

EVERI

Everi Holdings Inc.

2017 ANNUAL REPORT

The Annual Meeting of Stockholders
of Everi Holdings Inc. will be held:
Tuesday, May 22, 2018

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



NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

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

The 2018 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 22, 2018

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 two Class I director nominees 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 a proposal to amend the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan to remove the fungible share ratio provision.
4. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
5. To transact such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

Holders of record of Everi Holdings Inc. common stock at the close of business on April 6, 2018 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 22, 2018. 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, 2017 (the “2017 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 2018 Annual Meeting of Stockholders, Proxy Statement, Proxy Card and 2017 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 20, 2018

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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 2018 Annual Meeting of Stockholders and at any adjournment or postponement thereof. On or about April 20, 2018, we will begin distributing to each stockholder entitled to vote at the 2018 Annual Meeting of Stockholders this Proxy Statement, a proxy card or voting instruction form and our 2017 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 22, 2018
9:00 a.m. Pacific Time

Record Date: April 6, 2018

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

Voting:

Stockholders of record as of April 6, 2018 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

<u>Proposal</u>	<u>Description</u>	<u>Board Recommendation</u>	<u>Page (for more detail)</u>
1	Election of two Class I director nominees.	FOR the Board's nominee	10
2	Approval, on an advisory basis, of the compensation of our named executive officers.	FOR	27
3	Approval of an amendment to the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan to remove the fungible share ratio provision.	FOR	53
4	Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.	FOR	64

Class I Director Nominees

- Our nominees are independent.
- Our nominees have served on our Board of Directors for more than two years.
- Our nominees are highly-qualified individuals with a diverse set of skills, background and experience.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal (or Most Recent) Occupation</u>	<u>Current Committees</u>
E. Miles Kilburn...	55	March 2005	Co-founder and Partner of Mosaik, Partners, LLC	Audit Committee; Compensation Committee; and Nominating and Corporate Governance Committee
Eileen F. Raney....	68	February 2016	Former Vice Chair of the Board of Governors and Chair of the Audit and Finance Committee of the University Medical Center of Southern Nevada	Audit Committee; Compensation Committee; and Nominating and Corporate Governance Committee (Chair)

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 2018 Annual Meeting of Stockholders (the “Annual Meeting”). The Annual Meeting will be held on Tuesday, May 22, 2018, 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 20, 2018 and is first being mailed to stockholders on or about April 20, 2018.

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

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

<u>Proposal</u>		<u>Board’s Voting Recommendations</u>
1	Election of two Class I directors to serve until the Company’s 2021 annual meeting of stockholders.	For the Board’s nominees
2	Approval, on an advisory basis, of the compensation of our named executive officers as shown in this Proxy Statement.	FOR
3	Approval of an amendment to the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan to remove the fungible share ratio provision.	FOR
4	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, 2018.	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 2018 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 6, 2018 (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 6, 2018, we had approximately 68,945,834 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 4). 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 two Class I directors (Proposal 1), the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 2), and the approval of an amendment to the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan (the “Amended 2014 Plan”) to remove the fungible share count provision (Proposal 3). Accordingly, if you do not instruct your nominee or other record holder how to vote with respect to Proposals 1, 2 or 3, 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 4). 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 two Class I directors (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 two Class I director nominees (meaning that the director nominees who receive the highest number of shares voted “for” his or her election are elected). Stockholders do not have the right to cumulate their votes in the election of directors. Votes that are withheld and broker non-votes will have no effect on the outcome of the election; however, if a director nominee receives a specified amount of “withhold votes,” it 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 the 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 of an amendment to the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan to remove the fungible share count provision (Proposal 3)*. The proposal 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 4)*. 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, 2018 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 2019 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 2019 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 21, 2018.

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 2019 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 22, 2019, nor later than the close of business on February 21, 2019.

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 TWO CLASS I DIRECTORS
(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. 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 seven members:

<u>Class</u>	<u>Directors</u>	<u>Term Expiration</u>
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 and Maureen T. Mullarkey	2020 Annual Meeting of Stockholders

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, the Board has nominated E. Miles Kilburn and Eileen F. Raney, who are currently Class I Directors of the Company, for reelection as Class I Directors of the Company, to serve a three-year term until the 2021 Annual Meeting of Stockholders and until his or her successor is each duly elected and qualified or until his or her earlier resignation or removal. Mr. Kilburn and Ms. Raney have consented, if reelected as Class I Directors of the Company, to serve until their respective terms expire. The Board believes that Mr. Kilburn and Ms. Raney will serve if elected, but if he or she should become unavailable to serve as a director, and if the Board designates a substitute nominee, the person or persons named as proxy in the enclosed form of proxy may vote for a substitute nominee recommended by the Nominating and Corporate Governance Committee and approved by the Board.

Information Concerning the Director Nominees

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

E. Miles Kilburn

Age 55 *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 and serves as a director of a number of privately held companies. 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 several privately held companies.

Eileen F. Raney

Age 68 *Eileen F. Raney* has served as a member of the Board since February 2016. Ms. Raney was the Vice Chair of the Board of Governors and Chair of the Audit and Finance Committee of the University Medical Center of Southern Nevada from 2014 to 2017, and during her tenure served as a member and Chair of the Audit and Finance Committee and the Strategy 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 several privately held companies.

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

Directors Not Up for Election

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

Class II Directors Whose Terms Will Expire in 2019

Geoffrey P. Judge

Age 64 Geoffrey P. Judge has served as a member of the Board since September 2006. Mr. Judge was a Venture Partner at iNovia Capital, a manager of early stage venture capital funds, from 2010 to 2017. He 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 several privately held companies.

Michael D. Rumbolz

Age 64 *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), a holding company whose subsidiaries are engaged in the commercial property and casualty industry. In addition, Mr. Rumbolz currently serves as a member of the Board of Directors of VICI Properties, Inc. (NYSE: VICI).

Ronald V. Congemi

Age 71 *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.

Class III Director Whose Term Will Expire in 2020

Linster W. Fox

Age 68 *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.

Maureen T. Mullarkey

Age 58 *Maureen T. Mullarkey* has served as a member of the Board since March 2018. Ms. Mullarkey retired in 2007 as Executive Vice President and Chief Financial Officer of International Game Technology (currently known as International Game Technology PLC), a leading supplier of gaming equipment and technology, a position Ms. Mullarkey held from 1998 to 2007 and, where she served in a variety of financial and executive management positions in her 18 years with the company. Ms. Mullarkey has served since 2014 as a director of PNM Resources, Inc., a holding company with two regulated utilities providing electricity and electric services in the State of New Mexico and Texas. Ms. Mullarkey previously served as a director of NV Energy, Inc. from 2008 to 2013 until the company was sold to Mid-American Energy Holdings Company, a subsidiary of Berkshire Hathaway, Inc. Ms. Mullarkey served as Entrepreneur in Residence with The Nevada Institute of Renewable Energy Commercialization from 2009 to 2011. Ms. Mullarkey has a B.S. from the University of Texas and an M.B.A. from the University of Nevada.

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

Other Directorships: Ms. Mullarkey currently serves as director of PNM Resources, Inc. (NYSE: PNM), a holding company with two regulated utilities providing electricity and electrical services in the States of New Mexico and Texas.

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, but not limited to: operational, financial, legal and regulatory, 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 2017, the Board held eight meetings. 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 2017 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 and Mullarkey.

Committees of the Board

The Board has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance 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.

The table below depicts Committee membership during fiscal year 2017, as well as the current Committee membership as of the date of this Proxy Statement. 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. 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.

<u>Name</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nominating and Corporate Governance</u>
E. Miles Kilburn ⁽¹⁾	X	X	X
Geoffrey P. Judge ⁽²⁾	X	Chair	X
Ronald V. Congemi ⁽³⁾	X	X	X
Eileen F. Raney ⁽⁴⁾	X	X	Chair
Linster W. Fox ⁽⁵⁾	Chair	X	X
Maureen T. Mullarkey ⁽⁶⁾	X	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. Congemi was appointed to serve as a member of the Compensation Committee effective February 25, 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.
- (6) Ms. Mullarkey was appointed to serve as a member of the Audit, Compensation and Nominating and Corporate Governance Committees effective March 7, 2018.

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 2017. 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, 2017.

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 2017 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 4 — 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, Ms. Raney and Ms. Mullarkey, 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 six times during fiscal year 2017, either separately or in conjunction with full Board meetings. The Compensation Committee has delegated responsibility to, among other things:

- annually review and approve the Company's corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of such goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the Chief Executive Officer's compensation level based on this evaluation;
- annually review and make recommendations to the Board with respect to non-Chief Executive Officer compensation and incentive compensation plans and equity based plans that are subject to Board approval;
- administer the Company's 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 2017 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 2017, 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 2017:

- Aon did not provide any services to the Company or its management, other than services to the Compensation Committee and the Nominating and Corporate Governance Committee, as discussed below, 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 2017. 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.

Pursuant to the authority granted to it in its charter, during 2017 the Nominating and Corporate Governance Committee engaged Aon as its independent director compensation consultant. Please refer to the discussion of the “2017 Director Compensation.”

Board and Committee Meeting Attendance

Each director attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which he or she serves, in each case held during 2017.

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 2019 Annual Meeting of Stockholders, stockholder nominations must be received no earlier than the close of business on January 22, 2019 nor later than the close of business on February 21, 2019. 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.

2017 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 Amended 2014 Plan, each grant is subject to vesting over four years, with 25% vesting on the first four anniversaries of the date of grant.

Under this compensation program for 2017, the independent members of the Board received an annual cash fee of \$50,000, except for the Chair of the Board who received 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 received an additional annual cash fee of \$9,375, except for the Chair of each such committee who received 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. For the 2016 and 2017 annual grants, however, members of the Board received time-based (33%) and market-based (67%) stock options, wherein the market-based awards have a vesting price hurdle of 50% and 25%, respectively, greater than the closing stock price on the grant date as well as a time-based conditioned element. Grants made under the Amended 2014 Plan 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, 2017:

Name	Fees earned or paid in cash	Stock awards	Option awards ⁽¹⁾	Total
E. Miles Kilburn ⁽²⁾	\$ 103,125	\$ —	\$ 191,435	\$ 294,560
Geoffrey P. Judge ⁽²⁾	81,250	—	114,861	196,111
Ronald V. Congemi ⁽²⁾	78,125	—	114,861	192,986
Eileen F. Raney ⁽²⁾	81,250	—	114,861	196,111
Linster W. Fox ⁽²⁾	93,750	—	114,861	208,611

- (1) Represents the fair value of the directors' equity awards in fiscal year 2017, 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, 2017. There were no restricted stock awards granted to our directors during the fiscal year ended December 31, 2017.
- (2) At December 31, 2017, our independent directors had the following aggregate numbers of unvested stock awards and shares underlying unvested option awards:

	Unvested stock awards	Shares underlying unvested option awards
E. Miles Kilburn	—	249,999
Geoffrey P. Judge	—	153,749
Ronald V. Congemi	—	153,749
Eileen F. Raney	—	135,000
Linster W. Fox	—	135,000

Compensation Committee Interlocks and Insider Participation

During fiscal year 2017, no member of the Compensation Committee was, or formerly was, an officer or employee of the Company or its subsidiaries. During fiscal year 2017, 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 2017, 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, 2017, 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 2017

During fiscal year 2017, 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

In addition to the information provided above in “Proposal 1 - Election of Two Class I Directors – 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.....	64	President and Chief Executive Officer
Randy L. Taylor.....	55	Executive Vice President and Chief Financial Officer
David J. Lucchese.....	59	Executive Vice President, Digital and Interactive Business Leader
Edward A. Peters.....	55	Executive Vice President, Sales and Marketing
Dean A. Ehrlich.....	49	Executive Vice President, Games Business Leader
Harper H. Ko.....	44	Executive Vice President, Chief Legal Officer, General Counsel and Corporate Secretary

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.

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.

Harper H. Ko has served as our Executive Vice President, Chief Legal Officer, General Counsel and Corporate Secretary since January 2018. Prior to joining the Company, Ms. Ko served as Deputy General Counsel, Gaming for Scientific Games Corporation, a leading gaming and lottery equipment and services supplier. From November 2007 to November 2014, Ms. Ko served as Assistant General Counsel for Bally Gaming, Inc., joining Scientific Games following its acquisition of Bally Gaming, Inc. Ms. Ko also served as a Contract Attorney with Harrah’s Operating Company and as Associate Corporate Counsel for Aristocrat Technologies, Inc.

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 2017 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, 2017.

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 2017, our say-on-pay proposal received the support of 99.0% 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 2018 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. Ehrlich and Mr. Lucchese who are employees of Everi Games. 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 2017 executive compensation program. This CD&A is intended to be read in conjunction with the tables beginning on page 43, which provide further historical compensation information for our following named executive officers as of December 31, 2017 (“named executive officers” or “NEOs”):

Name	Current Title
Michael D. Rumbolz	President and Chief Executive Officer
Randy L. Taylor	Executive Vice President and Chief Financial Officer
Edward A. Peters	Executive Vice President, Sales and Marketing
Dean A. Ehrlich⁽¹⁾	Executive Vice President, Games Business Leader
Juliet A. Lim⁽²⁾	Former Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary

- (1) Mr. 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.
- (2) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

Quick CD&A Reference Guide

Executive Summary	Section I
Compensation Philosophy and Objectives	Section II
Compensation Decision Making Process	Section III
Compensation Competitive Analysis	Section IV
Elements of Compensation	Section V
Additional Compensation Practices and Policies	Section VI

I. Executive Summary

Throughout 2017, 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 and payments solutions.

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.

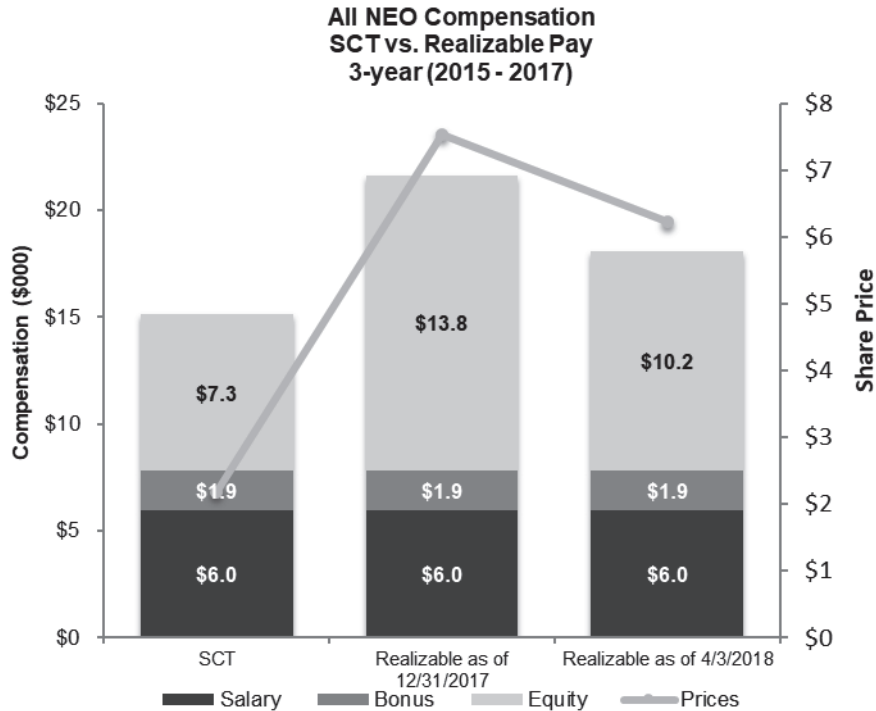
In short, we believe our pay program is effective, and the past year is a strong affirmation of this belief. Our business performance in 2017 has been reflected in our executive pay outcomes and Compensation Committee decisions. For example:

- ***Short-Term Incentive Payouts:*** Our Adjusted EBITDA was \$212.8 million, slightly above our threshold performance level. As such, executives did receive annual cash incentives for this financial goal, which accounted for approximately 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).
- ***Certain Base Salary Increases or Bonus Opportunity Increases:*** In light of corporate performance, the Compensation Committee determined that the Chief Executive Officer and the Chief Financial Officer should receive merit increases to their respective base salaries and target bonus opportunities in 2017.
- ***Equity Grants in 2017:*** 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. The Compensation Committee continued the practice initiated in 2016 relating to the design of long-term awards, wherein 67% of the awards were delivered as market-based stock options. The vesting price hurdle was set at 25% greater than the closing stock price on the grant date as well as a time-based conditioned element.
- ***Realizable Pay values:*** The following table illustrates how the value of actual and potential executive compensation fluctuates with stock price. As shown below, the realizable pay of the NEOs has risen and fallen with the corresponding changes in stock price. As such, this illustration is one approach used to highlight how compensation is linked to shareholder returns.

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 “2017 Summary Compensation Table”) are not always 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 “2017 Summary Compensation Table,” of our NEO team and the realizable pay values of those awards as of the end of the 2017 fiscal year, and as of a more current date:



“**SCT**” pay is the pay level disclosed in the “2017 Summary Compensation Table.” 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, including: actual salary received, actual annual bonuses received, and the intrinsic value of long-term incentive plan components, as valued on December 29, 2017 (the last trading day of the 2017 fiscal year) using the year-end share price of \$7.54 per share, and as valued on April 3, 2018 using the closing share price on that date of \$6.23 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 2017 compensation program are:

Base Salary	<ul style="list-style-type: none">• Individual salaries are established and negotiated at the time of hire and adjusted thereafter in the Compensation Committee’s discretion.• 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	<ul style="list-style-type: none">• Cash incentives are intended to reward the achievement of annual corporate financial goals as well as individual accomplishments and contributions.• For 2017, 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	<ul style="list-style-type: none">• Long-term equity awards focused on incentivizing executives to deliver long-term stockholder value, while also providing a retention vehicle for top executive talent.• For 2017, we granted a mix of market-based stock options (67% of value mix) with vesting price hurdles set at 25% above grant date closing price with a time-based conditioned element, and time-based stock options (33%).

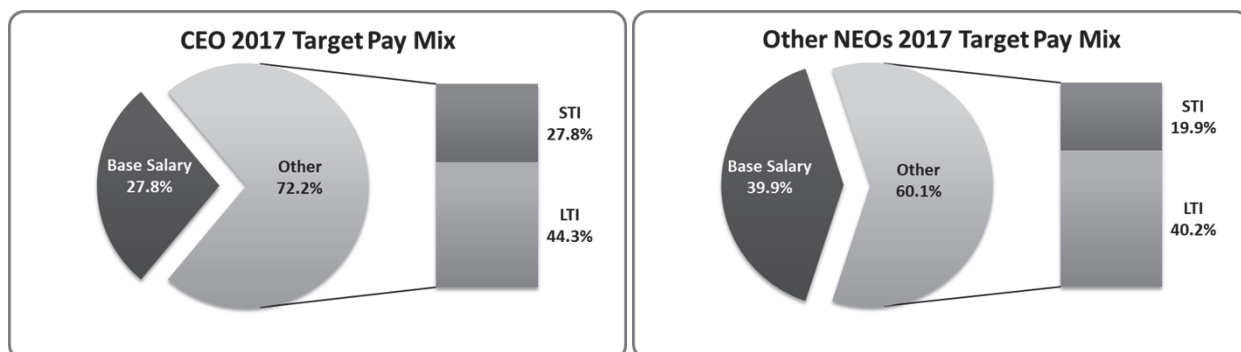
Compensation Governance Practices

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	
✓	A meaningful amount of NEO compensation is tied to variable 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.

2017 Target Total Compensation

To promote a performance-based culture that aligns the interests of management and stockholders, in 2017 the executive compensation program focused extensively on variable compensation. For example, our target pay mix is as follows:



2017 Say-on-Pay Results

At our 2017 Annual Meeting of Stockholders, the say-on-pay proposal received the support of approximately 99% of the shares voted, which we believe indicates strong support for our compensation program and practices. The Compensation Committee believes the support for our ongoing efforts to improve and refine our compensation program and further align management and stockholder interests was reflected in the strong support for our 2017 say-on-pay proposal.

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 and the Nominating and Corporate Governance Committee. In 2017, 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 2017, and determined that Aon's work for the Compensation Committee did not raise any conflicts of interest. Aon's work has conformed to 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 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 2017.

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 consists of the following companies:

Comparator Company	Ticker	Type
Boyd Gaming Corporation	BYD	Gaming
Scientific Games Corp.	SGMS	Gaming
Churchill Downs Inc.	CHDN	Gaming
JAKKS Pacific, Inc.	JAKK	Gaming
Zynga, Inc.	ZNGA	Gaming
Glu Mobile, Inc.	GLUU	Gaming
Pinnacle Entertainment	PNK	Gaming
Red Rock Resorts, Inc.	RRR	Gaming
Eldorado Resorts, Inc.	ERI	Gaming
Tropicana Entertainment Inc.	TPCA	Gaming
Golden Entertainment Inc.	GDEN	Gaming
VeriFone Systems, Inc.	PAY	Payments
Euronet Worldwide, Inc.	EEFT	Payments
Moneygram International Inc.	MGI	Payments
Blackhawk Network Holdings, Inc.	HAWK	Payments
Cardtronics, Inc.	CATM	Payments
WEX Inc.	WEX	Payments
Green Dot Corporation	GDOT	Payments
ACI Worldwide, Inc.	ACIW	Payments
Evertec, Inc.	EVTC	Payments

20 Peers

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 2017.

Summary Overview

Type	Element	Performance Period	Objective	Performance Measured and Rewarded for 2017
Fixed	Base Salary	Annual	Recognizes an individual's role and responsibilities and serves as an important retention vehicle	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Adjusted EBITDA (75%) Individual Performance Goals (25%)
Long-Term Incentive Plan				
Performance - based	Market-Based Stock Options	Long-Term	Supports the achievement of strong share price growth	<ul style="list-style-type: none"> Vesting price hurdle set 25% above grant date closing price 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	<ul style="list-style-type: none"> 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 in connection with 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 2017, base salary compensation was as follows:

NEO	2016 Base Salary	2017 Base Salary
Michael D. Rumbolz ⁽¹⁾	\$ 600,000	\$ 600,000
Randy L. Taylor ⁽¹⁾	400,000	400,000
Edward A. Peters	400,000	400,000
Dean A. Ehrlich ⁽²⁾	—	400,000
Juliet A. Lim ⁽³⁾	400,000	400,000

- (1) In connection with the Company's performance review process, the Compensation Committee increased the base salary for Mr. Rumbolz and Mr. Taylor to \$700,000 and \$475,000, respectively, effective November 6, 2017.
- (2) Mr. 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.
- (3) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

Annual Cash Incentives

All of our NEOs were eligible for the 2017 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 2016, were employed in 2017:

Name	Target	Maximum
	<i>(As a % of base salary)</i>	
Michael D. Rumbolz	100 %	150 %
Randy L. Taylor	50 %	75 %
Edward A. Peters	50 %	100 %
Dean A. Ehrlich ⁽¹⁾	50 %	75 %
Juliet A. Lim ⁽²⁾	50 %	75 %

- (1) Mr. 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.
- (2) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

2017 Performance Metrics

For 2017, 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%	\$206M to \$209M	\$209M to \$212M	\$212M to \$215M	\$215M to \$218M	\$218M to \$220M	\$213M
Individual Performance Goals	25%	\$205M	n/a	n/a	n/a	n/a	n/a

In 2017, the Individual Performance Goals, established by the Compensation Committee, and weighted equally, consisted of goals related to:

Corporate Strategy	<ul style="list-style-type: none"> Continue to lead in product innovation and technology for the gaming industry. Maintain and expand the Company’s operating footprint through strategic acquisitions, alliances or technology development to achieve growth targets. Develop a complimentary product and services approach to the sales and marketing efforts which appeals to all of the Company’s customers and their respective operations.
Leadership	<ul style="list-style-type: none"> Fill any vacancies in the senior management team with seasoned executives that are capable and committed to the Company’s corporate objectives.
Enhance Customer and Community Relationships	<ul style="list-style-type: none"> Enhance the Company’s customer communications efforts with efficient and effective resources to ensure targeted and accurate information dissemination. Implement procedures to measure and ensure customer satisfaction with the Company’s products.

2017 Actual Payouts

For the year ended December 31, 2017, the Company reported Adjusted EBITDA of \$212.8 million, which was above the \$212.0 million threshold for the objective (Adjusted EBITDA) target and the \$205.0 million threshold for the subjective (Individual Performance Goals) target. Therefore, under the formula outlined above, the NEOs received a 100% of the 75% payout with respect to the Company’s Adjusted EBITDA objective performance target. The NEOs received slightly less than the 25% payout percentage with respect to the Individual Performance Goals performance target, except for one individual who received the full payout. Moreover, certain NEOs received additional payouts based on the Compensation Committee’s assessment of the accomplishments achieved by these particular NEOs during the year. These payouts are reflected in the “2017 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.

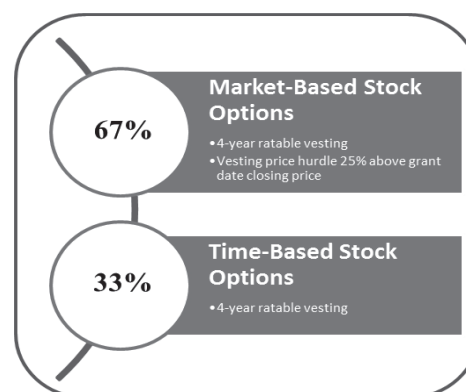
Mix of Equity Incentive Awards

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

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

2017 Awards

In keeping with the Company's commitment to strengthening its overall corporate governance, including its compensation program, the Company continued the practice initiated in 2016 of granting 67% of market-based stock options and 33% of time-based stock options in order to continue to incentivize, motivate and retain the executive team, while further strengthening and demonstrating the alignment of management and stockholder interests.



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, 2017, 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

Section 162(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 in 2017 were designed so that certain awards under those plans could 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 were intended to qualify for corporate tax deductibility. The ability to rely on this performance-based compensation exclusion was generally eliminated in connection with the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) that was enacted on December 22, 2017 and the limitation on deductibility generally was expanded to include all named executive officers, including the Chief Financial Officer position, which was a function that was previously excluded from the then existing provisions set forth in the Code. As a result, the Company may no longer take a deduction for any compensation paid to its named executive officers to the extent NEO compensation is in excess of \$1.0 million, unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. As a general matter, in making its previous NEO compensation decisions, the Compensation Committee endeavored to maximize deductibility of compensation under Section 162(m) to the extent practicable while maintaining competitive compensation; however, the Compensation Committee believes that it is important for it to retain maximum flexibility in designing compensation programs that are in the best interests of the Company and its stockholders, which may result in uncertainty and ambiguity with respect to the application and interpretation of the provisions set forth in Section 162(m) of the Code as amended by the enactment of the 2017 Tax Act. Furthermore, the Compensation Committee intends to continue its use of performance-based compensation to the extent that compliance with Code requirements does not conflict with the Company’s compensation objectives. In some cases, the Compensation Committee believes 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.

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

2017 Summary Compensation Table

The following table sets forth the total compensation earned for services rendered in 2017 by our principal executive officer, our principal financial officer and the three other persons whose total compensation for the fiscal year ended December 31, 2017 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	2017	\$ 614,795	\$ 603,497	\$ 266,400	\$ 712,316	\$ —	\$ 9,787	\$ 2,206,795
	2016	507,692	132,377	—	601,162	—	17,348	1,258,579
Randy L. Taylor	2017	411,096	254,365	—	405,842	—	9,793	1,081,096
	2016	400,000	65,000	—	215,959	—	9,779	690,738
	2015	389,423	—	—	930,000	—	15,568	1,334,991
Edward A. Peters Executive Vice President, Sales Marketing	2017	400,000	198,650	—	405,842	—	65,714 ⁽⁶⁾	1,070,206
	2016	400,000	55,000	—	215,959	—	16,198	687,157
	2015	392,308	—	—	465,000	—	36,768	894,076
Dean A. Ehrlich ⁽⁷⁾ Executive Vice President, Games Business Leader	2017	400,000	197,300	—	405,842	—	7,366	1,010,508
Juliet A. Lim ⁽⁸⁾	2017	400,000	230,000	—	405,842	—	3,828	1,039,670
	2016	400,000	65,000	—	215,959	—	9,779	690,738
	2015	397,308	—	—	930,000	—	15,957	1,343,265

(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, 2017, 2016 and 2015.

(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, 2017, 2016 and 2015.

(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 and cost of short-term and long-term disability coverage.

(6) Includes moving related expenses of \$55,921.

- (7) Mr. 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.
- (8) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Rumbolz, our Chief Executive Officer and President. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2017, our last completed fiscal year:

- the median of the annual total compensation (inclusive of base salary, bonus and other items, as described below) of all our employees, other than Mr. Rumbolz, was \$69,108; and
- the annual total compensation of Mr. Rumbolz, as reported in the Summary Compensation Table included elsewhere in this Proxy Statement, was \$2,206,795.
- Based on this information, for 2017, the ratio of the annual total compensation of Mr. Rumbolz, our Chief Executive Officer and President, to the median of the annual total compensation of all employees was 31.9 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the “median employee,” we took the following steps:

1. We determined that, as of December 31, 2017, we had 1,100 employees, with approximately 97% and 3% of the individuals located domestically in the United States (the “U.S.”) and internationally in various foreign jurisdictions, respectively.
2. The relevant payroll and other compensation data for our employee population are maintained in a single system located at our principal headquarters in the U.S. and were utilized to identify the “median employee” from our employee population. To identify the “median employee” from our employee population, we compared the amount of base salary of our employees as reflected in our payroll records and included as part of the total compensation reported to the Internal Revenue Service on Form W-2 for 2017. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.
3. Once we identified our median employee, we combined all of the elements of such employee’s compensation for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in the annual total compensation presented in the pay ratio calculation. The difference between such employee’s base salary and the employee’s annual total compensation represents company matching contributions on behalf of the employee to our 401(k) employee savings plan and cost of short-term and long-term disability coverage. Since we do not maintain a defined benefit or other actuarial plan for our employees, and do not otherwise provide a plan for payments or other benefits at, following, or in connection with retirement, the “median employee’s” annual total compensation did not include amounts attributable to those types of arrangements.

Name and principal position	Year	Salary	Bonus ⁽¹⁾	Non-equity			All other compensation ⁽⁵⁾	Total
				Stock awards ⁽²⁾	Option awards ⁽³⁾	incentive plan compensation ⁽⁴⁾		
Michael D. Rumbolz - President and Chief Executive Officer	2017	\$614,795	\$603,497	\$266,400	\$712,316	\$	\$9,787	\$2,206,795
Median Employee ⁽⁶⁾	2017	66,319	—	—	—	—	2,789	69,108
Pay Ratio								31.9x

- (1) Represents the amount of discretionary cash bonus earned for the fiscal year. Amounts earned for a particular fiscal year are typically paid in the first quarter of the following calendar year.
- (2) Represents the fair value of the restricted stock grants, as calculated in accordance with FASB ASC Topic 718, Stock Compensation.
- (3) Represents the fair value of the stock option grants, as calculated in accordance with FASB ASC Topic 718, Stock Compensation.
- (4) Represents the amount of cash bonus earned under the Company's annual cash incentive plan for the fiscal year.
- (5) Includes contributions made by the Company under its 401(k) plan as well as short-term and long-term disability payments made by the Company.
- (6) Represents the total annual compensation of the middle-most employee, excluding the President and Chief Executive Officer.

2017 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, 2017:

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards ⁽¹⁾			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⁾
		Threshold ⁽²⁾	Target	Maximum ⁽³⁾				
Michael D. Rumbolz...		\$ 153,699	\$ 614,795	\$ 922,192	—	—	—	—
	3/8/2017	—	—	—	—	372,093	\$ 3.29	\$ 712,316
	5/5/2017	—	—	—	40,000	—	—	266,400
Randy L. Taylor.....		59,375	209,375	314,063	—	—	—	—
	3/8/2017	—	—	—	—	212,000	3.29	405,842
Edward A. Peters		50,000	200,000	400,000	—	—	—	—
	3/8/2017	—	—	—	—	212,000	3.29	405,842
Dean A. Ehrlich ⁽⁵⁾		50,000	200,000	300,000	—	—	—	—
	3/8/2017	—	—	—	—	212,000	3.29	405,842
Juliet A. Lim ⁽⁶⁾		50,000	200,000	300,000	—	—	—	—
	3/8/2017	—	—	—	—	212,000	3.29	405,842

- (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 2017, 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, 2017, 2016 and 2015.
- (5) Mr. 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.
- (6) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

Outstanding Equity Awards at December 31, 2017

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, 2017:

Name	Option awards					Stock 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	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.....	85,000	—	—	\$ 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	—	—
	19,424	—	—	7.09	3/6/2023	—	—
	37,500	12,500 ⁽¹⁾	—	6.59	5/2/2024	—	—
	25,000	25,000 ⁽¹⁾	—	7.74	4/22/2025	—	—
	426,356	38,760 ⁽²⁾	—	2.78	2/13/2026	—	—
	—	122,791 ⁽¹⁾	—	3.29	3/8/2027	—	—
	—	—	249,302 ⁽³⁾	3.29	3/8/2027	—	—
					28,331 ⁽²⁾	213,616	
Randy L. Taylor.....	15,000	—	—	4.57	12/7/2021	—	—
	16,875	—	—	5.58	3/2/2022	—	—
	11,859	—	—	7.09	3/6/2023	—	—
	75,000	25,000 ⁽¹⁾	—	6.59	5/2/2024	—	—
	—	—	120,000 ⁽⁴⁾	6.59	5/2/2024	—	—
	—	—	400,000 ⁽⁵⁾	7.74	4/22/2022	—	—
	21,863	65,587 ⁽¹⁾	—	1.46	5/13/2026	—	—
	44,388	—	133,162 ⁽⁶⁾	1.46	5/13/2026	—	—
	—	69,960 ⁽¹⁾	—	3.29	3/8/2027	—	—
—	—	142,040 ⁽³⁾	3.29	3/8/2027	—	—	
					11,000 ⁽¹⁾	82,940	
Edward A. Peters	225,000	75,000 ⁽¹⁾	—	7.61	12/4/2024	—	—
	—	—	200,000 ⁽⁵⁾	7.74	4/22/2022	—	—
	21,863	65,587 ⁽¹⁾	—	1.46	5/13/2026	—	—
	44,388	—	133,162 ⁽⁶⁾	1.46	5/13/2026	—	—
	—	69,960 ⁽¹⁾	—	3.29	3/8/2027	—	—
—	—	142,040 ⁽³⁾	3.29	3/8/2027	—	—	
Dean A. Ehrlich ⁽⁷⁾	10,725	32,175 ⁽¹⁾	—	2.40	12/8/2026	—	—
	21,775	—	65,325 ⁽⁶⁾	2.40	12/8/2026	—	—
	—	69,960 ⁽¹⁾	—	3.29	3/8/2027	—	—
	—	—	142,040 ⁽³⁾	3.29	3/8/2027	—	—
Juliet A. Lim ⁽⁸⁾	—	25,000 ⁽¹⁾	—	6.59	5/2/2024	—	—
	—	—	120,000 ⁽⁴⁾	6.59	5/2/2024	—	—
	—	—	400,000 ⁽⁵⁾	7.74	4/22/2022	—	—
	—	65,587 ⁽¹⁾	—	1.46	5/13/2026	—	—
	44,388	—	133,162 ⁽⁶⁾	1.46	5/13/2026	—	—
	—	69,960 ⁽¹⁾	—	3.29	3/8/2027	—	—
—	—	142,040 ⁽³⁾	3.29	3/8/2027	—	—	
					12,000 ⁽¹⁾	90,480	

(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 over two years from the date of grant, with an equal number of shares vesting each monthly period.
- (3) 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 25% 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 Amended 2014 Plan, in which case, the unvested shares underlying such options shall become fully vested on the effective date of such change in control.
- (4) 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.
- (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. These equity awards will expire on the seventh anniversary of the date of grant, 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 Amended 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 Amended 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) Mr. 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.
- (8) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

2017 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, 2017:

Name	Option Awards		Stock Awards	
	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.....	15,000	\$ 16,894	12,239	\$ 89,973
Randy L. Taylor.....	—	—	11,463	90,995
Edward A. Peters.....	—	—	—	—
Dean A. Ehrlich ⁽³⁾	—	—	—	—
Juliet A. Lim ⁽⁴⁾	96,863	278,069	12,000	97,800

- (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) Mr. 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.
- (4) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

Employment Contracts, Termination of Employment and Change in Control Arrangements

The Company is a party to employment agreements with Messrs. Taylor, Peters and Ehrlich, 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 Amended 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.

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, unpaid benefits through the date of termination. In addition, Mr. Rumbolz is entitled to the unvested portion of his restricted stock award granted in 2017.

The employment agreements contain restrictive covenants not to compete with our Company or solicit our employees for a period of two years immediately following termination of employment, subject to certain exceptions, as well as confidentiality and preservation of intellectual property obligations.

The Company is also party to a transition agreement with Ms. Lim, who stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018. Under this agreement, the Company vested certain of Ms. Lim's outstanding time-based options to purchase 115,073 shares of Company common stock and 12,000 time-based shares of restricted stock. In addition, the Company agreed to pay Ms. Lim a

cash amount equal to her current base salary and target bonus, payable in periodic installments, and provide certain other benefits, in each case as set forth in the Transition Agreement. Ms. Lim also agreed to release any and all claims she had or may have against the Company.

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, 2017 that is not in connection with a change in control of us; (ii) a hypothetical change in control of us on December 31, 2017; and (iii) a hypothetical termination without cause or for good reason of each executive's employment on December 31, 2017 in connection with a change in control of us:

Name	Termination without Cause or For Good Reason				Change in Control	Termination without Cause following Change in Control			
	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....	\$ —	\$ 15,752	\$ 213,616	\$ 229,368	\$ 1,991,384	\$ —	\$ 15,752	\$ 1,991,384	\$ 2,007,136
Randy L. Taylor.....	712,500	15,752	106,690	834,942	2,330,084	712,500	15,752	2,330,084	3,058,336
Edward A. Peters	600,000	14,921	—	614,921	2,109,394	600,000	14,921	2,109,394	2,724,315
Dean A. Ehrlich ⁽⁴⁾	600,000	15,752	—	615,752	1,402,150	600,000	15,752	1,402,150	2,017,902
Juliet A. Lim ⁽⁵⁾	600,000	15,752	114,230	729,982	2,337,624	600,000	15,752	2,337,624	2,953,376

- (1) Assumes a termination date of December 31, 2017, 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 \$7.54 (the closing price of our Common Stock on December 29, 2017). 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 29, 2017 of \$7.54 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, 2017."
- (4) Mr. 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.
- (5) Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.

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 16, 2018 (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 68,843,267 shares of our Common Stock issued and outstanding as of the close of business on March 16, 2018. 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.

Name	Shares Beneficially Owned	
	Number	Percentage ⁽¹⁾
Principal stockholders		
BlackRock, Inc. ⁽²⁾	5,325,434	7.7 %
Eagle Asset Management, Inc. ⁽³⁾	4,237,512	6.2 %
The Vanguard Group ⁽⁴⁾	3,646,026	5.3 %
Directors and named executive officers⁽⁵⁾		
Michael D. Rumbolz ⁽⁶⁾	991,103	1.4 %
E. Miles Kilburn ⁽⁷⁾	675,532	*
Randy L. Taylor ⁽⁸⁾	505,375	*
Geoffrey P. Judge ⁽⁹⁾	419,098	*
Edward A. Peters ⁽¹⁰⁾	416,502	*
Ronald V. Congemi ⁽¹¹⁾	256,002	*
Juliet A. Lim ⁽¹²⁾	233,179	*
Eileen F. Raney ⁽¹³⁾	124,000	*
Dean A. Ehrlich ⁽¹⁴⁾	85,500	*
Linster W. Fox ⁽¹⁵⁾	65,000	*
Maureen T. Mullarkey ⁽¹⁶⁾	—	*
Directors and current named executive officers as a group (12 persons)⁽¹⁷⁾	4,327,194	6.0 %

* 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, filed on February 1, 2018, for shares held by BlackRock, Inc. on its own behalf. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (3) As reported on Schedule 13G, filed on January 8, 2018, for shares held by Eagle Asset Management, Inc. on its own behalf. The address for Eagle Asset Management Inc. is 880 Carillon Parkway, St. Petersburg, FL 33716.
- (4) As reported on Schedule 13G, filed on February 8, 2018, for shares held by The Vanguard Group on its own behalf. The address for The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- (5) Includes shares owned and shares issuable upon exercise of stock options that are currently exercisable or exercisable within 60 days.

- (6) Consists of 103,539 shares owned by Mr. Rumbolz and 887,564 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Rumbolz.
- (7) Consists of 207,645 shares owned by Mr. Kilburn and 467,887 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Kilburn.
- (8) Consists of 56,139 shares owned by Mr. Taylor and 449,236 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Taylor.
- (9) Consists of 104,672 shares owned by Mr. Judge and 314,426 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Judge.
- (10) Consists of 6,000 shares owned by Mr. Peters and 410,502 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Peters.
- (11) Consists of 16,000 shares owned by Mr. Congemi and 240,002 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Congemi.
- (12) Consists of 20,718 shares owned by Ms. Lim and 212,461 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Ms. Lim. Ms. Lim stepped down from her position as the Executive Vice President, Payments Business Leader and Chief Legal Officer effective December 31, 2017 and served in a transitional advisory role with the Company until resigning effective March 8, 2018.
- (13) Consists of 59,000 shares owned by Ms. Raney and 65,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Ms. Raney.
- (14) Consists of 85,500 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Ehrlich.
- (15) Consists of 65,000 shares issuable upon the exercise of stock options that are currently exercisable or exercisable within 60 days for Mr. Fox.
- (16) As of the date of this filing, Ms. Mullarkey is not a beneficial owner of any securities nor does she have a right to acquire beneficial ownership within 60 days.
- (17) Excludes Ms. Lim, as she is not serving as an executive officer or director of the Company as of the date of this Proxy Statement and includes Harper H. Ko who serves as our Executive Vice President, Chief Legal Officer, General Counsel and Corporate Secretary and David J. Lucchese who serves as our Executive Vice President, Digital and Interactive Business Leader.

PROPOSAL 3

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

(Item No. 3 on the Proxy Card)

As previously discussed in our Compensation Discussion & Analysis section, the granting of long-term equity incentives to our executives is an essential part of Everi's compensation philosophy and program. To deliver equity incentive awards to our service providers, in 2014, our Board adopted, and our stockholders approved, the 2014 Equity Incentive Plan (the "2014 Plan") to replace our then existing plan that was about to expire. Since the plan's adoption, we regularly granted equity awards, typically in the form of stock options, for the purposes of recruiting, retaining, and incentivizing executive performance, while ensuring that the interests of our executives are aligned with those of our stockholders.

In 2017, our Board adopted, and our stockholders approved, an amendment and restatement of the 2014 Plan (the "Amended 2014 Plan") that increased by 3,500,000 the aggregate maximum number of shares of Common Stock that may be issued under the Amended 2014 Plan. Following such stockholder approval, the total share reserve for grants under the Amended 2014 Plan was 3,768,491 shares of Common Stock (inclusive of shares available under the predecessor 2005 plan).

As time has passed and we issued these equity awards, we find that our Amended 2014 Plan is running low on available shares. As of the date of this Proxy Statement, we estimate that the Amended 2014 Plan has only enough shares reserved to provide for equity incentive awards through the 2018 fiscal year. Accordingly, working with management and compensation advisors, the Compensation Committee reviewed the terms of the Amended 2014 Plan and, determined that an amendment to remove the fungible share ratio provision would be preferable to seeking an increase in the number of shares issuable thereunder. Our reasoning, as well as a summary of the Amended 2014 Plan, is provided below.

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 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.

This proposal is seeking stockholder approval of one amendment to the Amended 2014 Plan:

- **Removal of Fungible Ratio.** Under the current terms of the Amended 2014 Plan, the Company must reserve 2.50 shares for each full value award (an award of restricted stock, restricted stock units, performance awards or other stock unit awards), while other awards (stock options and share appreciation rights) require a reserve of only one share under the Amended 2014 Plan. We are seeking to amend this provision so that any award granted under the Amended 2014 Plan counts equally as one share versus our reserve under the Amended 2014 Plan. This change would apply to all full value awards from and after the time this proposal is approved by our stockholders.

Rationale for this Amendment

We believe that our ability to continue attracting, motivating and retaining service providers who are expected to make important contributions to the continued success of Everi is highly contingent on providing market-competitive equity grants which provide equity ownership opportunities and performance-based incentives that are intended to align their interests with those of our stockholders. If we are not able to provide long-term equity value to our employees and consultants, we will risk losing our talented workforce.

Our Compensation Committee, working with management and our independent compensation advisors, determined that removing the fungible share counting ratio from the Amended 2014 Plan, without asking for an increase to the share reserve, was in the best interests of the Company and its stockholders.

Overall, we feel that this is a positive change for the equity program, because:

- **It will allow management to be more flexible with types of equity awards granted going forward.**

Based upon constraints of equity plan modeling by proxy advisors, a fungible ratio was placed on the use of full value awards, which cause those awards to count against the remaining share pool at 2.5x the amount of stock option awards.

More recently, however, we have granted stock options to management and outside directors, a majority of which are subject to robust share price hurdles. As a result, the fungible ratio is less relevant than in prior periods.

In addition, based on recent increases in our share price, the Compensation Committee and management agree that it is appropriate to consider using full-value awards to provide incentives to our service providers. Due to the limited number of shares available for grant, as well as the impact of the fungible ratio, we are limited in our ability to issue full-value awards. Stockholder approval of this proposal will assuage these challenges and allow us the flexibility to provide incentives under the Amended 2014 Plan for approximately two more years before seeking an increase in the available share reserve.

- **Everi can maintain a strong, competitive pay-for-performance culture in our pay programs.**

Everi's Amended 2014 Plan is our primary long-term incentive program and has strong pay and performance alignment, with a majority of equity awards delivered as performance-based stock options with challenging stock price hurdles. These awards have provided incentives and motivation for our executive team.

Our Compensation Committee believes it is important to have the flexibility to grant full-value awards as well as stock options as it deems appropriate. Without approval of this amendment, the types of awards that our Compensation Committee will be able to grant to service providers will be very limited.

We believe that removing the fungible share ratio provides a more contemporary plan design that is aligned with our peer group (i.e., just 11% of our peers grant only stock options, while the remaining 89% of our peers use a long-term incentive design that includes full-value awards).

- **This amendment would allow us to make grants under our current share reserve and thus would not directly increase the dilutive effect on investors' current holdings (unlike a proposal to increase the available share reserve).**

If the fungible share ratio is not removed, we expect that we will need to request an increase in the available share reserve under the Amended 2014 Plan as early as next year. Those additional shares, if approved, would dilute the interests of our current stockholders. Our Compensation Committee heavily weighed potential dilution to existing stockholders in its deliberations relating to this amendment. Ultimately, if the fungible share ratio is removed, we expect that we will be able to grant equity awards for approximately two more years before seeking an increase in the available share reserve. The Compensation Committee believes this amendment is in the best interests of the Company and its stockholders.

This amendment would also serve to give a truer measure of the shares that will actually be used for future equity awards.

The Board believes that the Amended 2014 Plan will continue to 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 stockholders to approve this proposal.

Other Key Features of the Amended 2014 Plan

The following is a summary of key features of our 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.
- There is a one-year minimum vesting requirement for 95% of the shares subject to awards granted under the Amended 2014 Plan.
- No discount from fair market value is permitted in setting the exercise price of stock options and stock appreciation rights.
- The Amended 2014 Plan provides 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 and our Compensation Committee has limited discretion to accelerate vesting of awards).
- 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.
- Dividend equivalents cannot be paid currently on any unvested “full value” award and cannot be paid at all with respect to options or stock appreciation rights
- The Amended 2014 Plan has a fixed term of ten years.

The full text of the Amended and Restated 2014 Equity Incentive Plan, as amended, can be found in Appendix B.

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 7.7% 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 Amended 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:	2017	2016
Equity Run Rate ⁽¹⁾	6.7 %	6.6 %
Overhang ⁽²⁾	34.4 %	35.2 %
Dilution ⁽³⁾	28.0 %	27.7 %

- (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.

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 B.

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. In addition, the estimated shares of 1,900,000 that remained from the predecessor 2005 Plan were available to be issued under the Amended 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 Amended 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. Without giving effect to the amendment to the Amended 2014 Plan for which approval is being sought, 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 is 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 (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 16, 2018, we had approximately 1,100 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.

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 on 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.

Options Granted to Certain Persons

The aggregate number of shares of Common Stock subject to options granted, as of March 16, 2018, to the following persons under the Amended 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) Edward A. Peters, Executive Vice President, Sales and Marketing, 977,000 shares; (iv) Dean A. Ehrlich, Executive Vice President, Games Business Leader, zero shares; (v) Juliet A. Lim, Former Executive Vice President, Payments Business Leader, Chief Legal Officer and Corporate Secretary, 877,000 shares; (vi) all current executive officers as a group, 4,495,209 shares; (vii) all current non-employee directors as a group, 770,000 shares; (viii) Class I director nominees, 400,000 shares, and (x) all employees (excluding executive officers) as a group, 3,969,050 shares. No options have been granted under the Amended 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 Amended 2014 Plan. A substantial number of the granted options do not vest unless significant stock price increases are achieved.

New Amendment to the Amended and Restated 2014 Plan Benefits

Any awards granted under the Amended 2014 Plan prior to the approval of the proposed amendment by the stockholders of the Company to remove the fungible share ratio will be subject to the fungible share ratio.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017 with respect to shares of our Common Stock that may be issued under the Company's equity compensation plans:

<u>Plan category</u>	<u>Equity Plan</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining active for future issuance under equity compensation plans</u>
Equity compensation plans approved by stockholders.....	2014 Plan	9,124,608	\$ 4.84	3,798,366
	2005 Plan	6,535,566	\$ 7.07	— ⁽¹⁾
Equity compensation plans not approved by stockholders ⁽²⁾	2012 Plan	3,470,610 ⁽³⁾	\$ 3.41	566,941 ⁽⁴⁾
Total		<u>19,130,784</u>		<u>4,365,307</u>

- (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 Amended 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.

THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE AMENDMENT TO EVERI HOLDINGS INC. AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN.

PROPOSAL 4

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Item No. 4 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, 2018.

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.

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 2018 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, 2018.

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, 2018.

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, 2017 and 2016, 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, 2017 and 2016, 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,	
	2017	2016
Audit fees ⁽¹⁾	\$ 1,303	\$ 1,147
Audit-related fees ⁽²⁾	55	72
Tax fees ⁽³⁾	—	5
Total	\$ 1,358	\$ 1,224

- (1) Audit fees include amounts for the following professional services:
audit of the Company's annual financial statements for fiscal years 2017 and 2016;
- 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. 18; 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, 2018, 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 2017 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 and Mullarkey. 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 2017 audited by BDO USA, LLP, the Company’s independent registered public accounting firm for its fiscal year ended December 31, 2017, 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 Company Accounting Oversight Board Auditing Standard No. 1301 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, 2017 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, 2018.

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 2017, all Reporting Persons complied with the applicable filing requirements on a timely basis, except that (i) E. Miles Kilburn, Geoffrey P. Judge, Ronald V. Congemi, Linster W. Fox and Eileen F. Raney, each of whom served as a non-employee director of the Company during 2017, (ii) Michel D. Rumbolz, Randy L. Taylor, David J. Lucchese, Edward A. Peters, Juliet A. Lim and Dean A. Ehrlich, each of whom served as an executive officer of the Company during 2017, and (iii) Todd A. Valli, who served as a senior vice president and Chief Accounting Officer of the Company, each filed a single late Form 4 on March 20, 2017 with respect to an option grant to purchase shares of the Company's Common Stock that occurred on March 8, 2017.

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 2017 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, 2017, 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, 2017 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 20, 2018

APPENDIX A
RECONCILIATION OF NON-GAAP MEASURES

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

	Year Ended December 31, 2017 Reconciliation of Net Loss to EBITDA and Adjusted EBITDA
	(in thousands)
Net loss	\$ (51,903)
Income tax benefit	(20,164)
Loss on extinguishment of debt	51,750
Interest expense, net of interest income	102,136
Operating income	\$ 81,819
Plus: depreciation and amortization	116,787
EBITDA	\$ 198,606
Non-cash stock compensation expense	6,411
Accretion of contract rights	7,819
Adjusted EBITDA⁽¹⁾	\$ 212,836

(1) We define Adjusted EBITDA as earnings (loss) before interest, taxes, depreciation and amortization, non-cash stock compensation expense and accretion of contract rights.

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 AMENDMENT TO AMENDED AND RESTATED 2014 EQUITY INCENTIVE PLAN

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 23, 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. ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.

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. STOCK APPRECIATION RIGHTS.

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. RESTRICTED STOCK UNITS.

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 of 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. TAX WITHHOLDING.

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. AMENDMENT, SUSPENSION OR TERMINATION OF PLAN.

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~~2018, and approved by the stockholders of the Company on May ~~—~~, ~~2017~~2018.

— Juliet A. Lim, ~~Harper H. Ko~~, Secretary

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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, 2017

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 (State or other jurisdiction of incorporation or organization) 7250 S. Tenaya Way, Suite 100, Las Vegas, Nevada (Address of principal executive offices)	20-0723270 (I.R.S. Employer Identification No.) 89113 (Zip Code)
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(800) 833-7110

(Registrant's telephone number, including area code)

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

Title of each class Common Stock, \$0.001 par value per share	Name of each exchange on which registered New York Stock Exchange
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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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	
Emerging growth company	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2017, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$485.3 million based on the closing sale price as reported on The New York Stock Exchange.

There were 68,825,422 shares of the registrant's common stock issued and outstanding as of the close of business on March 1, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement for its 2018 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 2017 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, 2017

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In this filing, we refer to: (i) our audited consolidated financial statements and notes thereto as our “Financial Statements,” (ii) our audited Consolidated Statements of Loss and Comprehensive Loss as our “Statements of Loss,” (iii) our audited Consolidated Balance Sheets as our “Balance Sheets,” and (iv) Item 7. Managements’ Discussion and Analysis of Financial Condition and Results of Operations as our “Results of Operations.”

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Everi 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. (“Everi Games Holding”), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (“Everi Games” or “Games”), and Everi Payments Inc. (“Everi Payments” or “Payments”). Unless otherwise indicated, the terms the “Company,” “we,” “us” and “our” refer to Everi Holdings together with its consolidated subsidiaries.

Our disclosure and analysis in this Annual Report on Form 10-K 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; regulatory approvals; 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 changes 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 history of net losses and our ability to generate profits in the future;
- our substantial leverage and our ability to raise additional capital to fund operations;
- our ability to generate sufficient cash to service all of our indebtedness and fund working capital and capital expenditures;
- restrictions under our indebtedness;
- our ability to compete in the gaming industry;
- the impact of changes in Federal corporate tax laws;
- our ability to maintain our current customers;
- our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises;

- our ability to execute on mergers, acquisitions 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 ("EMV");
- 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;
- 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 consider the specific risk factors described herein and in "Item 1A. Risk Factors" of this Annual Report on Form 10-K and not to place undue reliance on the forward-looking statements contained herein, which are based only on information currently available to us and speak only as of the date hereof.

We undertake 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 us or persons acting on our 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 a leading supplier of technology solutions for the casino gaming industry. The Company provides casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive, end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology. Everi's mission is to be a transformative force for casino operations by facilitating memorable player experiences, delivering reliable protection and security, and striving for customer satisfaction and operational excellence. We are divided into two primary business segments: "Everi Games" or "Games" and "Everi Payments" or "Payments."

Everi Games provides a number of products and services for casinos, including: (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals ("VLTs") installed in the State of New York.

Everi Payments provides its casino customers cash access and related products and services including: (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.

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

Our Business Segments

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 17. Segment Information" within our Financial Statements included elsewhere in this Annual Report on Form 10-K.

Our Products and Services

Everi Games

Our Games products and services include commercial products, such as Native American Class II products, and other bingo products, Class III products, lottery systems, and other 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 our 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 2,532 units installed (representing approximately 19.0% of our installed base as of December 31, 2017) since entering the category approximately five 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 State Gaming Commission with an accounting and central determinant system for the VLTs in operation at licensed State of New York gaming facilities. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019. As of December 31, 2017, this system connected to approximately 19,100 VLTs and has the ability to interface with, provide outcomes to, and manage the VLTs. Pursuant to its agreement with the New York State Gaming Commission, 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. 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 *Wild Wild Gems*, 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*. Our licensed brand strategy spans into *Skyline* with 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*, *Fire Jewels*, *Hearts of Egypt* and *Fiesta*. Additional specialized game mechanics include *Lightning Multipliers™* in *High Voltage Blackout*; *Sticky Stacks™* in *Butterfly Kingdom*, *Pixie Power*, and *Tiger Queen*; *Real Match™* feature on *Start Magic* and *El Dorado The Lost City*; and *Wild Match™* in *Fortuna Goddess of Luck* and *Carnival in Rio Wild Match*.

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*.

Empire MPX and The Texan HDX. The new *Empire MPX* represents both a premium participation cabinet and a single-screen, for sale cabinet that offers a 43-inch monitor, full 1080p HD graphics capabilities, a fully-customizable touchscreen button panel, and a smaller footprint that allows for tighter pod banking configurations.

The *Empire MPX* debuted in April 2017 with the launch of the Company's first video title on its WAP. *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. We debuted our first WAP in Class II markets in 2017. Spanning two product lines, our WAP is offered to customers on *Player Classic* and *Empire MPX*. The mechanical offering, *Jackpot Lockdown*, debuted with two themes: *Jackpot Lockdown Mega Meltdown* and *Jackpot Lockdown High Voltage*, and will have additional branded themes including *Willie Nelson* and *Singing in the Rain* available in 2018. *Empire MPX* features branded video content with *Casablanca* and *Penn & Teller*, all hitting the casino floor in 2017, and new titles, including *Buffy the Vampire Slayer* and *South Park*, expected to be delivered in 2018.

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. *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 offers engaging tournament games that attracts players. New *TournEvent*[®] 5.0 features include:

- Automated *Wild Card* drawing and feature for potential round advancement 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 65-inch television, lighted accent dividers, and the ability to be featured on new bank configurations.

Everi Payments

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 Payments. 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 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 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 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 our Everi Compliance to assist casino operations with meeting regulatory requirements under Title 31 of the Bank Secrecy Act.

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 (“CTRs”) and suspicious activity reports (“SARs”). Additionally, these compliance solutions also assist casinos in filing required tax forms in connection with the payout of jackpot winnings to patrons and assist casinos with auditing cash on the floor and in casino cages.

We also offer:

- Stand alone, non-ATM terminals that perform authorizations for credit card cash access and POS debit card 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. Research and development costs were \$18.9 million, \$19.4 million and \$19.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Customers

As of December 31, 2017, 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

In our Games business, 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. Revenues from our operations outside the United States were 4.7%, 3.7% and 2.9% for the years ended December 31, 2017, 2016 and 2015, respectively. All of our long-lived assets outside of the United States were immaterial for each of fiscal 2017 and 2016.

In our Payments business, we sell and market Cash Access (Cash Advance, ATM and Check Services), Kiosks Sales and Services, Compliance Sales and Services and Central Credit Services. For the year ended December 31, 2017, approximately 95% of our revenues were earned from North American sources, while the remaining 5% were 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 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 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 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, 2017, we had approximately 1,100 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, all of which generally impose 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 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, 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 (iii) non-gaming supplier or vendor, in those jurisdictions where we provide cash access and Central Credit services only. Such commissions or similar authorities may include: Nevada Gaming Commission and Gaming Control Board, Mississippi Gaming Commission, Indiana Gaming Commission, Illinois Gaming Board, New Jersey Casino Control Commission, New Jersey Division of Gaming Enforcement, Iowa Racing and Gaming Commission, the Kansas Lottery Commission, the Kansas Racing and Gaming Commission, the Louisiana State Gaming Control Board, the Louisiana State Racing Commission, as well as other various federal, state and local government entities and agencies.

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 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 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 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 certain federal and tribal laws, rules, and regulations, including, for purposes of illustration and without limitation, IGRA. IGRA is the federal enactment that created the NIGC, which is vested with the authority to regulate gaming activities conducted by federally-recognized Native American tribes on Indian lands. Tribal legislation regarding gambling operations on Indian lands must be approved by the NIGC and, in certain instances, compacts are required to be executed between Native American tribes and the state governments proximate to such Indian lands. 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, and management contracts and collateral agreements in which tribes transfer authority to a third party for purposes of controlling all or part of the gaming operations are subject to the express review and approval of the NIGC. Because federally recognized Native American tribes are considered “domestic dependent nations” with certain sovereign rights, Native American tribes can enact their own laws and regulate gaming operations and contracts, and, with some exceptions, generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe’s inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe’s powers of taxation and spending over its federally-recognized nation.

Class III gaming on Native American tribal lands is usually subject to the negotiation of a compact between the tribe and the proximate state attendant to where the tribe intends to operate a gaming facility. These tribal-state compacts typically include provisions entitling the state to receive significant sums of money in exchange for the tribe’s operation of Class III gaming. 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 regulations to allow certain intra-state, wager-based, online casino or lottery games, such as online poker, online lottery, 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; (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; and (d) traditional constitutional jurisprudence originating from the Commerce Clause of and Tenth (10th) Amendment to the United States Constitution and preemption jurisprudence, among others. To date, states such as Delaware, Georgia, Illinois, Michigan, Nevada, New Jersey, New York, North Carolina, North Dakota and Pennsylvania have authorized 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 or that the United States Department of Justice may amend, modify, rescind, or otherwise alter its previous memoranda and that such action may result in a materially different interpretation of the Wire Act, which may result in civil or criminal enforcement actions.

Financial Services Regulation

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

Durbin Amendment. Rules promulgated by the Board of Governors of the Federal Reserve System, required as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), including the so-called Durbin Amendment (the “Durbin Amendment”), establish, 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, other federal statutes, generally referred to as the Bank Secrecy Act, and 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 CTR of each deposit, withdrawal, exchange of currency or other payment or transfer by, through or to us which involves a transaction in currency of more than \$10,000 in a single day. Our 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.

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 our Financial Statements 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 three fiscal years and we may not generate profits in the future.

We had net losses of \$51.9 million, \$249.5 million and \$105.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. As a result of the interest payments on the indebtedness incurred in connection with Everi Holdings' purchase of Everi Games Holding in December 2014 (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 2018 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 EMV 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 New Credit Facilities (defined herein) or the 2017 Unsecured Notes (as defined herein).

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

As of December 31, 2017, our total indebtedness was approximately \$1.2 billion, which included the New Credit Facilities and the 2017 Unsecured 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 New Credit Facilities and the indentures governing the 2017 Unsecured Notes;
- 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 New Credit Facilities and the 2017 Unsecured 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 New Credit Facilities and the 2017 Unsecured 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 New 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 New Credit Facilities and the indenture governing the 2017 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 2017 Unsecured Notes could declare all outstanding principal and interest to be due and payable, the lenders under the New 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 New 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 New Credit Facilities and the indenture governing the 2017 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 New 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 New Credit Facilities, if applicable. If we violate this covenant and are unable to obtain a waiver from our lenders, our debt under the New 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 New 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 losses and other tax credit carry forwards are subject to limitations that could potentially reduce these tax assets.

As of December 31, 2017, we had tax effected federal and state net operating loss (“NOL”) carry forwards of approximately \$74.1 million and \$13.1 million, respectively, federal research and development credit carry forwards of approximately \$6.0 million, and foreign tax credit carry forwards of approximately \$0.5 million. The federal net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022. The state net operating loss carry forwards will expire between 2018 and 2038. The federal research and development credits are limited to a 20 year carry forward period and will begin to expire in varying amounts in 2029, if not utilized. The foreign tax credits can be carried forward 10 years and will expire in 2020, 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 \$2.3 million (net of a reduction for the decrease in the US federal corporate tax rate) during 2017, 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.

The recently passed Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") could adversely affect our business and financial condition.

The 2017 Tax Act, among other changes, makes a US federal net operating loss less valuable as an asset due to a new flat US federal corporate income tax rate of 21%, replacing a graduated rate with a maximum income tax rate of 35%, effective January 1, 2018. Net operating losses arising in taxable years beginning after December 31, 2017 are limited in use to offset eighty percent of taxable income, without the ability to carryback such net operating losses, but with an indefinite carryforward of such losses (instead of the former 2 year carryback and 20 year carryforward for net operating losses arising in taxable years beginning before December 31, 2017). The amount of the net US federal interest expense deduction is generally limited to (a) 30% of adjusted taxable income, calculated without regard to depreciation, amortization, depletion or interest, effective for tax years beginning after December 31, 2017 and before January 1, 2022 and (b) 30% of adjusted taxable income, calculated without regard to interest (reduced by depreciation, amortization and depletion), effective for tax years beginning after December 31, 2021. Disallowed amounts may be carried forward indefinitely, subject to ownership change limitations. We continue to examine the impact this tax reform legislation may have on our deferred tax assets and our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the 2017 Tax Act is uncertain and our business and financial condition could be adversely affected.

We may experience network or system failures, or service interruptions, including cybersecurity attacks or other technology risks. Our inability to protect our systems and data against such risks could harm our business and reputation.

In the course of providing our cash access services, we engage third-party processors, data center providers, telecommunication networks and other third-party technology vendors. In addition, 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, which may be routed through our third-party vendors. We are required by law to safeguard and protect the privacy of such non-public personal information and we take such responsibilities seriously, which we demonstrate by carefully vetting the third parties we choose to provide technology services to us.

In the course of providing our gaming related products and services, we engage third-party processors, data center providers, telecommunication networks and other third-party technology vendors. In the event our EGMs are compromised, gaming establishments may require us to remediate any abnormality or suspicious activity or require us to indemnify casino operators for lost business and, potentially, their patrons. This may have cascading implications across our network security platform and information technology infrastructure that could require greater management and employee focus on these issues, resulting in lost productivity and increased costs. We also could be subject to liability claims or regulatory compliance implications.

Our internal network, systems and related infrastructure, in addition to the networks, systems and related infrastructure of our third-party technology vendors, may be vulnerable to computer viruses and other malware that infiltrate such systems and networks, as well as physical or electronic security breaches, natural disasters and similar disruptions. They may also be the target of attempts to identify and exploit network and system vulnerabilities, penetrate or bypass security measures in order to interrupt or degrade the quality of the services we receive, or provide or otherwise gain unauthorized access to our networks and systems or those of our third-party vendors. These vulnerabilities or other attempts at access may result from, or be caused by, human error or technology failures, but they may also be the product of malicious actions by third parties intending to harm our business. The methods that may be used by these third parties to cause service interruptions or failures or to obtain unauthorized access to information change frequently, are difficult to detect, and are hard to defend against. Our defensive measures, and those employed by our third-party vendors, may not be sufficient to defend against all such methods, and any such failure to defend could lead to interruptions or outages of our services, delays, loss of data or public release of confidential data. 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 State Gaming Commission 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. We also could be subject to liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws. In addition, we cannot provide assurance that the contractual requirements related to the security and privacy that we impose on our third-party vendors who have access to this data will be followed or will be adequate to prevent the misuse of this data.

Any of the issues described above, whether experienced by us or a third-party vendor, could harm our reputation, deter existing and prospective customers from using our services, increase our operating expenses in order to contain and remediate the incident, expose us to unanticipated or uninsured liabilities, disrupt our operations (including potential service interruptions), distract our management, increase our risk of litigation or regulatory scrutiny, result in the imposition of penalties and fines under applicable laws, or lead to the loss of customers and revenue. We maintain insurance against cybersecurity and related risks, but it may not cover all losses that we could suffer.

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.

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 to maintain our existing placement of units, then our business, financial condition, operations or cash flows may suffer an adverse effect.

As of December 31, 2017, we operated 8,875 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 or lease Class III units from other equipment suppliers to replace our existing Class II units. 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 State Gaming Commission, 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 has provided Games segment revenues of approximately \$18.1 million for the years ended December 31, 2017 and 2016. In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019. Upon its expiration, 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 that are federally recognized are considered “domestic dependent nations” with certain sovereign rights 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, such tribes can enact their own laws and regulate gaming operations and contracts. In this capacity, Native American tribes generally enjoy a degree of sovereign immunity, which, among other things, recognizes a tribe's inherent authority of self-determination and self-governance, immunizes the tribe from certain lawsuits outside of tribal jurisdiction, and generally authorizes a tribe's powers of taxation and spending over its federally-recognized nation. 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 general or limited waiver of its sovereign immunity with respect to the matter in dispute, which we are not always able to do. Without a general or 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. 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 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 State Gaming Commission 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.

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.

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 expired 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 emulate 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 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. During 2017, the impact of weather-related natural disasters resulted in business disruption at certain of our customers' facilities.

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 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 gaming establishment's cashier or 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 CTRs or SARs on a timely basis or if we are found to be noncompliant in any way with either the Bank Secrecy Act or the USA PATRIOT Act of 2001, we could be subject to substantial civil and criminal penalties. In addition, our failure to comply with applicable rules and regulations could subject us to private litigation.

We are subject to extensive rules and regulations of card associations, including VISA, MasterCard and 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 New Credit Facilities and the indenture governing the 2017 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;
- our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises with respect to our infrastructure, systems and information technology environment;
- 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 62,000 square feet of office space under a lease through April 2023. In addition, we have approximately 103,000 square feet of office space in Austin, Texas 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 a lease through June 2023 and May 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. 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

In this filing, we refer to: (i) our audited consolidated financial statements and notes thereto as our “Financial Statements,” (ii) our Consolidated Statements of Loss and Comprehensive Loss as our “Statements of Loss,” (iii) our Consolidated Balance Sheets as our “Balance Sheets,” and (iv) Item 7. Managements’ Discussion and Analysis of Financial Condition and Results of Operations as our “Results of Operations.”

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, 2018, 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
2017		
First Quarter	\$ 5.06	\$ 2.16
Second Quarter.....	7.50	4.66
Third Quarter.....	8.99	6.81
Fourth Quarter.....	8.99	7.16
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

On March 1, 2018, the closing sale price of our common stock on the New York Stock Exchange was \$7.32.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all 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 New Credit Facilities and the indenture governing the 2017 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, 2017, 2016 and 2015.

Issuer Purchases and Withholding of Equity Securities

We repurchased or withheld from restricted stock awards 15,457, 18,717, and 32,617 shares of our common stock at an aggregate purchase price of \$0.1 million, \$41,528, and \$0.2 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, 2017, 2016 and 2015, respectively. The following table includes the monthly repurchases or withholdings of our common stock during the fourth quarter ended December 31, 2017:

	<u>Total Number of Shares Purchased ⁽¹⁾</u> (in thousands)	<u>Average Price per Share ⁽²⁾</u>
<u>Tax Withholdings</u>		
10/1/17 - 10/31/17	10.2	\$ 8.14
11/1/17 - 11/30/17	0.4	\$ 8.38
12/1/17 - 12/31/17	0.5	\$ 7.70
Total	<u>11.1</u>	<u>\$ 8.13</u>

- (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.

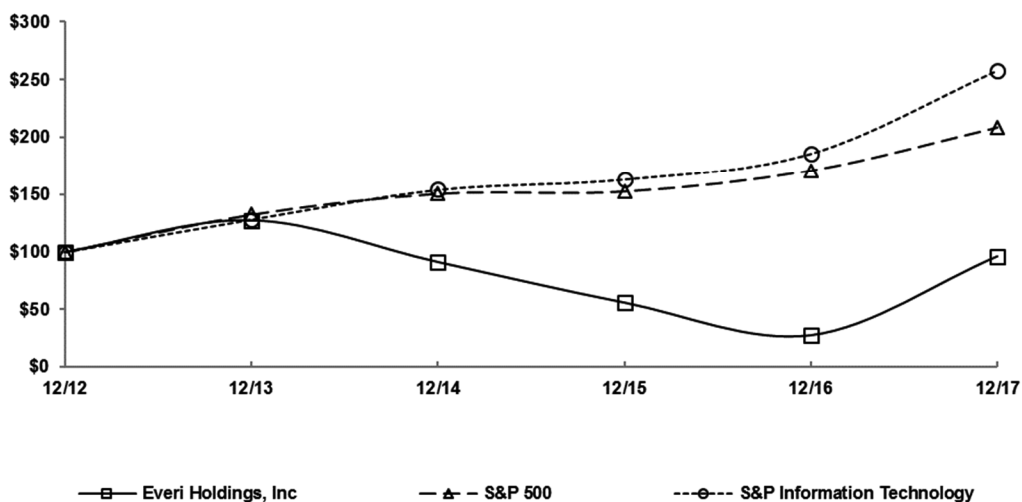
Stock Performance Graph

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, 2017.

The graph assumes that \$100 was invested on December 31, 2012 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 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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The performance graph and the related chart and text are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Exchange Act and are 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, our Financial Statements 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,				
	2017 ⁽¹⁾	2016 ⁽²⁾	2015 ⁽³⁾	2014 ⁽⁵⁾	2013
Income Statement Data					
Revenues	\$ 974,948	\$ 859,456	\$ 826,999	\$ 593,053	\$ 582,444
Operating income (loss)	81,819	(118,555)	(9,730)	33,782	49,150
Net (loss) income	(51,903)	(249,479)	(104,972)	12,140	24,398
Basic (loss) earnings per share	(0.78)	(3.78)	(1.59)	0.18	0.37
Diluted (loss) earnings per share	(0.78)	(3.78)	(1.59)	0.18	0.36
Weighted average common shares outstanding					
Basic	66,816	66,050	65,854	65,780	66,014
Diluted	66,816	66,050	65,854	66,863	67,205
Balance sheet data					
Cash and cash equivalents	\$ 128,586	\$ 119,051	\$ 102,030	\$ 89,095	\$ 114,254
Working capital ⁽⁶⁾	(12,040)	(1,875)	2,452	12,550	(1,682)
Total assets	1,537,074	1,408,163	1,550,385	1,707,285	527,327
Total borrowings	1,167,843	1,121,880	1,139,899	1,188,787	103,000
Stockholders' (deficit) equity	(140,633)	(107,793)	137,420	231,473	218,604
Cash flow data					
Net cash provided by operating activities	\$ 95,828	\$ 131,711	\$ 124,587	\$ 24,531	\$ 4,334
Net cash used in investing activities	(109,979)	(88,054)	(85,549)	(1,085,847)	(13,990)
Net cash provided by (used in) financing activities	22,394	(24,922)	(24,551)	1,037,423	(29,183)

- (1) During 2017, we refinanced our senior secured term loan, senior secured notes and senior unsecured notes, which resulted in approximately \$51.8 million of loss on extinguishment of debt.
- (2) During 2016, the Games reporting unit had a goodwill impairment of \$146.3 million.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.

In this filing, we refer to: (i) our audited consolidated financial statements and notes thereto as our “Financial Statements;” (ii) our audited Consolidated Statements of Loss and Comprehensive Loss as our “Statements of Loss;” (iii) our audited Consolidated Balance Sheets as our “Balance Sheets;” and (iv) our consolidated results of operations as our “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 our 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 a leading supplier of technology solutions for the casino gaming industry. The Company provides casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive, end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology. Everi’s mission is to be a transformative force for casino operations by facilitating memorable player experiences, delivering reliable protection and security, and striving for customer satisfaction and operational excellence.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the VLTs installed in the State of New York.

Everi Payments provides its casino customers cash access and related products and services including: (a) access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions, POS debit card cash access transaction 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.

Items Impacting Comparability of Results of Operations

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

- During the fourth quarter of 2017, we recorded a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes (defined herein) and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees. An additional \$14.6 million loss on extinguishment of debt was incurred in the second quarter of 2017 for the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes (both defined herein). In April 2015, we redeemed, in full, the 7.75% Secured Notes due 2021 and issued the Refinanced Secured Notes resulting in \$13.0 million of debt issuance costs and fees being expensed to loss on extinguishment of debt.
- In October of each year, we conduct our annual impairment test for our reporting units. Based on the results of our testing, there was no goodwill impairment for 2017 and there were goodwill impairments of approximately \$146.3 million and \$75.0 million for 2016 and 2015, respectively.

- The income tax benefit was \$20.2 million for the year ended December 31, 2017, as compared to an income tax provision of \$31.7 million in the prior year period. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0%, which was less than the statutory federal rate of 35.0% primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets. The income tax provision for the year ended December 31, 2016 reflected a negative effective income tax rate of 14.6%, 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 was provided for book purposes.
- 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 Statements of Loss 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 due 2021 in the first quarter of 2015.

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

Trends and Developments Impacting our Business

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 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 2017 remained relatively flat to 2016 and 2015. We expect flat to moderate growth in the forward replacement cycle for EGMs.
- The volume of new casino openings and new market expansions in North America is expected to be slightly higher in 2018 as compared to the prior year. This could positively impact the overall demand for slot machines in North America during 2018.
- 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 and payment solution products.

Impact of ASC Topic 606 on the Comparability of Our Results of Operations in Future Periods

As discussed in "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies – Recent Accounting Guidance – Recent Accounting Guidance Not Yet Adopted," in *Item 8: Financial Statements and Supplementary Data*, on January 1, 2018, the Company implemented the new revenue recognition standard promulgated by the FASB. The Company adopted ASC 606 using the modified retrospective method that requires companies to record a cumulative adjustment to retained earnings (or deficit) presented in the unaudited condensed,

consolidated balance sheets for interim periods and presented in the audited consolidated balance sheets for annual periods for any contract modifications made to those arrangements not yet completed as of the adoption date of January 1, 2018. The Company determined that there was no such cumulative adjustment required to be made to its interim, condensed, consolidated balance sheets as of the adoption date. In addition, under the modified retrospective method, the Company's prior period results will not be recast to reflect the new revenue recognition standard.

The Company determined that the adoption of ASC 606 will have a material impact on the presentation of its financial information primarily due to the reporting on a net revenues basis, rather than a gross presentation, of certain costs of revenues (exclusive of depreciation and amortization) related to the cash access activities of the Company's Payments segment (with additional immaterial changes due to the net reporting of certain of the gaming operations activities of the Company's Games segment). The net revenues reporting requirement under ASC 606 will have an effect on both the Payments and Games segment revenues and related cost of revenues (exclusive of depreciation and amortization); however, this net presentation will not have an effect on operating income (loss), net loss, cash flows or the timing of revenues recognized and costs incurred.

To provide a greater understanding of the impact of this new revenue recognition standard, the Company determined that under the provisions set forth in ASC 606, the effect on certain Payments and Games revenues and costs of revenues would have collectively decreased by approximately \$564.2 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

With respect to its Payments segment, the Company will have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues (exclusive of depreciation and amortization) included in the cash advance, automated teller machine and check services revenue streams to be netted against those related revenue streams. The Company will report these items, which include commission expenses paid to casino operators, interchange costs paid to the network associations and processing and related costs paid to other third party partners as amounts that will be reported "net of transaction price" as reductions to its Payments segment revenues, rather than the current gross revenues presentation with these costs and expenses historically reported as Payments segment cost of revenue (exclusive of depreciation and amortization).

With respect to its Games segment, the Company will not have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues included in the gaming operations revenue stream to be netted against this revenue stream in connection with the Company's Wide Area Progressive (the "WAP") offering, which was initiated in 2017. The Company will report these items, which include WAP jackpot expenses as amounts that will be reported "net of the transaction price" as reductions to its Games segment revenues, rather than the current gross revenues presentation with these expenses historically reported as Games segment cost of revenue (exclusive of depreciation and amortization).

Furthermore, for presentation purposes, given the fact that the Company's total revenues, on a consolidated basis, will be significantly reduced in connection with the adoption of the new revenue recognition standard, the Company's revenue streams will be evaluated on a recurring basis to ensure compliance with Rule 5-03(b) of Regulation S-X to present those revenues that exceed the quantitative threshold on the Company's Statements of Loss. For a preview of revenues on a disaggregated basis, we refer to the tabular illustration presented in this section Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under the sub-caption, "Results of Operations." In addition, the Company determined that there was no cumulative adjustment to be recorded to Stockholders' Deficit in its Consolidated Balance Sheets.

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 managed and reviewed separately as 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 a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. It also develops and manages the central determinant system for the VLTs installed in the State of New York.
- The Payments segment provides its casino customers cash access and related products and services including: (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.

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

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

Results of Operations

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table presents our Results of Operations (in thousands)*:

	Year Ended				2017 vs 2016	
	December 31, 2017		December 31, 2016		\$ Variance	% Variance
	\$	%	\$	%		
Revenues						
Games.....	\$222,777	23 %	\$ 213,253	25 %	\$ 9,524	4 %
Payments	752,171	77 %	646,203	75 %	105,968	16 %
Total revenues	974,948	100 %	859,456	100 %	115,492	13 %
Costs and expenses						
Games cost of revenue (exclusive of depreciation and amortization).....	54,695	6 %	50,308	6 %	4,387	9 %
Payments cost of revenue (exclusive of depreciation and amortization).....	583,850	60 %	498,706	58 %	85,144	17 %
Operating expenses	118,935	12 %	118,709	14 %	226	— %
Research and development	18,862	2 %	19,356	2 %	(494)	(3)%
Goodwill impairment	—	— %	146,299	17 %	(146,299)	(100)%
Depreciation	47,282	5 %	49,995	6 %	(2,713)	(5)%
Amortization	69,505	7 %	94,638	11 %	(25,133)	(27)%
Total costs and expenses	893,129	92 %	978,011	114 %	(84,882)	(9)%
Operating income (loss)	81,819	8 %	(118,555)	(14)%	200,374	169 %
Other expenses						
Interest expense, net of interest income ..	102,136	10 %	99,228	12 %	2,908	3 %
Loss on extinguishment of debt.....	51,750	5 %	—	— %	51,750	— %
Total other expenses	153,886	15 %	99,228	12 %	54,658	55 %
Loss before income tax	(72,067)	(7)%	(217,783)	(25)%	145,716	67 %
Income tax (benefit) provision	(20,164)	(2)%	31,696	4 %	(51,860)	(164)%
Net loss	\$ (51,903)	(5)%	\$ (249,479)	(29)%	\$ 197,576	79 %

* Rounding may cause variances.

Total Revenues

Total revenues increased by \$115.5 million, or 13%, to \$974.9 million for the year ended December 31, 2017, as compared to the prior year period. This was due to increased Payments and Games revenues.

Games revenues increased by \$9.5 million, or 4%, to \$222.8 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to an increase in units sold, partially offset by lower daily win per unit on leased games.

Payments revenues increased by \$106.0 million, or 16%, to \$752.2 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher dollar and transaction volume and fees earned from cash access services, new customer openings, the expansion of our ATM services in Canada, as well as overall growth in the segment.

Costs and Expenses

Games cost of revenues (exclusive of depreciation and amortization) increased by \$4.4 million, or 9%, to \$54.7 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher variable costs associated with increased unit sales.

Payments cost of revenues (exclusive of depreciation and amortization) increased by \$85.1 million, or 17%, to \$583.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to higher costs associated with the increase in cash access services.

Operating expenses remained relatively consistent to the prior year. This was primarily due to an increase in payroll and benefit-related expenses offset by the decrease in expenses related to the 2016 Bee Cave loan impairment that did not impact our 2017 results for our Games segment; and an increase in payroll and benefits-related expenses and professional services expenses offset by the decrease in expenses related to the 2016 separation costs for our former CEO that did not impact our 2017 results for our Payments segment.

There was no goodwill impairment for the year ended December 31, 2017, as compared to \$146.3 million in the prior year period as a result of our October 1, 2016 annual goodwill assessment attributable to our Games reporting unit.

Depreciation decreased by \$2.7 million, or 5%, to \$47.3 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to a decrease in depreciation from certain assets being fully depreciated in both our Games and Payments segments.

Amortization decreased by \$25.1 million, or 27%, to \$69.5 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily due to certain acquired intangible assets being fully amortized in the fourth quarter of 2016 for both our Games and Payments segments.

Primarily as a result of the factors described above, operating income increased by \$200.4 million, or 169%, to \$81.8 million for the year ended December 31, 2017, as compared to the prior year period. The operating income margin increased from negative 14% to a positive 8% for the year ended December 31, 2017.

Interest expense, net of interest income, increased by \$2.9 million, or 3%, to \$102.1 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to higher interest recognized as a result of our debt restructuring activities in the fourth quarter of 2017 as well as higher cash usage fees, partially offset by lower interest expense as a result of our debt refinancing in May 2017.

Loss on extinguishment of debt for the year ended December 31, 2017 was \$51.8 million, which consisted of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes (defined herein), approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees in the fourth quarter of 2017 and approximately \$14.6 million for the unamortized deferred financing fees and discounts related to our extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes (both defined herein) in the second quarter of 2017. There was no loss on extinguishment of debt in the prior year period.

Income tax benefit was \$20.2 million for the year ended December 31, 2017, as compared to an income tax provision of \$31.7 million in the prior year period. The income tax benefit for the year ended December 31, 2017 reflected an effective income tax rate of 28.0%, which was less than the statutory federal rate of 35.0% primarily due to a decrease in the carrying value of our deferred tax liabilities as a result of the enactment of the 2017 Tax Act, offset by an increase in the valuation allowance for deferred tax assets. The income tax provision for the year ended December 31, 2016 reflected a negative effective income tax rate of 14.6%, 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 was provided for book purposes.

Primarily as a result of the foregoing, our net loss decreased by \$197.6 million, or 79%, to \$51.9 million for the year ended December 31, 2017, as compared to the prior year period.

Year ended December 31, 2016 compared to year ended December 31, 2015:

The following table presents our Results of Operations (in thousands)*:

	Year Ended					
	December 31, 2016		December 31, 2015		December 31, 2016 vs 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 was 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.

Games Revenues

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

	Year Ended			
	December 31, 2017		December 31, 2016	
	Revenues	% of Games Revenues	Revenues	% of Games Revenues
Games revenues				
Gaming operations.....	\$ 148,636	67 %	\$ 152,455	71 %
Gaming sales.....	70,117	31 %	56,277	26 %
Other.....	4,024	2 %	4,521	3 %
Total.....	\$ 222,777	100 %	\$ 213,253	100 %

Payments Revenues

The following table includes the revenues from our Payments segment (amounts in thousands):

	Year Ended			
	December 31, 2017		December 31, 2016	
	Revenues	% of Payments Revenues	Revenues	% of Payments Revenues
Payments revenues				
Cash access services.....	\$ 707,222	94 %	\$ 601,873	93 %
Kiosk sales and services.....	25,000	3 %	25,330	4 %
Compliance and other.....	19,949	3 %	19,000	3 %
Total.....	\$ 752,171	100 %	\$ 646,203	100 %

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 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” within our 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.

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 Statements of Loss.

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 \$113.5 million in net property, equipment and leased assets on our Balance Sheets at December 31, 2017. 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 Statements of Loss. 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 \$640.6 million of goodwill on our Balance Sheets at December 31, 2017 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, an impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded. In connection with our annual goodwill impairment testing process for 2017, we determined that no impairment adjustment was necessary as the fair value exceeded the carrying amount for each of the Games (limited excess fair value), Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units.

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 segment management 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, 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services, and Compliance Sales and Services. 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 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 \$324.3 million in net unamortized other intangible assets on our Balance Sheets at December 31, 2017. Other intangible assets are stated at cost, less accumulated amortization and 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 expired in January 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 as of December 31, 2017. With respect to new tax reform, we account for such provisions in the year of enactment in accordance with GAAP. Some items of income and expense are not reported in tax returns and our 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 our 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 Statements of Loss 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 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 our 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

Overview

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.

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. 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.

Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses.

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, central determinate systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. Generally, 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. Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements are reduced by the accretion of contract rights acquired in connection with 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 recorded net against the respective revenue category in the Statements of Loss.

In addition, we sell gaming equipment directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Other Games revenues primarily consist of our TourmEvent of Champions[®] national tournament offering.

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.

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.

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.

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. We sell

fully integrated kiosks directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Kiosk Sales and Services revenues are derived from the sale of cash access equipment and certain other ancillary fees associated with the sale, installation and maintenance of those offerings directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Compliance and other revenues include amounts derived from: (i) the sale of software licensing, software subscriptions professional services and certain other ancillary fees; (ii) 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; and (iii) fees generated from ancillary marketing, database and internet-based gaming activities.

The majority of our multiple element sales contracts are for some combination of cash access services, fully integrated kiosks and related equipment, ancillary services and maintenance.

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” within our 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,	
	2017	2016
Balance sheet data		
Total assets	\$ 1,537,074	\$ 1,408,163
Total borrowings	1,167,843	1,121,880
Total stockholders’ deficit	(140,633)	(107,793)
Cash available		
Cash and cash equivalents	\$ 128,586	\$ 119,051
Settlement receivables	227,403	128,821
Settlement liabilities	(317,744)	(239,123)
Net cash position ⁽¹⁾	38,245	8,749
Undrawn revolving credit facility	35,000	50,000
Net cash available ⁽¹⁾	<u>\$ 73,245</u>	<u>\$ 58,749</u>

(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, 2017 included cash in non-U.S. jurisdictions of approximately \$18.6 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, but may be subject to withholding tax in the foreign jurisdiction 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 New 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, 2017, we had \$227.4 million in settlement receivables for which we generally receive payment within one week. As of December 31, 2017, we had \$317.7 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 were \$128.6 million and \$119.1 million as of December 31, 2017 and December 31, 2016, respectively. Our net cash position after considering the impact of settlement receivables and settlement liabilities was \$38.2 million and \$8.7 million as of December 31, 2017 and December 31, 2016, respectively. Our net cash available after considering the net cash position and undrawn amounts available under our Revolving Credit Facility was approximately \$73.2 million and \$58.7 million as of December 31, 2017 and December 31, 2016, respectively.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	Year Ended December 31,			Increase/(Decrease)	
	2017	2016	2015	2017 Vs 2016	2016 Vs 2015
Cash flow activities					
Net cash provided by operating activities	\$ 95,828	\$ 131,711	\$ 124,587	\$ (35,883)	\$ 7,124
Net cash used in investing activities.....	(109,979)	(88,054)	(85,549)	(21,925)	(2,505)
Net cash provided by (used in) financing activities	22,394	(24,922)	(24,551)	47,316	(371)
Effect of exchange rates on cash	1,292	(1,714)	(1,552)	3,006	(162)
Cash and cash equivalents					
Net increase for the period	9,535	17,021	12,935	(7,486)	4,086
Balance, beginning of the period.....	119,051	102,030	89,095	17,021	12,935
Balance, end of the period.....	\$ 128,586	\$ 119,051	\$ 102,030	\$ 9,535	\$ 17,021

Cash flows provided by operating activities were \$95.8 million, \$131.7 million, and \$124.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash flows provided by operating activities decreased by \$35.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to the impact of the change in settlement receivables and settlement liabilities. 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 also primarily attributable to the impact of the change in settlement receivables and settlement liabilities.

Cash flows used in investing activities were \$110.0 million, \$88.1 million, and \$85.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash flows used in investing activities increased by \$21.9 million for the year ended December 31, 2017, as compared to the prior year period. This was primarily attributable to an increase in capital expenditures, higher placement fee arrangements in our Games segment and decreased sales of fixed assets. 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 attributable to an increase in capital expenditures and placement fee arrangements in our Games segment, partially offset by a reduction in capital expenditures in our Payments segment.

Cash flows provided by financing activities were \$22.4 million for the year ended December 31, 2017 compared to \$24.9 million and \$24.6 million of cash flows used in financing activities for the years ended December 31, 2016 and 2015, respectively. The increase in cash flows from financing activities of \$47.3 million in the year ended December 31, 2017, as compared to the prior year period was primarily attributable to our debt restructuring activities completed in 2017 and an increase in proceeds from the exercise of the stock options, partially offset by an increase in debt issuance costs. The cash flows used in 2016 and 2015 were relatively consistent and were primarily associated with the repayments of debt.

Long-Term Debt

The following table summarizes our indebtedness (in thousands):

Refinancing

	December 31,	
	2017	2016
Long-term debt		
Senior secured term loan	\$ 815,900	\$ 465,600
Senior secured notes	—	335,000
Senior unsecured notes	375,000	350,000
Total debt	1,190,900	1,150,600
Less: debt issuance costs and discount	(23,057)	(28,720)
Total debt after debt issuance costs and discount	1,167,843	1,121,880
Less: current portion of long-term debt	(8,200)	(10,000)
Long-term debt, less current portion	<u>\$ 1,159,643</u>	<u>\$ 1,111,880</u>

On May 9, 2017 (the “Closing Date”), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the “New Credit Agreement”). The New Credit Agreement provides for: (i) a \$35.0 million, five-year senior secured revolving credit facility (the “New Revolving Credit Facility”); and (ii) an \$820.0 million, seven-year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately \$4.1 million and debt issuance costs of approximately \$15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments’ existing credit facility with an outstanding balance of approximately \$462.3 million 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 “Prior Credit Facility”); and (b) Everi Payments’ 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately \$14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility. The maturity date for the New Term Loan Facility remains May 9, 2024, the maturity date for the New Revolving Credit Facility remains May 9, 2022, and no changes were made to the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments' option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the "Eurodollar Rate") plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments' option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date are: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans.

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) 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 (ii) 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 New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities 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 its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At December 31, 2017, our consolidated secured leverage ratio was 3.59 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter.

We were in compliance with the covenants and terms of the New Credit Facilities as of December 31, 2017.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. 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).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the period from January 1, 2017 to the Closing Date, the Prior Credit Facility had an applicable weighted average interest rate of 6.43%. For the period from the Closing Date to December 31, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.55%. Together, for the year ended December 31, 2017, the two facilities had a blended weighted average interest rate of 5.73%.

At December 31, 2017, we had approximately \$815.9 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of December 31, 2017.

Refinanced Senior Secured Notes

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of \$335.0 million plus accrued and unpaid interest. As a result of the redemption, the Company recorded non-cash charges of approximately \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million, which were included in the total \$14.6 million non-cash charge.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the “2014 Unsecured Notes”) under an indenture (as supplemented, the “2014 Notes Indenture”), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued \$375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the refinancing of our 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of December 31, 2017.

Contractual Obligations

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

	At December 31, 2017						
	Total	2018	2019	2020	2021	2022	Thereafter
Contractual obligations							
Debt obligations ⁽¹⁾	\$1,190,900	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$ 8,200	\$1,149,900
Estimated interest obligations ⁽²⁾	476,236	69,264	68,079	67,755	67,379	66,870	136,889
Operating lease obligations.....	22,107	4,943	5,050	5,046	4,007	2,193	868
Purchase obligations ⁽³⁾	98,094	68,089	25,646	1,994	1,820	508	37
Total contractual obligations	\$1,787,337	\$150,496	\$106,975	\$82,995	\$81,406	\$77,771	\$1,287,694

- (1) We are required to make principal payments of 1% annually under the New Term Loan Facility 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, 2017 multiplied by the principal balance outstanding after scheduled principal amortization payments. For our debt obligations, the weighted average rate assumed was approximately 5.70% until 2025, when the weighted average rate would increase to approximately 7.50%.
- (3) Included in purchase obligations are minimum transaction processing services from various third-party processors used by us as well as open purchase orders and placement fee agreements related to our Games business.

Other Liquidity Needs and Resources

We need cash to support our foreign operations. As a result of the 2017 Tax Act, enacted December 22, 2017, we will not be subject to additional taxation if we decide to repatriate foreign funds, except for potential withholding tax. Depending on the jurisdiction and the treaty between different foreign jurisdictions our withholding tax rates can vary significantly. If we expand our 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 Statements of Loss, were \$4.9 million, \$3.1 million and \$2.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR (defined to be the Interbank Offered Rate or a comparable or successor rate) 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 Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$289.8 million and \$285.4 million as of December 31, 2017 and 2016, respectively.

The Contract Cash Solutions Agreement, as amended, provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for special occasions, such as New Years. The term of the agreement expires on June 30, 2020.

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, 2017 and 2016.

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 \$289.8 million as of December 31, 2017. 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 New Credit Facilities paid based on a base rate or based on the Eurodollar Rate. We have historically elected to pay interest based on the Eurodollar Rate, and we expect to continue to pay interest based on the Eurodollar Rate of various maturities. The weighted average interest rate on credit facilities was approximately 5.73% for the year ended December 31, 2017. Based upon the outstanding balance on the New Credit Facilities of \$815.9 million as of December 31, 2017, each 1% increase in the applicable Eurodollar Rate would have an \$8.2 million impact on interest expense over a 12-month period. The interest rate on the 2017 Unsecured Notes are fixed and therefore an increase in interest rates does not impact the interest expense associated with the notes.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors

Everi Holdings Inc. and subsidiaries
Las Vegas, NV

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Everi Holdings Inc. (the “Company”) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of loss and comprehensive loss, stockholders’ (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, 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) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company’s auditor since 2015.

Las Vegas, Nevada
March 15, 2018

EVERI HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenues			
Games.....	\$ 222,777	\$ 213,253	\$ 214,424
Payments	752,171	646,203	612,575
Total revenues	<u>974,948</u>	<u>859,456</u>	<u>826,999</u>
Costs and expenses			
Games cost of revenue (exclusive of depreciation and amortization)	54,695	50,308	47,017
Payments cost of revenue (exclusive of depreciation and amortization)	583,850	498,706	463,380
Operating expenses	118,935	118,709	101,202
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	47,282	49,995	45,551
Amortization	69,505	94,638	85,473
Total costs and expenses	<u>893,129</u>	<u>978,011</u>	<u>836,729</u>
Operating income (loss)	81,819	(118,555)	(9,730)
Other expenses			
Interest expense, net of interest income	102,136	99,228	100,290
Loss on extinguishment of debt	51,750	—	13,063
Total other expenses	<u>153,886</u>	<u>99,228</u>	<u>113,353</u>
Loss before income tax	(72,067)	(217,783)	(123,083)
Income tax (benefit) provision	(20,164)	31,696	(18,111)
Net loss	(51,903)	(249,479)	(104,972)
Foreign currency translation	1,856	(2,427)	(1,251)
Comprehensive loss	<u>\$ (50,047)</u>	<u>\$ (251,906)</u>	<u>\$ (106,223)</u>
Loss per share			
Basic	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>	<u>\$ (1.59)</u>
Diluted	<u>\$ (0.78)</u>	<u>\$ (3.78)</u>	<u>\$ (1.59)</u>
Weighted average common shares outstanding			
Basic	66,816	66,050	65,854
Diluted	66,816	66,050	65,854

See notes to consolidated financial statements.

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

	At December 31,	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 128,586	\$ 119,051
Settlement receivables.....	227,403	128,821
Trade and other receivables, net of allowances for doubtful accounts of \$4,706 and \$4,701 at December 31, 2017 and December 31, 2016, respectively.....	47,782	56,651
Inventory.....	23,967	19,068
Prepaid expenses and other assets.....	20,670	18,048
Total current assets	448,408	341,639
Non-current assets		
Property, equipment and leased assets, net.....	113,519	98,439
Goodwill.....	640,589	640,546
Other intangible assets, net.....	324,311	317,997
Other receivables.....	2,638	2,020
Other assets.....	7,609	7,522
Total non-current assets	1,088,666	1,066,524
Total assets	\$ 1,537,074	\$ 1,408,163
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities.....	\$ 317,744	\$ 239,123
Accounts payable and accrued expenses.....	134,504	94,391
Current portion of long-term debt.....	8,200	10,000
Total current liabilities	460,448	343,514
Non-current liabilities		
Deferred tax liability.....	38,207	57,611
Long-term debt, less current portion.....	1,159,643	1,111,880
Other accrued expenses and liabilities.....	19,409	2,951
Total non-current liabilities	1,217,259	1,172,442
Total liabilities	1,677,707	1,515,956
Commitments and contingencies (Note 12)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 93,120 and 90,952 shares issued at December 31, 2017 and December 31, 2016, respectively.....	93	91
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at December 31, 2017 and December 31, 2016, respectively.....	—	—
Additional paid-in capital.....	282,070	264,755
Accumulated deficit.....	(246,202)	(194,299)
Accumulated other comprehensive loss.....	(253)	(2,109)
Treasury stock, at cost, 24,883 and 24,867 shares at December 31, 2017 and December 31, 2016, respectively.....	(176,341)	(176,231)
Total stockholders' deficit	(140,633)	(107,793)
Total liabilities and stockholders' deficit	\$ 1,537,074	\$ 1,408,163

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net loss	\$ (51,903)	\$ (249,479)	\$ (104,972)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	116,787	144,633	131,024
Amortization of financing costs and discounts	8,706	6,695	7,109
Loss (gain) on sale or disposal of assets	2,513	2,563	(2,789)
Accretion of contract rights	7,819	8,692	7,614
Provision for bad debts	9,737	9,908	10,135
Deferred income taxes	(20,015)	29,940	(19,878)
Write-down of assets	—	4,289	—
Reserve for obsolescence	397	3,581	1,243
Goodwill impairment	—	146,299	75,008
Loss on extinguishment of debt	51,750	—	13,063
Stock-based compensation	6,411	6,735	8,284
Changes in operating assets and liabilities:			
Settlement receivables	(98,390)	(83,998)	(1,830)
Trade and other receivables	(884)	(8,207)	(5,219)
Inventory	(5,753)	5,600	(1,075)
Prepaid and other assets	(1,536)	4,480	(5,553)
Settlement liabilities	78,465	99,245	21,229
Accounts payable and accrued expenses	(8,276)	735	(8,806)
Net cash provided by operating activities	<u>95,828</u>	<u>131,711</u>	<u>124,587</u>
Cash flows from investing activities			
Capital expenditures	(96,490)	(80,741)	(76,988)
Acquisitions, net of cash acquired	—	(694)	(10,857)
Proceeds from sale of fixed assets	10	4,599	2,102
Placement fee agreements	(13,300)	(11,312)	(2,813)
Repayments under development agreements	—	—	3,104
Changes in restricted cash	(199)	94	(97)
Net cash used in investing activities	<u>(109,979)</u>	<u>(88,054)</u>	<u>(85,549)</u>
Cash flows from financing activities			
Proceeds from new credit facility	820,000	—	—
Proceeds from unsecured notes	375,000	—	—
Repayments of prior credit facility	(465,600)	(24,400)	(10,000)
Repayments of secured notes	(335,000)	—	(350,000)
Repayments of unsecured notes	(350,000)	—	—
Repayments of new credit facility	(4,100)	—	—
Proceeds from issuance of secured notes	—	—	335,000
Debt issuance costs	(28,702)	(480)	(1,221)
Proceeds from exercise of stock options	10,906	—	1,839
Purchase of treasury stock	(110)	(42)	(169)
Net cash provided by (used in) financing activities	<u>22,394</u>	<u>(24,922)</u>	<u>(24,551)</u>
Effect of exchange rates on cash	1,292	(1,714)	(1,552)
Cash and cash equivalents			
Net increase for the period	9,535	17,021	12,935
Balance, beginning of the period	119,051	102,030	89,095
Balance, end of the period	<u>\$ 128,586</u>	<u>\$ 119,051</u>	<u>\$ 102,030</u>

See notes to consolidated financial statements.

	Year Ended December 31,		
	2017	2016	2015
Supplemental cash disclosures			
Cash paid for interest	\$ 89,008	\$ 93,420	\$ 98,361
Cash paid for income tax	1,009	1,703	2,098
Cash refunded for income tax	829	171	14,477
Supplemental non-cash disclosures			
Accrued and unpaid capital expenditures.....	\$ 1,386	\$ 2,104	\$ 5,578
Accrued and unpaid placement fees.....	39,074	—	—
Accrued and unpaid contingent liability for acquisitions.....	—	(3,169)	4,681
Transfer of leased gaming equipment to inventory.....	7,820	9,042	4,698
Issuance of warrant	—	—	2,246

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

	Common Stock— Series A		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total (Deficit) Equity
	Number of Shares	Amount					
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	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	75	—	—	—	—	—	—
Balance, December 31, 2016	90,952	\$ 91	\$ 264,755	\$ (194,299)	\$ (2,109)	\$ (176,231)	\$ (107,793)
Net loss	—	—	—	(51,903)	—	—	(51,903)
Foreign currency translation.....	—	—	—	—	1,856	—	1,856
Stock-based compensation expense	—	—	6,411	—	—	—	6,411
Exercise of options	2,037	2	10,904	—	—	—	10,906
Restricted share vesting withholdings.....	—	—	—	—	—	(110)	(110)
Restricted shares	131	—	—	—	—	—	—
Balance, December 31, 2017	93,120	\$ 93	\$ 282,070	\$ (246,202)	\$ (253)	\$ (176,341)	\$ (140,633)

See notes to consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In this filing, we refer to: (i) our audited consolidated financial statements and notes thereto as our “Financial Statements;” (ii) our audited Consolidated Statements of Loss and Comprehensive Loss as our “Statements of Loss;” and (iii) our audited Consolidated Balance Sheets as our “Balance Sheets.”

1. BUSINESS

Everi 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. (“Everi Games Holding”), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (“Everi Games” or “Games”) and Everi Payments 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 a leading supplier of technology solutions for the casino gaming industry. The Company provides casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive, end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the VLTs installed in the State of New York.

Everi Payments provides its casino customers cash access and related products and services including: (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 Statements of Loss.

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 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 Statements of Loss. 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 Balance Sheets. The amounts owed to gaming establishments are included within settlement liabilities on the 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 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 Statements of Loss.

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 net realizable value and accounted for using the first in, first out method ("FIFO").

Property, Equipment and Leased Assets

Property, equipment and leased assets are stated at cost, less accumulated depreciation, and are 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 Statements of Loss. 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 will use the “Step 1” assessment to determine the impairment, in accordance with the adoption of ASU No 2017-04.

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 segment management 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, 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Service, Central Credit Services and Compliance Sales and Services. 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, and are 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 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 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.

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. 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.

Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses.

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, central determinate systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. Generally, 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. Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements are reduced by the accretion of contract rights acquired in connection with 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 recorded net against the respective revenue category in the Statements of Loss.

In addition, we sell gaming equipment directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Other Games revenues primarily consist of our TourEvent of Champions® national tournament offering.

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.

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.

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.

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.

Kiosk Sales and Services revenues are derived from the sale of cash access equipment and certain other ancillary fees associated with the sale, installation and maintenance of those offerings directly to our customers under sales contracts on standard credit terms, or may grant extended credit terms under sales contracts secured by the related equipment.

Compliance and other revenues include amounts derived from: (i) the sale of software licensing, software subscriptions professional services and certain other ancillary fees; (ii) 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; and (iii) fees generated from ancillary marketing, database and internet-based gaming activities.

The majority of our multiple element sales contracts are for some combination of cash access services, fully integrated kiosks and related equipment, ancillary services and maintenance.

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 Statements of Loss, were \$1.1 million, \$1.2 million and \$0.9 million for the years ended December 31, 2017, 2016 and 2015, 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 \$18.9 million, \$19.4 million and \$19.1 million for the years ended December 31, 2017, 2016 and 2015, 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 as of December 31, 2017. With respect to new tax reform, we account for such provisions in the year of enactment in accordance with GAAP. Some items of income and expense are not reported in tax returns and our 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 our 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 Statements of Loss 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 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 our 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

The Company provides a 401(k) Plan that 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, the Company matches 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 \$2.3 million, \$1.9 million and \$1.3 million for the years ended December 31, 2017, 2016 and 2015, 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. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands).

	Level of Hierarchy	Fair Value	Outstanding Balance
<u>December 31, 2017</u>			
Term loan	2	\$ 826,099	\$ 815,900
Senior unsecured notes.....	1	\$ 372,656	\$ 375,000
<u>December 31, 2016</u>			
Term loan	1	\$ 451,632	\$ 465,600
Senior secured notes.....	3	\$ 324,950	\$ 335,000
Senior unsecured notes.....	1	\$ 350,000	\$ 350,000

The term loan facility was reported at fair value using a Level 2 input as there were quoted prices in markets that were not considered active as of December 31, 2017. The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of December 31, 2017.

The term loan was reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of December 31, 2016. The senior secured notes were reported at fair value using a Level 3 input as there was no market activity or observable inputs as of December 31, 2016. The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of December 31, 2016.

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 Statements of Loss. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of accumulated other comprehensive loss on our 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 our Financial Statements include, but are not limited to:

- 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;
- the judgments used to determine the stages of development and costs eligible for capitalization as internally developed software; and
- 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 2017 and 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 25% and 50% premium for 2017 and 2016, respectively, 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.

The 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 January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 adopted this guidance in the current period. The adoption of this ASU did not impact our 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 adopted this guidance in the current period on a prospective basis. As of December 31, 2017, the adoption of ASU No. 2016-09 has not materially impacted our Financial Statements. With respect to forfeitures, the Company will continue to estimate the number of awards expected to be forfeited in

accordance with our existing accounting policy. In addition, our Cash Flows present excess tax benefits as operating activities in the current period, as the prior period was not adjusted.

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 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 adopted this guidance in the current period. This ASU did not have a material impact on our Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In May 2017, the FASB issued ASU No. 2017-09 to clarify which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. An entity is required to account for the effects of a modification unless all of the following conditions are met: (i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or value using an alternative measurement method) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted in the first period of the year this guidance is adopted. We do not expect the adoption of this guidance to have a material impact on our 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 do not expect the adoption of this guidance to have a material impact on our 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 do not expect the adoption of this guidance to have a material impact on our 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 do not expect the adoption of this guidance to have a material impact on our 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 do not expect the adoption of this guidance to have a material impact on our 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 any 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 assessing the effect the adoption of this guidance will have on our Financial Statements, but do not expect the effect to be material.

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 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 Balance Sheets, which will result in the recording of right of use assets and lease obligations and are currently discussed in “Note 12 — Commitments and Contingencies.”

In May 2014, the FASB issued ASC 606, “Revenue from Contracts with Customers,” which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the existing revenue recognition guidance, including industry-specific guidance. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. This guidance was originally effective for interim and annual reporting periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU No. 2015-14, which extended the effective date to interim and annual periods beginning after December 15, 2017. This guidance may be adopted under a full retrospective application or under a modified retrospective method whereby the cumulative effect is recognized at the date of initial application.

On January 1, 2018, the Company implemented the new revenue recognition standard promulgated by the FASB. The Company adopted ASC 606 using the modified retrospective method that requires companies to record a cumulative adjustment to retained earnings (or deficit) presented in the unaudited condensed, consolidated balance sheets for interim periods and presented in the audited consolidated balance sheets for annual periods for any contract modifications made to those arrangements not yet completed as of the adoption date of January 1, 2018. The Company determined that there was no such cumulative adjustment required to be made to its interim, condensed, consolidated balance sheets as of the adoption date. In addition, under the modified retrospective method, the Company’s prior period results will not be recast to reflect the new revenue recognition standard.

The Company determined that the adoption of ASC 606 will have a material impact on the presentation of its financial information primarily due to the reporting on a net revenues basis, rather than a gross presentation, of certain costs of revenues (exclusive of depreciation and amortization) related to the cash access activities of the Company's Payments segment (with additional immaterial changes due to the net reporting of certain of the gaming operations activities of the Company's Games segment). The net revenues reporting requirement under ASC 606 will have an effect on both the Payments and Games segment revenues and related cost of revenues (exclusive of depreciation and amortization); however, this net presentation will not have an effect on operating income (loss), net loss, cash flows or the timing of revenues recognized and costs incurred.

To provide a greater understanding of the impact of this new revenue recognition standard, the Company determined that under the provisions set forth in ASC 606, the effect on certain Payments and Games revenues and costs of revenues would have collectively decreased by approximately \$564.2 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

With respect to its Payments segment, the Company will have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues (exclusive of depreciation and amortization) included in the cash advance, automated teller machine and check services revenue streams to be netted against those related revenue streams. The Company will report these items, which include commission expenses paid to casino operators, interchange costs paid to the network associations and processing and related costs paid to other third party partners as amounts that will be reported "net of transaction price" as reductions to its Payments segment revenues, rather than the current gross revenues presentation with these costs and expenses historically reported as Payments segment cost of revenue (exclusive of depreciation and amortization).

With respect to its Games segment, the Company will not have a material impact on the presentation of its financial information related to the reclassification of certain cost of revenues included in the gaming operations revenue stream to be netted against this revenue stream in connection with the Company's Wide Area Progressive (the "WAP") offering, which was initiated in 2017. The Company will report these items, which include WAP jackpot expenses as amounts that will be reported "net of the transaction price" as reductions to its Games segment revenues, rather than the current gross revenues presentation with these expenses historically reported as Games segment cost of revenue (exclusive of depreciation and amortization).

Furthermore, for presentation purposes, given the fact that the Company's total revenues, on a consolidated basis, will be significantly reduced in connection with the adoption of the new revenue recognition standard, the Company's revenue streams will be evaluated on a recurring basis to ensure compliance with Rule 5-03(b) of Regulation S-X to present those revenues that exceed the quantitative threshold on the Company's Statements of Loss. In addition, the Company determined that there was no cumulative adjustment to be recorded to Stockholders' Deficit in its Consolidated Balance Sheets.

We have completed our review of the requirements of the new revenue recognition standard by major revenue stream and present the impact to our operating segments as follows:

Major Revenue Stream	Impact Upon Adoption
<u>Games Segment:</u>	
Game Sales	The adoption of ASC 606 will not have a material impact on this revenue stream; however, for presentation purposes, there will be a change to show this line item on our Consolidated Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Gaming Operations	The adoption of ASC 606 will not have a material impact on this revenue stream; however, with respect to our Wide Area Progressive (“WAP”) offering, which was initiated in 2017, there will be a change as the jackpot expense is required to be netted against the corresponding WAP revenue as opposed to the existing accounting practice of recording these amounts on a gross basis to Games cost of revenue. In addition, for presentation purposes, there will be a change to show this line item on our Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Games Segment Impact	The Games segment impact, on a pro forma basis giving effect to the implementation of ASC 606 for revenue and cost of revenue (exclusive of depreciation and amortization), would have been a decrease of approximately \$0.6 million for the year ended December 31, 2017. There was no effect to the Statements of Loss with respect to the Games segment for the years ended December 31, 2016 and 2015.
<u>Payments Segment:</u>	
Cash Advance, ATM and Check Services	There will be significant changes to the presentation of our financial information related to the Cash Advance, ATM and Check Services revenue streams. Certain costs of revenue, which include: (i) commission expenses paid to casino operators; (ii) interchange costs paid to the network associations; and (iii) processing and related costs paid to other third party partners, will be netted against the corresponding Payments segment revenue as opposed to the existing accounting practice of recording these amounts on a gross basis to Payments cost of revenue. In addition, for presentation purposes, there will be a change to show certain of these line items on our Statements of Loss as we expect it to exceed the quantitative threshold set forth in Rule 5-03(b) of Regulation S-X.
Central Credit	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.
Kiosk Sales and Services	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.
Compliance Sales and Services	The adoption of ASC 606 will not have a material impact and there is no change expected from our current practices.

Payments Segment Impact

The Payments segment impact on a pro forma basis giving effect to the implementation of ASC 606 for revenue and cost of revenue (exclusive of depreciation and amortization) would have been a decrease of approximately \$563.6 million, \$476.4 million and \$438.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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. We had no material acquisitions for the years ended December 31, 2017, 2016 and 2015.

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 Statements of Loss, were \$4.9 million, \$3.1 million and \$2.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We are exposed to interest rate risk to the extent that the applicable LIBOR (defined to be the Interbank Offered Rate or a comparable or successor rate) 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 Balance Sheets. The outstanding balances of ATM cash utilized by us from Wells Fargo were \$289.8 million and \$285.4 million as of December 31, 2017 and 2016, respectively.

The Contract Cash Solutions Agreement, as amended, provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for special occasions, such as New Years. The term of the agreement expires on June 30, 2020.

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, 2017 and 2016.

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 Balance Sheets and was \$210.8 million and \$151.0 million as of December 31, 2017 and 2016, 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 \$8.4 million and \$8.5 million at December 31, 2017 and 2016, respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

5. TRADE AND OTHER RECEIVABLES

Trade and loans receivables represent short-term credit granted to customers as well as long-term loans receivable on our games, fully integrated kiosks and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments and casino patrons. Other receivables include income taxes receivables and other miscellaneous receivables.

In addition, we had a note receivable with Bee Cave Games, Inc. (“Bee Cave”), which was established in December 2014 pursuant to a secured promissory note in the amount of \$4.5 million. 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. 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 Statements of 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 Balance Sheets.

The balance of trade and other receivables consisted of the following (in thousands):

	<u>At December 31,</u>	
	<u>2017</u>	<u>2016</u>
Trade and other receivables, net		
Games trade and loans receivables.....	\$ 38,070	\$ 44,410
Payments trade and loans receivables	10,780	12,337
Other receivables.....	<u>1,570</u>	<u>1,924</u>
Total trade and other receivables, net.....	\$ 50,420	\$ 58,671
Less: non-current portion of receivables	<u>2,638</u>	<u>2,020</u>
Total trade and other receivables, current portion.....	\$ <u>47,782</u>	\$ <u>56,651</u>

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 Statements of Loss. 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 Statements of Loss. The outstanding balances of the check warranty and general reserves were \$2.7 million and \$2.0 million, respectively, as of December 31, 2017 and \$2.7 million and \$2.0 million, respectively, as of December 31, 2016.

A summary activity of the reserve for check warranty losses is as follows (in thousands):

	<u>Amount</u>
Balance, December 31, 2014	\$ 2,784
Warranty expense provision.....	9,263
Charge-offs against reserve.....	<u>(9,074)</u>
Balance, December 31, 2015	2,973
Warranty expense provision.....	8,694
Charge-offs against reserve.....	<u>(8,972)</u>
Balance, December 31, 2016	2,695
Warranty expense provision.....	9,418
Charge-offs against reserve.....	<u>(9,404)</u>
Balance, December 31, 2017	<u><u>\$ 2,709</u></u>

6. 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 net realizable value and accounted for using the FIFO method.

Inventory consisted of the following (in thousands):

	<u>At December 31,</u>	
	<u>2017</u>	<u>2016</u>
Inventory		
Raw materials and component parts, net of reserves of \$1,327 and \$2,155 at December 31, 2017 and 2016, respectively	\$ 18,782	\$ 12,570
Work-in-progress.....	985	1,502
Finished goods.....	4,200	4,996
Total inventory	<u><u>\$ 23,967</u></u>	<u><u>\$ 19,068</u></u>

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 Balance Sheets.

The balance of prepaid and other assets, current consisted of the following (in thousands):

	<u>At December 31,</u>	
	<u>2017</u>	<u>2016</u>
Prepaid expenses and other assets		
Deposits.....	\$ 9,003	\$ 8,622
Prepaid expenses	6,426	5,937
Other.....	5,241	3,489
Total prepaid expenses and other assets	<u><u>\$ 20,670</u></u>	<u><u>\$ 18,048</u></u>

The balance of other assets, non-current consisted of the following (in thousands):

	At December 31,	
	2017	2016
Other assets		
Prepaid expenses and deposits	\$ 4,103	\$ 3,399
Debt issuance costs of revolving credit facility	849	689
Other	2,657	3,434
Total other assets	<u>\$ 7,609</u>	<u>\$ 7,522</u>

8. PROPERTY, EQUIPMENT AND LEASED ASSETS

Property, equipment and leased assets consist of the following (amounts in thousands):

	Useful Life (Years)	At December 31, 2017			At December 31, 2016		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2-4	\$ 162,319	\$ 80,895	\$ 81,424	\$ 123,812	\$ 59,188	\$ 64,624
Rental pool - undeployed	2-4	17,366	9,374	7,992	13,456	5,721	7,735
Cash access equipment	3-5	25,907	18,654	7,253	25,127	15,688	9,439
Leasehold and building improvements	Lease Term	10,981	5,211	5,770	10,023	3,698	6,325
Machinery, office and other equipment	2-5	35,167	24,087	11,080	30,424	20,108	10,316
Total		<u>\$ 251,740</u>	<u>\$ 138,221</u>	<u>\$ 113,519</u>	<u>\$ 202,842</u>	<u>\$ 104,403</u>	<u>\$ 98,439</u>

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 Statements of Loss 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 Statements of Loss for such period.

Depreciation expense related to other property, equipment and leased assets totaled approximately \$47.3 million, \$50.0 million and \$45.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

There was no material impairment of our property, equipment and leased assets for the years ended December 31, 2017 and 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.

9. 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.

Goodwill Testing

In performing our annual goodwill impairment tests, we utilize the approach prescribed under ASC 350. The “Step 1” required a comparison of the carrying amount 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 fair value of a reporting unit is less than its carrying amount, an impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the fair value of that goodwill is recorded in accordance with the adoption of ASU No 2017-04.

We had approximately \$640.6 million and \$640.5 million of goodwill on our Balance Sheets as of December 31, 2017 and 2016, respectively, resulting from acquisitions of other businesses.

In connection with our annual goodwill impairment testing process for 2017, we determined that no impairment adjustment was necessary. The fair value exceeded the carrying amount for each of the Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units.

In connection with our annual goodwill impairment testing process for 2016 and 2015, we determined that impairment adjustments were necessary. The fair value exceeded the carrying amount for each of the Cash Access Services, Kiosk Sales and Services, Central Credit Services and Compliance Sales and Services reporting units, while Games reporting unit had a goodwill impairment of \$146.3 million and \$75.0 million for 2016 and 2015, respectively. The impairments recorded in 2016 and 2015 were 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. 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 segment management to ascertain the resources to be allocated to the segment and assess its performance; and (c) have discrete financial information available. In 2017, our reporting units included: Games, Cash Access Services, Kiosk Sales and Services, Central Credit Services, and Compliance Sales and Services. During the year ended December 31, 2016, the Company combined its Cash Advance, ATM and Check Services reporting units into a single Cash Access Services reporting unit to be consistent with the current corporate structure and segment management. The use of different assumptions, estimates or judgments in 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.

Key assumptions used in estimating fair value of the Games reporting unit under the income approach included a discount rate of 9.5% and 10% and a terminal value growth rate of approximately 3% for the years ended December 31, 2017 and 2016. Projected compound average revenue growth rates of approximately 11% and 5.2% were used for the years ended December 31, 2017 and 2016, 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 1.4 to 1.6 times and multiples of EBITDA of 6.8 to 7.7 times for the year ended December 31, 2017. 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.

The changes in the carrying amount of goodwill are as follows (in thousands):

	Games	Cash Access Services	Kiosk Sales and Services	Central Credit Services	Compliance Sales and Services	Total
Goodwill						
Balance, December 31, 2015	\$ 595,340	\$ 157,035	\$ 5,745	\$ 17,127	\$ 14,556	\$ 789,803
Goodwill impairment.....	(146,299)	—	—	—	—	(146,299)
Foreign translation adjustment.....	—	20	—	—	—	20
Other ⁽¹⁾	—	—	—	—	(2,978)	(2,978)
Balance, December 31, 2016	<u>\$ 449,041</u>	<u>\$ 157,055</u>	<u>\$ 5,745</u>	<u>\$ 17,127</u>	<u>\$ 11,578</u>	<u>\$ 640,546</u>
Foreign translation adjustment.....	—	43	—	—	—	43
Balance, December 31, 2017	<u>\$ 449,041</u>	<u>\$ 157,098</u>	<u>\$ 5,745</u>	<u>\$ 17,127</u>	<u>\$ 11,578</u>	<u>\$ 640,589</u>

(1) Includes the final 2016 measurement period adjustments associated with the acquisition of certain assets of Resort Advantage in late 2015.

The Company's cumulative goodwill impairment as of December 31, 2017 was \$221.3 million and was comprised of \$146.3 million and \$75.0 million recognized in 2016 and 2015, respectively, related to our Games segment.

Other Intangible Assets

Other intangible assets consist of the following (in thousands):

	Weighted Average Remaining Life (years)	At December 31, 2017			At December 31, 2016		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements ...	4	\$ 57,231	\$ 3,910	\$ 53,321	\$ 17,742	\$ 6,281	\$ 11,461
Customer contracts	6	51,175	43,638	7,537	50,975	40,419	10,556
Customer relationships	8	231,100	63,653	167,447	231,100	42,688	188,412
Developed technology and software	2	249,064	158,919	90,145	224,265	126,721	97,544
Patents, trademarks and other	4	29,046	23,185	5,861	27,771	17,747	10,024
Total		<u>\$617,616</u>	<u>\$ 293,305</u>	<u>\$324,311</u>	<u>\$551,853</u>	<u>\$ 233,856</u>	<u>\$317,997</u>

Amortization expense related to other intangible assets totaled approximately \$69.5 million, \$94.6 million and \$85.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized \$29.4 million and \$24.2 million of internal software development costs for the years ended December 31, 2017 and 2016, 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, 2017, 2016 and 2015.

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
2018	\$ 66,650
2019	53,922
2020	46,283
2021	32,485
2022	30,004
Thereafter	77,694
Total⁽¹⁾	<u>\$ 307,038</u>

(1) For the year ended December 31, 2017, the Company had \$17.3 million in other intangible assets which had not yet been placed into service.

We enter into placement fee agreements to secure a long-term revenue share percentage and a fixed number of player terminal placements in a gaming facility. The 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 electronic gaming machines ("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.

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 are first applied against the intangible asset for that particular 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.

In July 2017, we entered into a placement fee agreement with a customer for certain of its locations for approximately \$49.1 million, net of \$10.1 million of unamortized fees related to superseded contracts. We paid approximately \$13.3 million in placement fees to this customer for the year ended December 31, 2017.

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 Balance Sheets during the period.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table presents our accounts payable and accrued expenses (amounts in thousands):

	At December 31,	
	2017	2016
Accounts payable and accrued expenses		
Trade accounts payable	\$ 59,435	\$ 55,352
Placement fees ⁽¹⁾	22,328	—
Payroll and related expenses	14,178	12,305
Deferred and unearned revenues	10,450	9,222
Cash access processing and related expenses	8,932	7,001
Accrued interest	5,766	82
Accrued taxes	2,112	2,587
Other	11,303	7,842
Total accounts payable and accrued expenses	\$ 134,504	\$ 94,391

- (1) Total placement fees liability was \$39.1 million as of December 31, 2017. The remaining \$16.8 million of non-current placement fees was included in other accrued expenses and liabilities in our Balance Sheet.

11. LONG-TERM DEBT

The following table summarizes our indebtedness (in thousands):

	At December 31,	
	2017	2016
Long-term debt		
Senior secured term loan	\$ 815,900	\$ 465,600
Senior secured notes.....	—	335,000
Senior unsecured notes.....	375,000	350,000
Total debt	1,190,900	1,150,600
Less: debt issuance costs and discount.....	(23,057)	(28,720)
Total debt after debt issuance costs and discount	1,167,843	1,121,880
Less: current portion of long-term debt.....	(8,200)	(10,000)
Long-term debt, less current portion	<u>\$ 1,159,643</u>	<u>\$ 1,111,880</u>

Refinancing

On May 9, 2017 (the “Closing Date”), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the “New Credit Agreement”). The New Credit Agreement provides for: (i) a \$35.0 million, five-year senior secured revolving credit facility (the “New Revolving Credit Facility”); and (ii) an \$820.0 million, seven-year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately \$4.1 million and debt issuance costs of approximately \$15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments’ existing credit facility with an outstanding balance of approximately \$462.3 million 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 “Prior Credit Facility”); and (b) Everi Payments’ 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately \$14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility. The maturity date for the New Term Loan Facility remains May 9, 2024, the maturity date for the New Revolving Credit Facility remains May 9, 2022, and no changes were made to the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments' option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the "Eurodollar Rate") plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments' option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date are: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans.

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) 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 (ii) 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 New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities 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 its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At December 31, 2017, our consolidated secured leverage ratio was 3.59 to 1.00, with a maximum allowable ratio of 5.00 to 1.00. Our maximum consolidated secured leverage ratio will be 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter.

We were in compliance with the covenants and terms of the New Credit Facilities as of December 31, 2017.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. 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).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months, the respective dates that fall every three months after the beginning of

such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the period from January 1, 2017 to the Closing Date, the Prior Credit Facility had an applicable weighted average interest rate of 6.43%. For the period from the Closing Date to December 31, 2017, the New Term Loan Facility had an applicable weighted average interest rate of 5.55%. Together, for the year ended December 31, 2017, the two facilities had a blended weighted average interest rate of 5.73%.

At December 31, 2017, we had approximately \$815.9 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of December 31, 2017.

Refinanced Senior Secured Notes

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of \$335.0 million plus accrued and unpaid interest. As a result of the redemption, the Company recorded non-cash charges in the amount of approximately \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million, which were included in the total \$14.6 million non-cash charge.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the “2014 Unsecured Notes”) under an indenture (as supplemented, the “2014 Notes Indenture”), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued \$375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the refinancing of our 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of December 31, 2017.

Principal Repayments

The maturities of our borrowings at December 31, 2017 are as follows (in thousands):

	<u>Amount</u>
Maturities of borrowings	
2018	\$ 8,200
2019	8,200
2020	8,200
2021	8,200
2022	8,200
Thereafter	1,149,900
Total	<u>\$ 1,190,900</u>

12. COMMITMENTS AND CONTINGENCIES

Placement Fee Arrangements

In July 2017, we extended the term of our then existing placement fee agreement to 6 years and 11 months with our largest customer in Oklahoma. Under the terms of the agreement, we will pay approximately \$5.6 million per quarter in placement fees, inclusive of imputed interest, beginning in January 2018 and ending in July 2019. We paid approximately \$13.3 million in placement fees to this customer for the year ended December 31, 2017.

Lease Obligations

We lease office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately \$6.8 million, \$6.8 million and \$5.9 million for the years ended December 31, 2017, 2016 and 2015, 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 June 2023. The long-term lease agreement for our Reno facilities commenced in February 2016 and expires in May 2021.

As of December 31, 2017, the minimum aggregate rental commitment under all non-cancelable operating leases were as follows (in thousands):

	<u>Amount</u>
Minimum aggregate rental commitments	
2018	\$ 4,943
2019	5,050
2020	5,046
2021	4,007
2022	2,193
Thereafter	868
Total	<u>\$ 22,107</u>

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 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 Statements of Loss for the year ended December 31, 2015.

13. 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, 2017 and 2016, 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, 2017 and 2016, we had 93,119,988 and 90,952,185 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 15,457 and 18,717 shares of common stock at an aggregate purchase price of \$0.1 million and \$41,528 for the years ended December 31, 2017 and 2016, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

14. 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,		
	2017	2016	2015
Weighted average shares			
Weighted average number of common shares outstanding – basic	<u>66,816</u>	<u>66,050</u>	<u>65,854</u>
Weighted average number of common shares outstanding – diluted ⁽¹⁾	<u>66,816</u>	<u>66,050</u>	<u>65,854</u>

- (1) The Company was in a net loss position for the years ended December 31, 2017, 2016 and 2015; therefore, no potential dilution from the application of the treasury stock method was applicable. Equity awards to purchase approximately 16.0 million, 15.7 million and 14.2 million shares of common stock for the years ended December 31, 2017, 2016 and 2015, respectively, were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

15. 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, 2017, 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 2017 and 2016 under our 2014 Plan and 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 25% and 50% premium for 2017 and 2016, respectively, 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, 2016	18,233	80
Granted.....	4,338	50
Exercised options or vested shares.....	(2,037)	(56)
Cancelled or forfeited.....	(1,403)	—
Outstanding, December 31, 2017	<u>19,131</u>	<u>74</u>

As of December 31, 2017, the maximum number of shares available for future equity awards under the 2012 Plan and the 2014 Plan is approximately 4.4 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,			
	2017	2016		2015
Risk-free interest rate.....	2%	1%	1%	1%
Expected life of options (in years).....	6	5	4	4
Expected volatility.....	54%	51%	43%	43%
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 values of market-based options granted in connection with the annual grants that occurred during the first quarter of 2017 and the second quarters of 2016 and 2015 were determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	Year ended December 31,		
	2017	2016	2015
Risk-free interest rate.....	3%	2%	1%
Measurement period (in years).....	10	10	4
Expected volatility.....	70%	68%	47%
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.

The following tables present the option activity:

	Number of Options (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2016	18,233	\$ 6.02	6.4	\$ 2,387
Granted.....	4,338	3.62		
Exercised.....	(2,037)	5.35		
Canceled or forfeited.....	(1,403)	8.79		
Outstanding, December 31, 2017	<u>19,131</u>	\$ 5.34	6.4	\$ 45,887
Vested and expected to vest, December 31, 2017	<u>16,991</u>	\$ 5.36	6.5	\$ 40,636
Exercisable, December 31, 2017	<u>8,719</u>	\$ 6.51	5.4	\$ 12,200

The following table presents the options outstanding and exercisable by price range:

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 \$ 1.72	3,177	7.7	\$ 1.48	665	\$ 1.48
2.01 2.78	821	7.2	2.62	606	2.64
3.29 3.29	3,886	8.6	3.29	6	3.29
3.41 6.59	3,222	5.0	5.87	2,384	5.63
6.72 7.61	1,749	4.7	7.15	1,407	7.10
7.74 9.74	6,276	5.5	8.15	3,651	8.42
	<u>19,131</u>			<u>8,719</u>	

There were 4.3 million, 4.4 million and 6.5 million options granted for the years ended December 31, 2017, 2016 and 2015, respectively. The weighted average grant date fair value per share of the options granted was \$1.98, \$0.83 and \$2.48 for the years ended December 31, 2017, 2016 and 2015, respectively. The total intrinsic value of options exercised was \$5.3 million for the year ended December 31, 2017. There were no options exercised in 2016, and the intrinsic value of options exercised for the year ended December 31, 2015 was \$0.8 million.

There was \$7.9 million in unrecognized compensation expense related to options expected to vest as of December 31, 2017. This cost was expected to be recognized on a straight-line basis over a weighted average period of 3.5 years. We recorded \$6.0 million in non-cash compensation expense related to options granted that were expected to vest for the year ended and as of December 31, 2017. We received \$10.9 million in cash proceeds from the exercise of options during 2017.

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 and \$7.4 million in non-cash compensation expense related to options granted that were expected to vest as of December 31, 2016 and 2015, respectively. There were no proceeds received from the exercise of options during 2016, as no exercises occurred during the period, and we received \$1.8 million in cash proceeds from the exercise of options for the year ended December 31, 2015.

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, 2016	80	\$ 7.12
Granted.....	50	6.84
Vested.....	(56)	7.02
Forfeited.....	—	—
Outstanding, December 31, 2017	<u>74</u>	<u>\$ 7.00</u>

There were 50,000 shares of restricted stock granted for the year ended December 31, 2017. The total fair value of restricted stock vested was \$0.4 million for the year ended December 31, 2017. There was \$0.5 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2017 and is expected to be recognized on a straight-line basis over a weighted average period of 1.1 years. There were 56,578 shares of restricted stock that vested during 2017, and we recorded \$0.4 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2017.

There were no shares of restricted stock granted for the years ended December 31, 2016 and 2015, respectively. The total fair value of restricted stock vested was \$0.2 million and \$0.6 million for the years ended December 31, 2016 and 2015, respectively. There was \$1.0 million and \$2.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest as of December 31, 2016 and 2015, respectively, and is expected to be recognized on a straight-line basis over a weighted average period of 1.7 years and 2.4 years, respectively. There were 0.1 million shares and 0.2 million shares of restricted stock that vested during 2016 and 2015, respectively, and we recorded \$0.5 million and \$0.9 million in non-cash compensation expense related to the restricted stock granted that was expected to vest during 2016 and 2015, respectively.

16. INCOME TAXES

The following presents consolidated loss before tax for domestic and foreign operations (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Consolidated loss before tax			
Domestic.....	\$ (73,445)	\$ (225,538)	\$ (129,602)
Foreign.....	1,378	7,755	6,519
Total	<u>\$ (72,067)</u>	<u>\$ (217,783)</u>	<u>\$ (123,083)</u>

The income tax (benefit) provision attributable to loss from operations before tax consists of the following components (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Income tax (benefit) provision			
Domestic.....	\$ (20,507)	\$ 30,400	\$ (19,746)
Foreign.....	343	1,296	1,635
Total income tax (benefit) provision	<u>\$ (20,164)</u>	<u>\$ 31,696</u>	<u>\$ (18,111)</u>
Income tax (benefit) provision			
Current.....	\$ 461	\$ 1,756	\$ 1,767
Deferred.....	(20,625)	29,940	(19,878)
Total income tax (benefit) provision	<u>\$ (20,164)</u>	<u>\$ 31,696</u>	<u>\$ (18,111)</u>

A reconciliation of the federal statutory rate and the effective income tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
Income tax reconciliation			
Federal statutory rate.....	35.0 %	35.0 %	35.0 %
Foreign provision.....	0.3 %	0.5 %	0.6 %
State/province income tax.....	2.4 %	0.8 %	1.1 %
Non-deductible compensation cost.....	(2.0) %	(0.5) %	(1.1) %
Adjustment to carrying value ⁽¹⁾	31.2 %	0.2 %	0.6 %
Research credit.....	1.9 %	0.2 %	0.6 %
Valuation allowance.....	(39.6) %	(27.4) %	0.0 %
Goodwill impairment.....	— %	(23.5) %	(21.3) %
Other.....	(1.2) %	0.1 %	(0.8) %
Effective tax rate	28.0 %	(14.6) %	14.7 %

(1) The adjustment to carrying value in 2017 is due primarily to the federal tax rate change in the Tax Cuts and Jobs Act of 2017 (“2017 Tax Act”).

The major tax-effected components of the deferred tax assets and liabilities are as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Deferred income tax assets related to:			
Net operating losses.....	\$ 87,250	\$ 98,664	\$ 81,531
Stock compensation expense.....	6,601	11,559	10,212
Accounts receivable allowances.....	1,117	1,745	1,444
Accrued and prepaid expenses.....	3,953	6,276	3,958
Long-term debt.....	—	493	300
Other.....	479	1,399	658
Tax credits.....	6,822	6,394	5,896
Valuation allowance.....	(63,303)	(61,012)	(1,442)
Total deferred income tax assets	\$ 42,919	\$ 65,518	\$ 102,557
Deferred income tax liabilities related to:			
Property, equipment and leased assets.....	\$ 3,129	\$ 13,216	\$ 18,274
Intangibles.....	73,597	106,307	108,727
Long-term debt.....	3,292	—	—
Other.....	1,108	3,606	3,200
Total deferred income tax liabilities	\$ 81,126	\$ 123,129	\$ 130,201
Deferred income taxes, net	\$ (38,207)	\$ (57,611)	\$ (27,644)

We adopted FASB ASU No. 2016-09, regarding several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, in the current period on a prospective basis. As a result of the Company’s application of ASU No. 2016-09, certain excess tax benefits at the time of exercise (for an option) or upon vesting (for restricted stock) are recognized as income tax benefits in the Statements of Loss. As of December 31, 2017, the adoption of ASU No. 2016-09 has not materially impacted our Financial Statements. However, it has increased the gross deferred tax assets in our Financial Statements by \$4.6 million for excess tax benefits in previous years before it was offset by a corresponding valuation allowance. As a result of certain realization requirements under the prior years’ 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 and 2015, respectively.

The 2017 Tax Act was enacted on December 22, 2017. The 2017 Tax Act made significant changes to federal tax law, including a reduction in the federal income tax rate from 35% to 21% effective January 1, 2018, stricter limits on deduction of interest, an 80% taxable income limitation on the use of post-2017 NOLs, and a one-time transition tax on previously deferred earnings of certain foreign subsidiaries. As a result of our initial analysis of the 2017 Tax Act and existing implementation guidance, we remeasured our deferred tax assets and liabilities, which resulted in a \$22.5 million reduction in our income tax expense in 2017. We computed our transition tax liability of \$1.3 million due to the Tax Act, net of associated foreign tax credits, which was completely offset by additional foreign tax credits carried forward. The foreign tax credits used to offset the transition tax relate to deemed foreign taxes paid on a 2010 Canadian dividend which we are now claiming as a foreign tax credit rather than a foreign tax deduction. Any remaining foreign tax credits not utilized by the transition tax has been fully offset by a valuation allowance.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the 2017 Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification (ASC) 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the remeasurement of our deferred tax assets and liabilities. In addition, we are still evaluating the GILTI provisions of the 2017 Tax Act and its impact, if any, on our Consolidated Financial Statements as of December 31, 2017. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates.

For all of our investments in foreign subsidiaries, a one-time tax has been provided on the mandatory deemed repatriation of post 1986 untaxed earnings and profits, in accordance with the 2017 Tax Act. Unrepatriated earnings were approximately \$19.7 million as of December 31, 2017. Almost all of these earnings are considered permanently reinvested, as it is 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.

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 2016 and 2017, we evaluated negative evidence noting that for the three-year periods then ended, we reported cumulative net losses. 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 \$2.3 million (net of a reduction for the decrease in the US federal corporate tax rate) during 2017. 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.

The following is a tabular reconciliation of the total amounts of deferred tax asset valuation allowance (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Balance at beginning of period	\$ 61,012	\$ 1,442	\$ 2,319
Charged to provision for income taxes	(2,263)	59,570	(877)
Other ⁽¹⁾	4,554	—	—
Balance at end of period	<u>\$ 63,303</u>	<u>\$ 61,012</u>	<u>\$ 1,442</u>

(1) This amount has been recorded in retained deficit as a result of our adoption of ASU No. 2016-09.

We had \$352.8 million, or \$74.1 million, tax effected, of accumulated federal net operating losses as of December 31, 2017. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2022. We had \$6.0 million, tax effected, of federal research and development credit carry forwards and \$0.5 million, tax effected, of foreign tax credit carry forwards as of December 31, 2017. The research and development credits are limited to a 20 year carry forward period and will expire starting in 2029. The foreign tax credits can be carried forward 10 years and will expire in 2020, if not utilized. Almost all of the \$1.6 million of federal alternative minimum tax credit carry forwards in our December 31, 2016 financial statements have or will be refunded within the next 12 months, net of the IRS sequestration fee, and have been reclassified as a receivable. Any remaining alternative minimum tax credits will be refunded over the next five years in accordance with the 2017 Tax Act. As of December 31, 2017, \$53.9 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 \$13.1 million as of December 31, 2017. The state net operating loss carry forwards will expire between 2018 and 2038. 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, 2017, \$9.3 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,		
	2017	2016	2015
Unrecognized tax benefit			
Unrecognized tax benefit at the beginning of the period.....	\$ 834	\$ 729	\$ 729
Gross increases - tax positions in prior period	103	105	—
Gross decreases - tax positions in prior period.....	—	—	—
Gross increases - tax positions in current period.....	—	—	—
Settlements	—	—	—
Unrecognized tax benefit at the end of the period	<u>\$ 937</u>	<u>\$ 834</u>	<u>\$ 729</u>

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As of December 31, 2017, the Company recorded \$0.9 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 Statements of Loss.

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 2014.

17. 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 managed and reviewed separately as 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 record depreciation and amortization expenses to the appropriate operating segment.

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,		
	2017	2016	2015
Games			
Total revenues	\$ 222,777	\$ 213,253	\$ 214,424
Costs and expenses			
Cost of revenues	54,695	50,308	47,017
Operating expenses	42,780	42,561	36,154
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	40,428	41,582	37,716
Amortization	57,060	79,390	72,934
Total costs and expenses	<u>213,825</u>	<u>379,496</u>	<u>287,927</u>
Operating income (loss)	<u>\$ 8,952</u>	<u>\$ (166,243)</u>	<u>\$ (73,503)</u>
Payments			
Total revenues	\$ 752,171	\$ 646,203	\$ 612,575
Costs and expenses			
Cost of revenues	583,850	498,706	463,380
Operating expenses	76,155	76,148	65,048
Depreciation	6,854	8,413	7,835
Amortization	12,445	15,248	12,539
Total costs and expenses	<u>679,304</u>	<u>598,515</u>	<u>548,802</u>
Operating income	<u>\$ 72,867</u>	<u>\$ 47,688</u>	<u>\$ 63,773</u>
Total Games and Payments			
Total revenues	\$ 974,948	\$ 859,456	\$ 826,999
Costs and expenses			
Cost of revenues	638,545	549,014	510,397
Operating expenses	118,935	118,709	101,202
Research and development	18,862	19,356	19,098
Goodwill impairment	—	146,299	75,008
Depreciation	47,282	49,995	45,551
Amortization	69,505	94,638	85,473
Total costs and expenses	<u>893,129</u>	<u>978,011</u>	<u>836,729</u>
Operating income (loss)	<u>\$ 81,819</u>	<u>\$ (118,555)</u>	<u>\$ (9,730)</u>
Total assets			
	At December 31,		
	2017	2016	
Games	\$ 925,186	\$ 894,213	
Payments	<u>611,888</u>	<u>513,950</u>	
Total assets	<u>\$ 1,537,074</u>	<u>\$ 1,408,163</u>	

Major customers. For the years ended December 31, 2017, 2016 and 2015, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 31%, 31% and 30% of our total revenue in 2017, 2016 and 2015, respectively.

18. SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The unaudited selected quarterly results of operations are as follows (in thousands, except for per share amounts)*:

	Quarter				Year
	First	Second	Third	Fourth	
2017					
Revenues	\$ 237,537	\$ 242,230	\$ 247,322	\$ 247,859	\$ 974,948
Operating income	22,603	21,292	19,795	18,129	81,819
Net loss.....	(3,508)	(19,057)	(4,289)	(25,049)	(51,903)
Basic loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.38)	\$ (0.78)
Diluted loss per share	\$ (0.05)	\$ (0.29)	\$ (0.06)	\$ (0.38)	\$ (0.78)
Weighted average common shares outstanding					
Basic	66,090	66,350	66,897	67,755	66,816
Diluted	66,090	66,350	66,897	67,755	66,816
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

* Rounding may cause variances.

19. SUBSEQUENT EVENTS

In January 2018, an amendment to the agreement between Everi Games and the New York State Gaming Commission was approved and became effective. Under this amendment, Everi Games will continue to provide and maintain the central determinant system for the New York Lottery through December of 2019.

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, 2017, 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 at a reasonable assurance level as of December 31, 2017.

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, 2017

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, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

The information set forth below is included herein for the purpose of providing the disclosure required under "Item 1.01 - Entry into a Material Definitive Agreement" of Form 8-K that was not filed within four business days of the reportable event.

Entry into a Material Definitive Agreement.

On December 29, 2017, Everi Payments entered into a Sixth Amendment (the "Sixth Amendment") to Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. The Sixth Amendment, among other things, reduces the maximum amount of cash available under the Contract Cash Solutions Agreement from \$425.0 million to \$300.0 million and extends the term by one year from June 30, 2019 to June 30, 2020. For a summary of the Contract Cash

Solutions Agreement, as amended by the Sixth Amendment, see “Note 4. Funding Agreements” within our Financial Statements included elsewhere in this Annual Report on Form 10-K.

The foregoing description and referenced summary do not purport to be complete and are qualified in their entirety by the text of the Sixth Amendment, a copy of which is filed as Exhibit 10.44 to this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Everi Holdings Inc. and subsidiaries
Las Vegas, Nevada

Opinion on Internal Control over Financial Reporting

We have audited Everi Holdings Inc. and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of loss comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 15, 2018

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding our directors, executive officers, and certain corporate governance related matters contained under the headings “Election of Class I Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Board and Corporate Governance Matters” in the Company’s definitive proxy statement to be filed with the SEC in connection with our 2018 annual meeting of stockholders (the “2018 Proxy Statement”) is incorporated herein by reference.

Item 11. Executive Compensation.

The information regarding director compensation and executive officer compensation contained under the headings “Board and Corporate Governance Matters – 2017 Director Compensation” and “Executive Compensation,” respectively, in the 2018 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information regarding share ownership contained under the heading “Security Ownership of Certain Beneficial Owners and Management” in the 2018 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information regarding director independence and related party transactions under the headings “Board and Corporate Governance Matters – Director Independence” and “Transactions with Related Persons,” respectively, in the 2018 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information regarding audit fees, audit-related fees, tax fees, all other fees and the Audit Committee’s policies and procedures on pre-approval of audit and permissible non-audit services of independent auditors contained under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the 2018 Proxy Statement is incorporated herein by reference.

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

Report of BDO USA, LLP, Independent Registered Public Accounting Firm.....	63
Consolidated Statements of Loss and Comprehensive Loss for the three years ended December 31, 2017	64
Consolidated Balance Sheets as of December 31, 2017 and 2016	65
Consolidated Statements of Cash Flows for the three years ended December 31, 2017	66
Consolidated Statements of Stockholders' (Deficit) Equity for the three years ended December 31, 2017.....	68
Notes to Consolidated Financial Statements	69

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
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 (and form of 7.50% Senior Note due 2025 attached as Exhibit A thereto), dated as of December 5, 2017, by and among Everi Payments Inc., Everi Holdings Inc., certain of its wholly owned subsidiaries, as guarantors, and Deutsche Bank Trust Company Americas, as trustee. (incorporated by reference to Exhibit 4.1 of Holdings' Current Report on Form 8-K filed with the SEC on December 5, 2017).
10.1	Credit Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).
10.2	Security Agreement, dated as of May 9, 2017, among Everi Payments, Holdings, as a guarantor, the subsidiary guarantors party thereto, and Jefferies Finance LLC, as collateral agent, related to the Credit Agreement (incorporated by reference to Exhibit 10.2 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).

Exhibit Number	Exhibit Description
10.3	Guaranty, dated May 9, 2017, by Everi Holdings Inc., as a guarantor, and the subsidiary guarantors party thereto, in favor of the lenders party from time to time to the Credit Agreement and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.3 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).
10.4	First Amendment to Credit Agreement, dated November 13, 2017, among Everi Payments, Holdings, the lenders party thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on November 13, 2017).
+10.5	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 15, 2016).
10.6	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 15, 2016).
10.7	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).
10.8	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).
10.9	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).
10.10	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).
+10.11	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).
†10.12	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).
†10.13	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).
†10.14	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).
†10.15	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).

Exhibit Number	Exhibit Description
†10.16	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).
†10.17	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).
†10.18	Holdings Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Holdings' Current Report on Form 8-K filed with the SEC on May 26, 2017).
†10.19	Form of Stock Option Agreement under the Amended and Restated 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).
†10.20	Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 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).
†10.21	Form of Stock Option Award (Performance-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 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).
†10.22	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Non-Employee Directors under the Amended and Restated 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).
†10.23	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Executives under the Amended and Restated 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).
†10.24	Form of Stock Option Award (Time-Based) (Double-Trigger Acceleration) for Employees under the Amended and Restated 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).
†10.25	Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).
†10.26	Amendment to the Holdings 2012 Equity Incentive Plan (incorporated by reference to Exhibit 99.2 to Holdings' Current Report on Form S-8 filed with the SEC on March 16, 2015).
†10.27	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).
†10.28	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).
†10.29	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).

Exhibit Number	Exhibit Description
†10.30	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).
†10.31	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).
†10.32	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).
10.33	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).
10.34	Employment Agreement with Randy L. Taylor (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.1 of Holdings' Current Report on Form 8-K filed with the SEC on August 5, 2014).
10.35	Employment Agreement with Juliet A. Lim (effective as of August 5, 2014) (incorporated by reference to Exhibit 10.34 of Holdings' Annual Report on Form 10-K filed with the SEC on March 16, 2015).
10.36	First Amendment to Employment Agreement with Juliet A. Lim (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.45 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).
10.37	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).
†10.38	First Amendment to Employment Agreement with David Lucchese (effective as of January 3, 2017) (incorporated by reference to Exhibit 10.47 of Holdings' Annual Report on Form 10-K filed with the SEC on March 14, 2017).
10.39	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).
10.40	Amended and Restated Employment Agreement with Michael Rumbolz (effective May 5, 2017) (incorporated by reference to Exhibit 10.4 of Holdings' Current Report on Form 8-K filed with the SEC on May 9, 2017).
†10.41	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).
†10.42	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).
10.43	Transition and Resignation Agreement and General Release of All Claims with Juliet A. Lim dated October 25, 2017 (incorporated by reference to Exhibit 10.1 of Holdings' Quarterly Report on Form 10-Q filed with the SEC on November 7, 2017).

Exhibit Number	Exhibit Description
*10.44	Sixth Amendment to Contract Cash Solutions Agreement, dated as of December 29, 2017 between Everi Payments and Wells Fargo Bank, N.A.
*21.1	Subsidiaries of Holdings.
*23.1	Consent of BDO USA, 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.
**32.1	Certification of the Chief Executive Officer of Holdings in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of the 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.
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*	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.

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