelled or forfeited | (3,590) | (155) |
| **Outstanding, December 31, 2016** | 18,233 | 80 |

The maximum number of shares available for future equity awards under the 2012 Plan and the 2014 Plan is approximately 5.0 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 our standard time-based options was determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Risk-free interest rate | 1 % | 1 % | 1 % |
| Expected life of options (in years) | 5 | 4 | 4 |
| Expected volatility | 51 % | 43 % | 54 % |
| Expected dividend yield | — % | — % | — % |

During 2016, certain executive and director grants were valued under the Black-Scholes option pricing model that utilized different assumptions from those used for our standard time-based options. For the time-based options granted on February 13, 2016, the assumptions were: (a) risk-free interest rate of 1%; (b) expected term of six years; (c) expected volatility of 49%; and (d) no expected dividend yield. For the time-based options granted on February 25, 2016, the assumptions were: (a) risk-free interest rate of 1%; (b) expected term of five years; (c) expected volatility of 49%; and (d) no expected dividend yield.

The fair value of market-based options granted in connection with the annual grant that occurred during the second quarters of 2016 and 2015 and the first quarter of 2014 was determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Risk-free interest rate | 2 % | 1 % | 1 % |
| Measurement period (in years) | 10 | 4 | 4 |
| Expected volatility | 68 % | 47 % | 52 % |
| Expected dividend yield | — % | — % | — % |

For the market-based options granted during the third quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 69%; and (d) no expected dividend yield. For the market-based options granted during the fourth quarter of 2016, the assumptions were: (a) risk-free interest rate of 2%; (b) expected term of ten years; (c) expected volatility of 70%; and (d) no expected dividend yield.

For the market-based options granted 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 awards.

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, 2015** | 17,440 | $ 7.41 | 6.6 | $ 1,212 |
| Granted | 4,383 | 1.67 | | |
| Exercised | — | — | | |
| Canceled or forfeited | (3,590) | 7.46 | | |
| **Outstanding, December 31, 2016** | 18,233 | $ 6.02 | 6.4 | $ 2,387 |
| **Vested and expected to vest, December 31, 2016** | 16,126 | $ 6.13 | 6.3 | $ 1,872 |
| **Exercisable, December 31, 2016** | 9,492 | $ 7.16 | 4.8 | $ — |

| Range of Exercise Prices | | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|---|
| | | Number Outstanding (in thousands) | Weighted Average Remaining Contract Life (Years) | Weighted Average Exercise Prices | Number Exercisable (in thousands) | Weighted Average Exercise Price |
| $ 1.46 | $ 1.56 | 3,126 | 9.4 | $ 1.46 | — | $ — |
| 1.57 | 5.76 | 3,081 | 6.1 | 3.68 | 2,230 | 4.22 |
| 5.77 | 6.89 | 3,405 | 5.0 | 6.63 | 2,174 | 6.67 |
| 6.90 | 7.73 | 1,170 | 7.0 | 7.23 | 814 | 7.20 |
| 7.74 | 7.76 | 3,784 | 7.2 | 7.74 | 615 | 7.74 |
| 7.77 | 9.73 | 2,609 | 6.2 | 8.69 | 2,604 | 8.69 |
| 9.74 | 14.55 | 1,058 | 0.9 | 10.20 | 1,055 | 10.20 |
| | | 18,233 | | | 9,492 | |

There were 4.4 million, 6.5 million and 6.6 million options granted for the years ended December 31, 2016, 2015 and 2014, respectively. The weighted average grant date fair value per share of the options granted was $0.83, $2.48 and $3.20 for the years ended December 31, 2016, 2015 and 2014, respectively. No options were exercised during the year ended December 31, 2016. The total intrinsic value of options exercised was $0.8 million, $2.8 million for the years ended December 31, 2015 and 2014, respectively.

There was $11.7 million in unrecognized compensation expense related to options expected to vest as of December 31, 2016. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.1 years. We recorded $6.3 million in non-cash compensation expense related to options granted that were expected to vest for the year ended and as of December 31, 2016. There were no proceeds received from the exercise of options, as no exercises occurred during the period.

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 recorded $7.4 million and $7.6 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2015 and 2014, respectively. We received $1.8 million and $5.3 million in cash from the exercise of options for the years ended December 31, 2015 and 2014, 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, 2015** | 310 | $ 7.11 |
| Granted | — | — |
| Vested | (75) | 7.10 |
| Forfeited | (155) | 7.12 |
| **Outstanding, December 31, 2016** | 80 | $ 7.12 |

There were no shares of restricted stock granted for the year ended December 31, 2016. The total fair value of restricted stock vested was $0.2 million for the year ended December 31, 2016. There was $1.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2016 and is expected to be recognized on a straight-line basis over a weighted average period of 1.7 years. There were 0.1 million shares of restricted stock that vested during 2016, and we recorded $0.5 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2016.

There were no shares of restricted stock granted for the year ended December 31, 2015, and 0.3 million shares of restricted stock were granted for the year ended December 31, 2014. The weighted average grant date fair value per share of restricted stock granted was $7.12 for the year ended December 31, 2014. The total fair value of restricted stock vested was $0.6 million and $1.4 million for the years ended December 31, 2015 and 2014, respectively. There was $2.0 million and $3.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2015 and 2014, respectively, and is expected to be recognized on a straight-line basis over a weighted average period of 2.4 years and 3.3 years, respectively. There were 0.2 million shares and 0.2 million shares of restricted stock that vested during 2015 and 2014, respectively, and we recorded $0.9 million and $1.2 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2015 and 2014, respectively.

## 17. INCOME TAXES

The following presents consolidated (loss) income before tax for domestic and foreign operations (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| **Consolidated (loss) income before tax** | | | |
| Domestic | $ (225,538) | $ (129,602) | $ 13,870 |
| Foreign | 7,755 | 6,519 | 6,431 |
| **Total** | $ (217,783) | $ (123,083) | $ 20,301 |

The income tax (benefit) provision attributable to (loss) income from operations before tax consists of the following components (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| **Income tax (benefit) provision** | | | |
| Domestic | $ 30,400 | $(19,746) | $6,637 |
| Foreign | 1,296 | 1,635 | 1,524 |
| **Total income tax (benefit) provision** | $ 31,696 | $(18,111) | $8,161 |
| **Income tax (benefit) provision components** | | | |
| Current | $ 1,756 | $ 1,767 | $1,598 |
| Deferred | 29,940 | (19,878) | 6,563 |
| **Total income tax (benefit) provision** | $ 31,696 | $(18,111) | $8,161 |

A reconciliation of the federal statutory rate and the effective income tax rate is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Income tax reconciliation** | | | |
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Foreign provision | 0.5 % | 0.6 % | (3.6)% |
| State/province income tax | 0.8 % | 1.1 % | 0.9 % |
| Non-deductible compensation cost | (0.5)% | (1.1)% | 0.7 % |
| Non-deductible acquisition cost | 0.0 % | 0.0 % | 5.9 % |
| Adjustment to carrying value | 0.2 % | 0.6 % | 1.9 % |
| Research credit | 0.2 % | 0.6 % | 0.0 % |
| Valuation allowance | (27.4)% | 0.0 % | 0.0 % |
| Goodwill impairment | (23.5)% | (21.3)% | 0.0 % |
| Other | 0.1 % | (0.8)% | (0.6)% |
| **Effective tax rate** | (14.6)% | 14.7 % | 40.2 % |

The major tax-effected components of the deferred tax assets and liabilities are as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Deferred income tax assets related to:** | | | |
| Net operating losses | $ 98,664 | $ 81,531 | $ 64,357 |
| Stock compensation expense | 11,559 | 10,212 | 8,841 |
| Accounts receivable allowances | 1,745 | 1,444 | 1,613 |
| Accrued and prepaid expenses | 6,276 | 3,958 | 7,917 |
| Long-term debt | 493 | 300 | 290 |
| Other | 1,399 | 658 | 373 |
| Tax credits | 6,394 | 5,896 | 5,146 |
| Valuation allowance | (61,012) | (1,442) | (2,319) |
| **Total deferred income tax assets** | $ 65,518 | $ 102,557 | $ 86,218 |
| **Deferred income tax liabilities related to:** | | | |
| Property, equipment and leased assets | $ 13,216 | $ 18,274 | $ 23,785 |
| Intangibles | 106,307 | 108,727 | 109,103 |
| Other | 3,606 | 3,200 | 1,072 |
| **Total deferred income tax liabilities** | $ 123,129 | $ 130,201 | $ 133,960 |
| **Deferred income taxes, net** | $ (57,611) | $ (27,644) | $ (47,742) |

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.

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 $23.3 million as of December 31, 2016. 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, 2016, 2015 and 2014, 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.

Deferred tax assets arise primarily because expenses have been recorded in historical financial statement periods that will not become deductible for income taxes until future tax years. We record valuation allowances to reduce the book value of our deferred tax assets to amounts that are estimated on a more likely than not basis to be realized. This assessment requires judgment and is performed on the basis of the weight of all available evidence, both positive and negative, with greater weight placed on information that is objectively verifiable such as historical performance.

During the fourth quarter of 2016, we evaluated negative evidence noting that for the three-year period then ended, we reported a cumulative net loss. Pursuant to accounting guidance, a cumulative loss in recent years is a significant piece of negative evidence that must be considered and is difficult to overcome without sufficient objectively verifiable, positive evidence. As such, certain aspects of our historical results were included in our forecasted taxable income. Although our forecast of future taxable income was a positive indicator, since this form of evidence was not objectively verifiable, its weight was not sufficient to overcome the negative evidence.

As a result of this evaluation, we increased our valuation allowance for deferred tax assets by $59.6 million. The ultimate realization of deferred tax assets depends on having sufficient taxable income in the future years when the tax deductions associated with the deferred tax assets become deductible. The establishment of a valuation allowance does not impact cash, nor does it preclude us from using our tax credits, loss carryforwards and other deferred tax assets in the future.

We had $265.0 million, or $92.8 million, tax effected, of accumulated federal net operating losses as of December 31, 2016. 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 $4.8 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, 2016. 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. As of December 31, 2016, $53.7 million of our valuation allowance relates to federal net operating loss carry forwards and credits that we estimate are not more likely than not to be realized.

We had tax effected state net operating loss carry forwards of approximately $10.4 million as of December 31, 2016. The state net operating loss carry forwards will expire between 2017 and 2037. 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, 2016, $7.2 million of our valuation allowance relates to certain state net operating loss carry forwards that we estimate are not more likely than not to be realized. The remaining valuation allowance of $0.1 million relates to foreign net operating losses.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Unrecognized tax benefit** | | | |
| Unrecognized tax benefit at the beginning of the period | $ 729 | $ 729 | $ — |
| Gross increases — tax positions in prior period | 105 | — | — |
| 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** | $ 834 | $ 729 | $ 729 |

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 of December 31, 2016, the Company recorded $0.8 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. The Company has not accrued any penalties and interest for its unrecognized tax benefits. Other than the unrecognized tax benefit recorded, 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 in our Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

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 2013.

**18. 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.

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. We have reported our financial performance based on our segments in both the current and prior periods. 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 POS debit card cash access 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Revenues** | | | |
| Games | $ 213,253 | $ 214,424 | $ 7,406 |
| Payments | 646,203 | 612,575 | 585,647 |
| **Total revenues** | $ 859,456 | $ 826,999 | $ 593,053 |
| **Operating (loss) income** | | | |
| Games | $ (166,243) | $ (73,503) | $ (1,423) |
| Payments | 47,688 | 63,773 | 35,205 |
| **Total operating (loss) income** | $ (118,555) | $ (9,730) | $ 33,782 |

| | At December 31, | |
|---|---|---|
| | 2016 | 2015 |
| **Total assets** | | |
| Games | $ 894,213 | $ 1,086,147 |
| Payments | 513,950 | 464,238 |
| **Total assets** | $ 1,408,163 | $ 1,550,385 |

**Major customers.** For the years ended December 31, 2016, 2015 and 2014, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 31%, 30% and 28% of our total revenue in 2016, 2015 and 2014, respectively.

## 19. 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 |
| **2016** | | | | | |
| Revenues | $ 205,769 | $ 214,000 | $ 222,177 | $ 217,510 | $ 859,456 |
| Operating income (loss) | 3,785 | 6,060 | 11,572 | (139,972) | (118,555) |
| Net loss | (13,151) | (10,796) | (8,254) | (217,278) | (249,479) |
| Basic loss per share | $ (0.20) | $ (0.16) | $ (0.12) | $ (3.29) | $ (3.78) |
| Diluted loss per share | $ (0.20) | $ (0.16) | $ (0.12) | $ (3.29) | $ (3.78) |
| Weighted average common shares outstanding | | | | | |
| Basic | 66,034 | 66,041 | 66,049 | 66,074 | 66,050 |
| Diluted | 66,034 | 66,041 | 66,049 | 66,074 | 66,050 |
| **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 |

* Rounding may cause variances.

## 20. 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 governing the Unsecured Notes; or (iv) the legal or covenant defeasance of the Unsecured Notes or the satisfaction and discharge of the indenture governing the Unsecured Notes.

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, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014. 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, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Revenues** | $ — | $ 599,173 | $ 241,937 | $ 25,096 | $ (6,750) | $ 859,456 |
| **Costs and expenses** | | | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | — | 480,210 | 59,802 | 14,764 | (5,762) | 549,014 |
| Operating expenses | — | 73,352 | 44,526 | 1,819 | (988) | 118,709 |
| Research and development | — | — | 19,326 | 30 | — | 19,356 |
| Goodwill impairment | — | — | 146,299 | — | — | 146,299 |
| Depreciation | — | 8,278 | 41,391 | 326 | — | 49,995 |
| Amortization | — | 12,641 | 79,805 | 2,192 | — | 94,638 |
| **Total costs and expenses** | — | 574,481 | 391,149 | 19,131 | (6,750) | 978,011 |
| **Operating income (loss)** | — | 24,692 | (149,212) | 5,965 | — | (118,555) |
| **Other expense (income)** | | | | | | |
| Interest expense, net of interest income | — | 6,114 | 92,896 | 218 | — | 99,228 |
| Equity in loss (income) of subsidiaries | 249,479 | (14,981) | (1,917) | — | (232,581) | — |
| **Total other expense (income)** | 249,479 | (8,867) | 90,979 | 218 | (232,581) | 99,228 |
| **(Loss) income before income tax** | (249,479) | 33,559 | (240,191) | 5,747 | 232,581 | (217,783) |
| Income tax provision (benefit) | — | 21,679 | 8,881 | 1,136 | — | 31,696 |
| **Net (loss) income** | (249,479) | 11,880 | (249,072) | 4,611 | 232,581 | (249,479) |
| Foreign currency translation | (2,427) | — | — | (2,427) | 2,427 | (2,427) |
| **Comprehensive (loss) income** | $ (251,906) | $ 11,880 | $ (249,072) | $ 2,184 | $ 235,008 | $ (251,906) |

| | 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 expense (income)** | | | | | | |
| Interest expense, net of interest income | — | 7,639 | 92,343 | 308 | — | 100,290 |
| Equity in loss (income) of subsidiaries | 104,972 | (13,777) | — | — | (91,195) | — |
| Loss on extinguishment of debt | — | 13,063 | — | — | — | 13,063 |
| **Total other expense** | 104,972 | 6,925 | 92,343 | 308 | (91,195) | 113,353 |
| **(Loss) income before income 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 expense (income)** | | | | | | |
| Interest expense, net of interest income | — | 7,675 | 3,290 | (209) | — | 10,756 |
| Equity in income of 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 before income tax** | 12,140 | 17,987 | 11,222 | 6,310 | (27,358) | 20,301 |
| Income tax provision | — | 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 |

| | At December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | $ — | $ 88,648 | $ 9,103 | $ 21,300 | $ — | $ 119,051 |
| Settlement receivables | — | 122,222 | — | 6,599 | — | 128,821 |
| Trade receivables, net | — | 4,401 | 41,500 | 5,750 | — | 51,651 |
| Other receivables | — | 4,600 | 243 | 157 | — | 5,000 |
| Inventory | — | 6,009 | 13,059 | — | — | 19,068 |
| Prepaid expenses and other assets | — | 5,359 | 3,807 | 8,882 | — | 18,048 |
| Intercompany balances | — | 106,729 | 188,028 | 1,461 | (296,218) | — |
| **Total current assets** | — | 337,968 | 255,740 | 44,149 | (296,218) | 341,639 |
| **Non-current assets** | | | | | | |
| Property, equipment and leased assets, net | — | 15,144 | 81,993 | 1,302 | — | 98,439 |
| Goodwill | — | 151,417 | 488,512 | 617 | — | 640,546 |
| Other intangible assets, net | — | 23,901 | 289,338 | 4,758 | — | 317,997 |
| Other receivables | — | 2,019 | — | 1 | — | 2,020 |
| Investment in subsidiaries | (107,751) | 171,979 | 1,293 | 86 | (65,607) | — |
| Deferred tax asset | — | 37,578 | — | — | (37,578) | — |
| Other assets | — | 4,940 | 2,286 | 296 | — | 7,522 |
| Intercompany balances | — | 1,143,115 | 7,851 | — | (1,150,966) | — |
| **Total non-current assets** | (107,751) | 1,550,093 | 871,273 | 7,060 | (1,254,151) | 1,066,524 |
| **Total assets** | $ (107,751) | $ 1,888,061 | $ 1,127,013 | $ 51,209 | $ (1,550,369) | $ 1,408,163 |
| **LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Settlement liabilities | $ — | $ 225,170 | $ 268 | $ 13,685 | $ — | $ 239,123 |
| Accounts payable and accrued expenses | — | 64,192 | 28,970 | 1,229 | — | 94,391 |
| Current portion of long-term debt | — | 10,000 | — | — | — | 10,000 |
| Intercompany balances | — | 189,488 | 101,387 | 5,343 | (296,218) | — |
| **Total current liabilities** | — | 488,850 | 130,625 | 20,257 | (296,218) | 343,514 |
| **Non-current liabilities** | | | | | | |
| Deferred tax liability | — | — | 95,189 | — | (37,578) | 57,611 |
| Long-term debt, less current portion | — | 1,111,880 | — | — | — | 1,111,880 |
| Other accrued expenses and liabilities | — | 2,583 | 368 | — | — | 2,951 |
| Intercompany balances | — | — | 1,143,116 | 7,850 | (1,150,966) | — |
| **Total non-current liabilities** | — | 1,114,463 | 1,238,673 | 7,850 | (1,188,544) | 1,172,442 |
| **Total liabilities** | — | 1,603,313 | 1,369,298 | 28,107 | (1,484,762) | 1,515,956 |
| **Stockholders' (deficit) equity** | | | | | | |
| Common stock | 91 | — | — | — | — | 91 |
| Additional paid-in capital | 264,755 | 85,499 | 5,314 | 21,093 | (111,906) | 264,755 |
| Retained (deficit) earnings | (194,299) | 201,316 | (247,273) | 5,168 | 40,789 | (194,299) |
| Accumulated other comprehensive loss | (2,067) | (2,067) | (326) | (3,159) | 5,510 | (2,109) |
| Treasury stock, at cost | (176,231) | — | — | — | — | (176,231) |
| **Total stockholders' (deficit) equity** | (107,751) | 284,748 | (242,285) | 23,102 | (65,607) | (107,793) |
| **Total liabilities and stockholders' (deficit) equity** | $ (107,751) | $ 1,888,061 | $ 1,127,013 | $ 51,209 | $ (1,550,369) | $ 1,408,163 |

| | 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 |
| 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 leased assets, 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 | — | 3,256 | 3,399 | — | — | 6,655 |
| Investment in subsidiaries | 137,414 | 159,735 | — | 86 | (297,235) | — |
| Deferred tax asset | — | 65,577 | — | — | (65,577) | — |
| Other assets | — | 7,256 | 3,667 | 451 | — | 11,374 |
| Intercompany balances | — | 1,136,505 | — | — | (1,136,505) | — |
| **Total non-current assets** | 137,414 | 1,585,196 | 1,065,020 | 8,289 | (1,499,317) | 1,296,602 |
| **Total assets** | $ 137,420 | $ 1,788,570 | $ 1,301,172 | $ 32,440 | $ (1,709,217) | $ 1,550,385 |
| **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 | — | — | 93,221 | — | (65,577) | 27,644 |
| Long-term debt, less current portion | — | 1,129,899 | — | — | — | 1,129,899 |
| Other accrued expenses and liabilities | — | 3,624 | 467 | — | — | 4,091 |
| Intercompany balances | — | — | 1,136,505 | — | (1,136,505) | — |
| **Total non-current liabilities** | — | 1,133,523 | 1,230,193 | — | (1,202,082) | 1,161,634 |
| **Total liabilities** | — | 1,517,459 | 1,295,680 | 11,808 | (1,411,982) | 1,412,965 |
| **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 (loss) | 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 | $ 1,788,570 | $ 1,301,172 | $ 32,440 | $ (1,709,217) | $ 1,550,385 |

| | Year Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| **Cash flows from operating activities** | | | | | | |
| Net (loss) income | $ (249,479) | $ 11,880 | $ (249,072) | $ 4,611 | $ 232,581 | $ (249,479) |
| Adjustments to reconcile net loss to cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | 20,919 | 121,196 | 2,518 | — | 144,633 |
| Amortization of financing costs | — | 6,695 | — | — | — | 6,695 |
| Loss on sale or disposal of assets | — | 1,353 | 1,198 | 12 | — | 2,563 |
| Accretion of contract rights | — | — | 8,692 | — | — | 8,692 |
| Provision for bad debts | — | 74 | 9,834 | — | — | 9,908 |
| Reserve for obsolescence | — | 860 | 2,721 | — | — | 3,581 |
| Other asset impairment | — | — | 4,289 | — | — | 4,289 |
| Goodwill impairment | — | — | 146,299 | — | — | 146,299 |
| Equity in loss (income) of subsidiaries | 249,479 | (14,981) | (1,917) | — | (232,581) | — |
| Stock-based compensation | — | 5,091 | 1,644 | — | — | 6,735 |
| Other non-cash items | — | — | (38) | — | — | (38) |
| Changes in operating assets and liabilities: | | | | | | |
| Net settlement receivables and liabilities | — | 9,275 | 106 | 5,866 | — | 15,247 |
| Other changes in operating assets and liabilities | 1 | (11,643) | 43,772 | 456 | — | 32,586 |
| **Net cash provided by operating activities** | 1 | 29,523 | 88,724 | 13,463 | — | 131,711 |
| **Cash flows from investing activities** | | | | | | |
| Capital expenditures | — | (8,094) | (71,583) | (1,064) | — | (80,741) |
| Acquisitions, net of cash acquired | — | (694) | — | — | — | (694) |
| Proceeds from sale of fixed assets | — | 4,599 | — | — | — | 4,599 |
| Placement fee agreements | — | — | (11,312) | — | — | (11,312) |
| Changes in restricted cash and cash equivalents | — | 94 | — | — | — | 94 |
| Intercompany investing activities | 35 | 1,058 | (626) | 339 | (806) | — |
| **Net cash provided by (used in) investing activities** | 35 | (3,037) | (83,521) | (725) | (806) | (88,054) |
| **Cash flows from financing activities** | | | | | | |
| Repayments of credit facility | — | (24,400) | — | — | — | (24,400) |
| Debt issuance costs | — | (480) | — | — | — | (480) |
| Purchase of treasury stock | (42) | — | — | — | — | (42) |
| Intercompany financing activities | — | (36) | — | (770) | 806 | — |
| **Net cash used in financing activities** | (42) | (24,916) | — | (770) | 806 | (24,922) |
| Effect of exchange rates on cash | — | — | — | (1,714) | — | (1,714) |
| **Cash and cash equivalents** | | | | | | |
| Net (decrease) increase for the period | (6) | 1,570 | 5,203 | 10,254 | — | 17,021 |
| Balance, beginning of the period | 6 | 87,078 | 3,900 | 11,046 | — | 102,030 |
| **Balance, end of the period** | $ — | $ 88,648 | $ 9,103 | $ 21,300 | $ — | $ 119,051 |

| | 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 (used in) 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 in loss (income) of subsidiaries | 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** | | | | | | |
| Capital expenditures | — | (25,796) | (51,108) | (84) | — | (76,988) |
| Acquisitions, net of cash acquired | — | (10,857) | — | — | — | (10,857) |
| Proceeds from sale of fixed assets | — | 102 | 2,000 | — | — | 2,102 |
| Placement fee agreements | — | — | (2,813) | — | — | (2,813) |
| Repayments under development agreements | — | — | 3,104 | — | — | 3,104 |
| 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 prior credit facility | — | — | — | — | — | — |
| Repayments of credit facility | — | (10,000) | — | — | — | (10,000) |
| Repayments of secured notes | — | (350,000) | — | — | — | (350,000) |
| Repayments of unsecured notes | — | — | — | — | — | — |
| Proceeds from issuance of secured notes | — | 335,000 | — | — | — | 335,000 |
| Debt issuance costs | — | (1,221) | — | — | — | (1,221) |
| Issuance of warrant | 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 in income of subsidiaries | (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** | | | | | | |
| Capital expenditures | — | (5,886) | (3,464) | (9,092) | — | (18,442) |
| Acquisitions, net of cash acquired | — | (11,845) | (1,056,155) | — | — | (1,068,000) |
| 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 |

## 21. 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, 2016.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

## Item 9A. Controls and Procedures.

### Evaluation of Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the reporting period covered by this Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report on Form 10-K, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

### Management's Report of Internal Control over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management assessed the effectiveness of internal control over financial reporting as of December 31, 2016, utilizing the criteria described in the "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

Our independent registered public accounting firm, BDO USA, LLP, independently assessed the effectiveness of the Company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Part II, Item 8 of this Form 10-K.

### Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2016

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2016 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. and subsidiaries
Las Vegas, Nevada

We have audited Everi Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, 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, 2016, 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 sheets of Everi Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of loss and comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2016 and our report dated March 14, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 14, 2017

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

The information called for by this Item 10 is incorporated herein by reference to the Company's definitive proxy statement to be filed with the SEC in connection with our 2017 annual meeting of stockholders (the "2017 Proxy Statement"), which is expected to be filed with the SEC within 120 days after the fiscal year ended December 31, 2016.

### Item 11. Executive Compensation.

The information called for by this Item 11 is incorporated herein by reference to the 2017 Proxy Statement.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this Item 12 is incorporated herein by reference to the 2017 Proxy Statement.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information called for by this Item 13 is incorporated herein by reference to the 2017 Proxy Statement.

### Item 14. Principal Accounting Fees and Services.

The information called for by this Item 11 is incorporated herein by reference to the 2017 Proxy Statement.

## PART IV

### Item 15. Exhibits, 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(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 10.00% Senior Unsecured Notes Due 2022, dated as of December 19, 2014, between Everi Payments and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.3 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 10.00% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.4 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 10.00% 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. (a former wholly owned subsidiary of Everi Payments) (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, related to the 7.25% Senior Secured Notes due 2021 (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 7.25% 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 7.25% 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 (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, dated as of August 20, 2013, by and between Columbus Data Services, LLC and Everi Payments (incorporated by reference to Exhibit 10.10 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2016).

10.11 Contract Cash Solutions Agreement, dated as of November 12, 2010, between Everi Payments and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.11 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2016).

10.12 Second Amendment to Contract Cash Solutions Agreement, dated as of 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 as of 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 as of 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 | Fifth Amendment to Contract Cash Solutions Agreement, dated as of December 21, 2016, 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 December 28, 2016). |
| +10.16 | 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). |
| †10.17 | 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). |
| †10.18 | 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). |
| †10.19 | 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). |
| †10.20 | 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). |
| †10.21 | 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). |
| †10.22 | 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). |
| †10.23 | 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). |
| †10.24 | Form of Stock Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.25 | Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.26 | Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.27 | Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.28 | Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.29 | Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |

†10.30 Holdings 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).

†10.31 Amendment to the Holdings 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).

†10.32 Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.33 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.34 Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.35 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.36 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.37 Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016).

†10.38 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).

†10.39 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).

†10.40 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).

†10.41 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).

†10.42 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).

†10.43 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).

†10.44 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).

*†10.45 First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017).

†10.46 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).

*†10.47 First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017).

| | |
|---|---|
| †10.48 | 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). |
| †10.49 | 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). |
| †10.50 | First Amendment to Employment Agreement with Michael Rumbolz (effective as of May 10, 2016) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 10, 2016). |
| †10.51 | 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). |
| †10.52 | 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. |
| *24.1 | Power of Attorney (included on 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 granted 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.

**Item 16. Form 10-K Summary.**

None.

**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.

Dated: March 14, 2017

**EVERI HOLDINGS INC.**

By: /s/ TODD A. VALLI
Todd A. Valli
*Chief Accounting Officer (Principal Accounting Officer)*

**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 report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ MICHAEL D. RUMBOLZ<br>Michael D. Rumbolz | President and Chief Executive Officer (Principal Executive Officer) and Director | March 14, 2017 |
| /s/ RANDY L. TAYLOR<br>Randy L. Taylor | Chief Financial Officer (Principal Financial Officer) | March 14, 2017 |
| /s/ TODD A. VALLI<br>Todd A. Valli | Chief Accounting Officer (Principal Accounting Officer) | March 14, 2017 |
| /s/ E. MILES KILBURN<br>E. Miles Kilburn | Chairman of the Board and Director | March 14, 2017 |
| /s/ GEOFFREY P. JUDGE<br>Geoffrey P. Judge | Director | March 14, 2017 |
| /s/ RONALD V. CONGEMI<br>Ronald V. Congemi | Director | March 14, 2017 |
| /s/ EILEEN F. RANEY<br>Eileen F. Raney | Director | March 14, 2017 |
| /s/ LINSTER W. FOX<br>Linster W. Fox | Director | March 14, 2017 |